

Half Yearly Report
June 30,
2010



Reflections of Commitment - the SambaWay

Samba Phone Banking 11 11 SAMBA (72622)

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World Class Banking

Samba Bank Limited

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Board of Directors

Syed Sajjad Razvi	Chairman
Mr. Beji Tak - Tak	Executive Director
Mr. Farhat Abbas Mirza	Independent Director
Mr. Humayun Murad	Independent Director
Mr. Javed Iqbal	Independent Director
Dr. Shujaat Nadeem	Executive Director
Mr. Zaki Abdulmohsen Al-Mousa	Executive Director
Mr. Zahid Zaheer	Independent Director
Mr. Tawfiq A. Husain	President & CEO

Audit Committee

Mr. Javed Iqbal	Chairman
Mr. Beji Tak - Tak	Member
Mr. Zahid Zaheer	Member

Board Credit Committee

Mr. Beji Tak - Tak	Chairman
Syed Sajjad Razvi	Member
Mr. Tawfiq A. Husain	Member
Mr. Humayun Murad	Member

Company Secretary

Syed Ali Azfar Naqvi

Auditors

A. F. Ferguson & Co.	Chartered Accountants
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Legal Advisors

Mohsin Tayebaly & Co.	Advocates & Legal Consultants
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Head Office & Registered Office

6th Floor, Sidco Avenue Centre, M.D.M. Wafai Road, Karachi

Share Register

Femco Associates (Pvt.) Limited
1st Floor, State Life Building No. 1-A, LL Chundrigar Road, Karachi

Samba Phone Banking

11 11 SAMBA (72622)

Website

www.samba.com.pk

Credit Rating by JCR-VIS

Long Term Credit Rating	A (single A)
Short Term Rating	A-1 (A-One)

KARACHI

Bahria Complex 1
Bahria Complex 2
DHA Phase VI
Clifton
Bahadurabad
S.I.T.E.
Fountain
Rashid Minhas Road
Shahra-e-Faisal
Gulshan-e-Iqbal
North Karachi



LAHORE

Mall Road
DHA
Cavalry Ground
Garden Town
Sarwar Road
Gulberg
Montgomery Road
Circular Road



ISLAMABAD / RAWALPINDI

Razia Sharif Plaza
F-10
F-7
Saddar, Rawalpindi Cantt.



GUJRANWALA

G.T. Road



FAISALABAD

Liaquat Road



MULTAN

Nusrat Road



SIALKOT

Paris Road



PESHAWAR

Saddar Road



On behalf of the Board of Directors, I would like to present the Director's Review of Samba Bank Limited along with the interim condensed financial statements and auditors' review report thereon for the half year ended June 30, 2010.

Financial Results

The financial highlights of your bank for the half year ended June 30, 2010 under review are summarized below:

	(Rupees in million)	
	For the half year ended	For the half year ended
	June 30, 2010	June 30, 2009
Loss before taxation	(96.45)	(471.54)
Taxation (including deferred)	(0.05)	40.72
Loss after taxation	(96.50)	(430.82)
Loss per share - in Rupees	(0.30)	(0.49)

	(Rupees in million)	
	June 30, 2010	December 31, 2009
	Total assets	27,003
Investments	7,347	5,808
Advances	10,019	9,723
Deposits	13,253	12,521
Paid up capital & reserves (before revaluation reserve)	7,959	7,073
(Deficit) / surplus on revaluation of securities - net of tax	(2)	3

Financial Overview

The economy of the country remained under stress during the first half of the financial year 2010. Despite the prevailing economic and business conditions, your bank reduced the after tax loss of Rs. 97 million during the first half of 2010, compared to Rs. 431 million of after tax loss in the corresponding period of last year. This translates into loss per share of Rs. 0.30 (IH-2009: Rs. 0.49). The results are a reflection of the bank's emphasis on improving operational efficiency, managing the cost of funds and accelerating the growth of its earning assets while keeping a close watch on the asset quality. Deposits of the bank stood at Rs. 13,253 million as at June 30, 2010, which grew by 32% over corresponding period of last year with Current Account Saving Account (CASA) mix increasing to 49% as against 43% and 42% as of December 31, 2009 and June 30, 2009, respectively.

Net mark-up income was Rs. 530 million, registering a growth of 70% over the corresponding period of last year. This is reflective of the success of the management to reduce the cost of funds and its focused approach to building good quality corporate loans. Similarly, provisions declined substantially due to the bank's prudent approach to risk taking in the prevailing lending environment and successful recoveries in the now discontinued consumer loans.

Additional Capital Injection

To comply with the minimum capital requirements prescribed by State Bank of Pakistan, your bank injected additional capital of Rs. 3.2 billion through issuance of right shares at the discounted price of Rs. 5.75 per share. With this issue, the bank's net capital stood at Rs.7.96 billion.

Credit Rating

Your bank maintained its long term credit rating of A (single A) depicting adequate credit quality with reasonable protection, whereas due to the strong capacity for timely payment of its financial commitment, your bank's short term rating remained A-1 (A One). These credit ratings are issued by JCR-VIS Credit Rating Agency.

Future Outlook

Security and power outages remained a challenge for the government and a cause of concern for economic stability. Currently, Pakistan is facing the worst floods of its history which have significantly destroyed its infrastructure which

is likely to have broad adverse impact on its economy. The second half of 2010 may witness dampened growth & larger fiscal and inflationary pressures which may have an adverse effect on the banking sector. Key challenges for the banking industry would be the rising cost of doing business and maintenance of asset quality.

Your bank will remain focused on managing its cost of funds by improving its deposit mix and steadily building its earning assets base, under rigorous risk management. During 2010, your bank expects to build on the strong momentum of the first half performance and deliver improved financial performance compared to 2009.

Acknowledgment

On behalf of Board of Directors and management, I would like to express sincere gratitude to our customers, business partners and shareholders for their patronage and trust in us and our parent Samba Financial Group for their unwavering support. I also like to thank State Bank of Pakistan and other regulatory authorities for their continuous guidance. Finally, I wish to thank our employees for their continued commitment, dedication and team work.

On behalf of Board of Directors,

Tawfiq A. Husain
President & Chief Executive Officer

August 25, 2010

Independent Auditors' Report on Review of The Condensed Interim Financial Information to The Members

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Samba Bank Limited as at June 30, 2010 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the accounts for the half year then ended (here-in-after referred to as the "condensed interim financial information"). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this condensed interim financial information based on our review. The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarters ended June 30, 2010 and 2009 have not been reviewed, as we are required to review only the cumulative figures for the half year ended June 30, 2010.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of condensed interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as of and for the half year ended June 30, 2010 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

A.F. Fergusons & Co.
Chartered Accountants

Dated: August 26, 2010
Karachi



Condensed Interim Statement of Financial Position

As at June 30, 2010

Note	(Rupees in '000)	
	(Un-audited)	(Audited)
	June 30, 2010	December 31, 2009
ASSETS		
Cash and balances with treasury banks	1,075,364	961,280
Balances with other banks	35,861	707,912
Lendings to financial institutions	5,107,692	3,123,377
Investments - net	7,346,514	5,807,829
Advances - net	10,019,031	9,723,411
Operating fixed assets	1,053,647	1,112,169
Deferred tax assets - net	1,562,182	1,550,008
Other assets	802,228	748,140
	27,002,519	23,734,126
LIABILITIES		
Bills payable	114,278	78,127
Borrowings	4,726,194	3,141,284
Deposits and other accounts	13,253,262	12,520,633
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	279	279
Deferred tax liabilities	-	-
Other liabilities	950,992	918,143
	19,045,005	16,658,466
NET ASSETS REPRESENTED BY:		
	7,957,514	7,075,660
Share capital	14,334,734	8,769,517
Discount on issue of right shares	(2,345,217)	-
Reserves	43,080	43,080
Advance share subscription money received against proposed issue of right shares	-	2,189,440
Accumulated loss	(4,053,248)	(3,929,320)
	7,959,349	7,072,717
(Deficit) / surplus on revaluation of assets - net of tax	(1,835)	2,943
	7,957,514	7,075,660

CONTINGENCIES AND COMMITMENTS

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The annexed notes 1 to 16 form an integral part of these condensed interim financial statements.

President & Chief Executive Officer

Chairman

Director

Director

Condensed Interim Profit and Loss Account (Un-audited)

For The Quarter And Half Year Ended June 30, 2010

Note	(Rupees in '000)		(Rupees in '000)	
	Quarter ended		Half Year ended	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Mark-up / return / interest earned	583,352	494,476	1,138,639	951,347
Mark-up / return / interest expensed	306,059	341,223	608,672	639,771
Net mark-up / return / interest income	277,293	153,253	529,967	311,576
Provision against non performing loans and advances - net	2,643	16,550	1,592	64,133
Provision for diminution in the value of investments- net	-	-	11,794	-
Recoveries against debts written-off	(1,457)	(1,545)	(2,362)	(2,619)
	1,186	15,005	11,024	61,514
Net mark-up / return / interest income after provisions	276,107	138,248	518,943	250,062
Non mark-up / interest income				
Fee, commission and brokerage income	18,839	13,905	39,308	29,867
Dividend income	-	-	8	-
(Loss) / income from dealing in foreign currencies	(11,429)	8,425	(22,699)	14,813
Gain on sale of securities	848	823	856	3,072
Unrealised (loss) / gain on revaluation of investments classified as held for trading	(39)	437	(39)	-
Other income	2,876	869	4,692	5,572
Total non mark-up / interest income	11,095	24,459	22,126	53,324
	287,202	162,707	541,069	303,386
Non mark-up / interest expenses				
Administrative expenses	350,417	374,556	673,574	716,696
(Reversal of provisions) / other provisions / write offs- net	(19,462)	26,329	(27,462)	31,074
(Reversal of charges) / other charges	(8,700)	27,162	(8,593)	27,162
Total non mark-up / interest expenses	322,255	428,047	637,519	774,932
	(35,053)	(265,340)	(96,450)	(471,546)
Extraordinary items	-	-	-	-
Loss before taxation	(35,053)	(265,340)	(96,450)	(471,546)
Taxation - Current year	8,911	-	11,815	-
- Prior years	-	-	-	-
- Deferred	(11,765)	-	(11,765)	(40,722)
	(2,854)	-	50	(40,722)
Loss after taxation	(32,199)	(265,340)	(96,500)	(430,824)
Basic / diluted loss per share (Rupees)	(0.03)	(0.30)	(0.10)	(0.49)

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The annexed notes 1 to 16 form an integral part of these condensed interim financial statements.

President & Chief Executive Officer

Chairman

Director

Director

Condensed Interim Statement of Comprehensive Income (Un-audited)

For The Quarter And Half Year Ended June 30, 2010

	(Rupees in '000)		(Rupees in '000)	
	Quarter ended		Half Year ended	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Loss for the period	(32,199)	(265,340)	(96,500)	(430,824)
Other comprehensive income	-	-	-	-
Comprehensive income transferred to condensed interim statement of changes in equity	(32,199)	(265,340)	(96,500)	(430,824)
Components of comprehensive income not reflected in equity				
(Deficit) / surplus on revaluation of available for sale financial assets - net of tax	(2,769)	1,579	(4,778)	14,981
Total comprehensive income for the period	(34,968)	(263,761)	(101,278)	(415,843)

The annexed notes 1 to 16 form an integral part of these condensed interim financial statements.

President & Chief Executive Officer

Chairman

Director

Director

Condensed Interim Cash Flow Statement (Un-audited)

For The Half Year Ended June 30, 2010

	(Rupees in '000)	
	Half year ended	Half year ended
	June 30, 2010	June 30, 2009
CASH FLOW FROM OPERATING ACTIVITIES		
Loss before taxation	(96,450)	(471,546)
Less: Dividend income	(8)	-
	(96,458)	(471,546)
Adjustments for non-cash and other items:		
Depreciation	80,370	74,502
Amortisation	3,129	2,735
Provision against non-performing loans and advances - net	1,592	64,133
Provision for diminution in the value of investments	11,794	-
Gain on sale of operating fixed assets	(1,799)	(5,541)
Intangible assets written off	1,126	-
Gain on sale of securities	(856)	(3,072)
Unrealised loss on revaluation of investments classified as held for trading (Reversals) / other provisions / write offs - net	39	-
	(28,500)	31,074
	66,895	163,831
	(29,563)	(307,715)
(Increase) / decrease in operating assets		
Lendings to financial institutions	(1,984,315)	(826,668)
Held for trading securities	(246,640)	2,427,240
Loans and advances - net	(297,212)	(855,386)
Other assets (excluding advance taxation)	(61,170)	11,924
	(2,589,337)	757,110
Increase/ (decrease) in operating liabilities		
Bills payable	36,151	18,423
Borrowings from financial institutions	1,584,910	1,803,977
Deposits and other accounts	732,629	154,091
Other liabilities	54,349	67,960
	2,408,039	2,044,451
	(210,861)	2,493,846
	2,267	(2,249)
Net cash (outflow on) / inflow from operating activities	(208,594)	2,491,597
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in securities	(1,308,209)	(2,670,290)
Dividend received	8	-
Investment in operating fixed assets	(29,949)	(35,019)
Sale proceeds from disposals of property and equipment	5,645	11,462
Net cash outflow on investing activities	(1,332,505)	(2,693,847)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of right shares	1,010,560	-
Cost incurred on issuance of shares	(27,428)	-
Net cash inflow from financing activities	983,132	-
Decrease in cash and cash equivalents	(557,967)	(202,250)
Cash and cash equivalents at beginning of the period	1,669,192	1,105,776
Cash and cash equivalents at end of the period	1,111,225	903,526

The annexed notes 1 to 16 form an integral part of these condensed interim financial statements.

President & Chief Executive Officer

Chairman

Director

Director

Condensed Interim Statement of Changes in Equity (Un-audited)

For The Half Year Ended June 30, 2010

	(Rupees in '000)						
	Share capital	Discount on issue of right shares	Capital reserve	Statutory reserve	Advance share subscription money received against proposed issue of right shares	Accumulated loss	Total
Balance as at January 01, 2009	8,769,517	-	20,935	22,145	-	(3,336,267)	5,476,330
Comprehensive income for the half year ended June 30, 2009	-	-	-	-	-	(430,824)	(430,824)
Balance as at June 30, 2009	8,769,517	-	20,935	22,145	-	(3,767,091)	5,045,506
Comprehensive income for the half year ended December 31, 2009	-	-	-	-	-	(162,229)	(162,229)
Advance share subscription money received against proposed issue of right shares	-	-	-	-	2,189,440	-	2,189,440
Balance as at December 31, 2009	8,769,517	-	20,935	22,145	2,189,440	(3,929,320)	7,072,717
Comprehensive income for the half year ended June 30, 2010	-	-	-	-	-	(96,500)	(96,500)
Issue of Right Shares	5,565,217	-	-	-	(2,189,440)	-	3,375,777
Discount on issue of right shares	-	(2,365,217)	-	-	-	-	(2,365,217)
Share issue cost	-	-	-	-	-	(27,428)	(27,428)
Balance as at June 30, 2010	14,334,734	(2,365,217)	20,935	22,145	-	(4,053,248)	7,959,349

Transaction costs incurred in connection with the issue of shares has been accounted for as a deduction from equity, in accordance with paragraph 37 of IAS 32 'Financial Instruments: Presentation'.

The annexed notes 1 to 16 form an integral part of these condensed interim financial statements.

President & Chief Executive Officer

Chairman

Director

Director

Notes to and Forming Part of the Condensed Interim Financial Statements (Un-audited)

For The Half Year Ended June 30, 2010

1 STATUS AND NATURE OF BUSINESS

Samba Bank Limited (the bank) is a banking company incorporated in Pakistan and is engaged in commercial banking and related services. The bank is listed on all the stock exchanges of Pakistan. Its principal and registered office is located at 6th Floor, Sidco Avenue Centre, Maulana Deen Muhammad Wafal Road, Karachi. The bank is a subsidiary of SAMBA Financial Group of Saudi Arabia which holds 80.68% (December 31, 2009: 68.42%) shares of the bank. The bank operates 28 (December 31, 2009: 28) branches inside Pakistan.

In order to comply with the minimum paid-up capital requirements prescribed by the State Bank of Pakistan (SBP) the bank issued 556,522 million ordinary shares (par value of Rs 10 per share) at a discounted subscription price of Rs 5.75 per share during the year. The issue of shares was approved in the extraordinary general meeting of the bank held on December 30, 2009. The issue of capital at discount was approved by the SBP and the Securities and Exchange Commission of Pakistan (SECP) vide their letters BSD/BIA-2/201/90/2009 dated September 19, 2009 and LMO/CI/36/2009/70 dated January 20, 2010 respectively. The shareholding of SAMBA Financial Group of Saudi Arabia after the allotment of right shares (including unsubscribed right shares underwritten by SAMBA Financial Group) has increased to 80.68% as at June 30, 2010 from 68.42% at December 31, 2009.

2 BASIS OF PRESENTATION

In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these financial statements as such but are restricted to the amount of facility actually utilised and appropriate portion of mark-up thereon.

3 STATEMENT OF COMPLIANCE

(a) These condensed interim financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or the directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (SBP). Wherever the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or the directives issued by the SECP and SBP differ with the requirements of IFRS, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or the requirements of the said directives prevail.

(b) The SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for Banking Companies through BSD Circular Letter No. 10 dated August 26, 2002 till further instructions. Further, the SECP has deferred the applicability of International Financial Reporting Standard (IFRS) 7 'Financial Instruments: Disclosures' through its notification S.R.O 4110/2008 dated April 28, 2008. Accordingly, the requirements of these standards have not been considered in the preparation of these condensed interim financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.

(c) SBP through its BSD Circular No. 07 dated April 20, 2010 has clarified that for the purpose of preparation of financial statements in accordance with International Accounting Standard - 1 (Revised) 'Presentation of Financial Statements', two statement approach shall be adopted i.e. separate 'Profit and Loss Account' and 'Statement of Comprehensive Income' shall be presented, and Balance Sheet shall be renamed as 'Statement of Financial Position'. Furthermore, the Surplus / (Deficit) on Revaluation of Available-for-sale Securities (AFS) only, may be included in the 'Statement of Comprehensive Income'. Accordingly, the above requirements have been adopted in the preparation of these condensed interim financial statements.

(d) The disclosures made in these condensed interim financial statements have been limited based on the format prescribed by the State Bank of Pakistan vide BSD Circular Letter No. 2 dated May 12, 2004 and International Accounting Standard 34, Interim Financial Reporting. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the financial statements of the bank for the year ended December 31, 2009.

4 BASIS OF MEASUREMENT

These condensed interim financial statements have been prepared under the historical cost convention except that certain investments, foreign currency balances and commitments in respect of foreign exchange contracts and derivative financial instruments have been marked to market and are carried at fair value.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of these condensed interim financial statements are same as those applied in the preparation of the annual financial statements of the Bank for the year ended December 31, 2009.

6. INVESTMENTS

(Rupees in '000)

Note	June 30, 2010			December 31, 2009		
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
Held for trading securities	246,640	-	246,640	-	-	-
Available for sale securities	4,977,875	1,866,027	6,843,902	3,997,331	1,535,053	5,532,384
Held to maturity securities	37,618	-	37,618	320,071	-	320,071
Associates	37,470	-	37,470	37,470	-	37,470
	5,933,603	1,866,027	7,799,630	4,688,872	1,535,053	6,223,925
Provision for diminution in the value of investments	(428,218)	-	(428,218)	(416,424)	-	(416,424)
Deficit on revaluation of held for trading securities	(39)	-	(39)	-	-	-
Deficit on revaluation of available for sale securities	(5,031)	172	(4,859)	(759)	1,087	328
Investments-net	5,480,315	1,866,199	7,346,514	4,271,689	1,536,140	5,807,829
6.1 Held for trading securities						
Market Treasury Bills	246,640	-	246,640	-	-	-
6.2 Available-for-sale securities						
Market Treasury Bills	4,652,619	1,866,027	6,518,646	3,672,991	1,535,053	5,208,044
Pakistan Investment Bonds	16,140	-	16,140	15,224	-	15,224
Sukuk Bond	10,000	-	10,000	10,000	-	10,000
Ordinary shares and certificates - listed	123,707	-	123,707	123,707	-	123,707
Ordinary shares - unlisted	65,409	-	65,409	65,409	-	65,409
Preference shares - listed	10,000	-	10,000	10,000	-	10,000
	4,977,875	1,866,027	6,843,902	3,997,331	1,535,053	5,532,384
6.3 Held-to-maturity securities						
Pakistan Investment Bonds	37,618	-	37,618	320,071	-	320,071
6.4 Associates						
Ordinary shares - listed	37,470	-	37,470	37,470	-	37,470

7. ADVANCES - NET

(Rupees in '000)

Note	June 30, 2010	December 31, 2009
Loans, cash credits, running finances, etc. - In Pakistan	11,911,727	11,605,399
Net investment in finance lease - In Pakistan	521,721	567,821
Bills discounted and purchased (excluding government treasury bills) - Payable in Pakistan	119,195	119,372
- Payable outside Pakistan	77,645	50,768
Advances gross	12,630,288	12,343,360
Less: Provision for loans and advances - Specific provision	(2,546,365)	(2,544,717)
- General provision	(64,892)	(75,232)
	(2,611,257)	(2,619,949)
Advances - net of provision	10,019,031	9,723,411

7.1 Advances include Rs 2,669.731 million (December 31, 2009: 2,726.295 million) which have been placed under non-performing status as detailed below:

(Rupees in '000)

Category of classification	June 30, 2010				
	Classified Advances		Total	Provision required	Provision held
	Domestic	Overseas			
Substandard	69,617	-	69,617	17,404	17,404
Doubtful	669	-	669	335	335
Loss	2,599,445	-	2,599,445	2,528,626	2,528,626
	2,669,731	-	2,669,731	2,546,365	2,546,365

(Rupees in '000)

Category of classification	December 31, 2009				
	Classified Advances		Total	Provision required	Provision held
	Domestic	Overseas			
Substandard	158,112	-	158,112	38,177	38,177
Doubtful	9,341	-	9,341	4,671	4,671
Loss	2,558,842	-	2,558,842	2,501,869	2,501,869
	2,726,295	-	2,726,295	2,544,717	2,544,717

7.2 The general provision includes a provision amounting to Rs 42.342 million (December 31, 2009: 54.415 million) against consumer financing portfolio as required by the Prudential Regulations issued by the SBP. General provision also includes a provision of Rs 22.550 million (December 31, 2009: Rs 20.817 million) made in respect of potential loan losses present in the portfolio but not specifically identified and has been determined on the basis of management best estimate.

8. DEFERRED TAX ASSET - NET

The bank has unabsorbed tax losses amounting to Rs 2,824.514 million as at June 30, 2010. The aforementioned unabsorbed losses have been determined after taking into account assessments finalised during the year. The bank has contented certain add backs made by the taxation authorities in finalising these assessments. However, out of this amount, the management has recognised deferred tax debit balance of Rs 806.583 million on losses amounting to Rs 2,304.523 million. The deferred tax debit balance recognised in the special purpose condensed interim financial statements represents the management's best estimate of the potential benefit which is expected to be realised in future years in the form of reduced tax liability as the bank would be able to set off the profits earned in these years against losses carried forward from prior years. The amount of this benefit has been determined based on the projections of the bank for the next five years.

(Rupees in '000)

9. BORROWINGS FROM FINANCIAL INSTITUTIONS

	June 30, 2010	December 31, 2009
Secured		
Borrowings from State Bank of Pakistan under export refinance scheme	1,003,934	1,286,716
Repurchase agreement borrowings	2,949,924	1,532,232
	3,953,858	2,818,948
Unsecured		
Call money borrowing	750,000	300,000
Bankers Equity Limited (under liquidation)	22,336	22,336
	772,336	322,336
	4,726,194	3,141,284

10. DEPOSITS AND OTHER ACCOUNTS

	June 30, 2010	December 31, 2009
Customers		
Fixed deposits	6,590,149	5,980,945
Savings deposits	3,560,314	2,621,126
Current accounts - non-remunerative	2,900,938	2,757,072
Others - non-remunerative	11,824	12,364
	13,063,225	11,371,507
Financial Institutions		
Remunerative deposits	138,493	1,102,999
Non-remunerative deposits	51,544	46,127
	190,037	1,149,126
	13,253,262	12,520,633

(Rupees in '000)

	June 30, 2010	December 31, 2009
11 CONTINGENCIES AND COMMITMENTS		
11.1 Direct credit substitutes		
Favouring others	455,648	421,003
	455,648	421,003
11.2 Transaction-related contingent liabilities / commitments		
Contingent liabilities in respect of performance bonds, bid bonds, warranties, etc. given favouring		
- Government	1,028,639	955,835
- Others	204,792	196,792
	1,233,431	1,152,627
11.3 Trade-related contingent liabilities		
Favouring others	2,791,566	607,890
	2,791,566	607,890
11.4 Other contingencies		
Claims against the Bank not acknowledged as debts	97,966	96,766
11.5 Contingencies in respect of taxation		

The Income tax department had raised an aggregate demand of Rs 426.787 million for the assessment years 1995-96, 1996-97, 1999-00, 2001-02, 2002-03 on account of non-deduction of tax on profit paid under portfolio management scheme, interest paid on foreign currency deposits and certificates of investment. The department had also raised demand of Rs 782.63 million for assessment years 1995-96, 1998-99 to assessment year 2002-03 on account of taxability of investment bank as banking companies, taxation of dividend income, add back relating to extra shift allowance, lease rentals received or receivable, lease key money and certain other items. The department has raised a further demand of Rs 0.632 million for the tax year 2006 in respect of addition on account of restriction of depreciation, apportionment of expenses and bad debts written off. The aforementioned demands and add backs include pending assessments of amalgamated entities namely Crescent Investment Bank Limited, Trust Investment Bank Limited, Fidelity Investment Bank Limited and Pakistan Industrial Leasing Corporation.

Presently, the bank is contesting these add backs / demands at various appellate forums. The disallowances in respect of a number of assessment years have been decided / set aside by various appellate authorities for re-assessment while the bank's appeal in respect of the remaining assessment years are currently pending. Based on the professional advice received from tax advisors, the management is confident that the eventual outcome of the aforementioned matters will be in favour of the bank. Accordingly, no provision has been made in these financial statements in respect of the above mentioned demands of Rs 1,210.049 million raised by the income tax authorities.

11.6 Commitments to extend credit

The bank makes commitments to extend credit in the normal course of its business but these being recoverable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn.

11.7 Commitments in respect of forward foreign exchange contracts

(Rupees in '000)

	June 30, 2010	December 31, 2009
Purchase	4,526,648	3,751,883
Sale	2,937,447	3,724,147

11.8 Capital Commitments

Commitments for capital expenditure as at June 30, 2010 amounted to Rs. 1,974 million (December 31, 2009: Rs. 7,442 million).

(Rupees in '000)

	June 30, 2010	June 30, 2009
12 LOSS PER SHARE		
Loss after taxation	(96,500)	(430,824)

Number of shares

Weighted average number of shares outstanding during the period

	June 30, 2010	June 30, 2009
	1,015,313,433	876,951,675

Rupees

Loss per share

	(0.00)	(0.49)
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12.1 Diluted earnings per share has not been presented as the bank does not have any convertible instruments in issue at June 30, 2009 and 2010 which would have any effect on the loss per share if the option to convert is exercised.

13 RELATED PARTY TRANSACTIONS

The bank has related party relationship with its holding company, associates, employee contribution plan, its directors and key management personnel.

Banking transactions with the related parties are executed substantially on the same terms, including mark-up rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties and do not involve more than a normal risk. Transactions with the executives are undertaken at terms in accordance with employment agreements and services rules and includes provision of advances on terms softer than those offered to the customers of the bank.

Contribution to staff retirement benefit plan is made in accordance with the terms of the contribution plan. Remuneration to the executives are determined in accordance with the terms of their employment.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the bank. The bank considers all member of their management team, including Chief Executive and Directors to be key management personnel.

Details of transactions with related parties are given below:

(Rupees in '000)

	June 30, 2010			December 31, 2009		
	Key management personnel	Associates / Holding Company	Others	Key management personnel	Associates / Holding Company	Others
BALANCE OUTSTANDING - GROSS						
Advances						
At January 01	65,129	45,500	-	62,961	45,500	-
Given during the period	616	-	-	23,313	-	-
Repaid during the period	(3,317)	-	-	(21,145)	-	-
Adjustments	43	-	-	-	-	-
At June 30 / December 31	62,471	45,500	-	65,129	45,500	-
Provision held against advances	-	45,500	-	-	45,500	-
Deposits						
At January 01	102,926	3,222	92,650	58,609	15,934	57,961
Received during the period	198,291	-	26,954	251,792	162,313	300,818
Withdrawn the period	(180,551)	-	(12,461)	(205,633)	(175,025)	(266,129)
Adjustments	6,913	-	-	(1,842)	-	-
At June 30 / December 31	127,579	3,222	107,143	102,926	3,222	92,650
Others						
Guarantees	-	42,196	-	-	42,196	-
Provision against guarantees	-	3,733	-	-	3,733	-
Balances in nostro accounts	-	1,193	-	-	4,237	-
Investment in shares	-	371,470	-	-	371,470	-

(Rupees in '000)

	June 30, 2010			December 31, 2009		
	Key management personnel	Associates / Holding Company	Others	Key management personnel	Associates / Holding Company	Others
Sundry receivables	-	32,791	-	-	32,791	-
Sundry payable	-	126,578	-	-	113,989	-
Group service cost	-	100,000	-	-	70,000	-
Other Liabilities	-	5,000	-	-	5,000	-
Balances in vostro accounts	-	11,919	-	-	11,531	-
Advance share subscription money received against proposed issue of right shares	-	-	-	-	2,189,440	-
Provision against diminution in the value of investments	-	256,555	-	-	256,555	-

(Rupees in '000)

	Half year ended June 30, 2010			Half year ended June 30, 2009		
	Key management personnel	Associates / Holding Company	Others	Key management personnel	Associates / Holding Company	Others
Transactions for the period						
Remuneration and benefits	5,130	-	-	5,410	-	-
Directors fee	3,189	-	-	3,019	-	-
Commission on guarantee	-	50	-	-	-	-
Counter confirmation charges on guarantees	-	4,363	-	-	12,662	-
Provision against guarantees	-	-	-	-	3,733	-
Mark-up / return / interest expensed	3,400	-	4,745	2,622	2,396	2,509
Mark-up / return / interest income	1,282	-	-	1,252	-	-
Disposal of fixed assets	537	-	-	-	-	-
Group service cost	-	30,000	-	-	-	-
Received against unsubscribed portion of right issue	-	1,010,384	-	-	-	-
Share capital issued (net of discount)	-	3,199,624	-	-	-	-

14 SEGMENTS DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

The segment analysis with respect to business activity is as follows:

(Rupees in '000)

Particulars	For the half year ended June 30, 2010 (Un-audited)				
	Corporate finance	Trading & sales	Retail banking	Commercial banking	Total
Total income (net of interest expense and provisions)	2,000	68,793	198,026	299,712	568,531
Total operating expenses	(5,994)	(60,689)	(483,278)	(115,020)	(664,981)
Net loss (before tax)	(3,994)	8,104	(285,252)	184,692	(96,450)

Particulars	For the half year ended June 30, 2009 (Un-audited)				
	Corporate finance	Trading & sales	Retail banking	Commercial banking	Total
Total income (net of interest expense and provisions)	784	73,524	19,716	78,288	272,312
Total operating expenses	(12,711)	(61,823)	(511,929)	(157,395)	(743,858)
Net loss (before tax)	(11,927)	1,701	(392,213)	(79,107)	(471,546)

(Rupees in '000)

Particulars	As at June 30, 2010 (Un-audited)				
	Corporate finance	Trading & sales	Retail banking	Commercial banking	Total
Segment assets	13,545	15,091,206	2,809,890	12,226,295	30,140,936
Segment non-performing loans	-	-	73,184	1,956,547	2,669,731
Segment provision held	-	433,876	674,113	2,030,428	3,138,417
Segment liabilities	168	3,806,424	11,229,740	4,108,673	19,045,005

(Rupees in '000)

Particulars	As at December 31, 2009 (Audited)				
	Corporate finance	Trading & sales	Retail banking	Commercial banking	Total
Segment assets	6,408	12,302,708	3,102,413	11,465,111	26,876,640
Segment non-performing loans	-	7,096	74,070	2,005,129	2,726,295
Segment provision held	-	440,338	638,716	2,063,460	3,142,514
Segment liabilities	-	1,890,734	9,567,611	5,200,121	16,658,466

15 GENERAL

Corresponding figures have been re-arranged and reclassified, wherever necessary, to facilitate comparison. Significant reclassifications include following:

- An amount of Rs 2.619 million for the half year ended June 30, 2009 has been reclassified from other income to recoveries against debts written off.
- An amount of Rs 10,780 million for the half year ended June 30, 2009 has been reclassified from other income to fee, commission and brokerage income.
- An amount of Rs 4.843 million for the quarter ended June 30, 2009 has been reclassified from other income to fee, commission and brokerage income.
- Figures have been rounded off to the nearest thousand rupees.

16 DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on August 25, 2010 by the Board of Directors of the bank.

President & Chief Executive Officer

Chairman

Director

Director