

Quarterly Report
September 30,
2010



Reflections of Commitment - the SambaWay

Samba Phone Banking 11 11 SAMBA (72622)

www.samba.com.pk

World Class Banking

Samba Bank Limited

samba سامبا

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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	(Acting)*
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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)

* Ms. Saima Khan appointed as new Company Secretary, effective from October 25, 2010.

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 for the 9 months period ended September 30, 2010.

Financial Results

The financial highlights of your bank for the 9 months period ended September 30, 2010 are summarized below:

	(Rupees in million)	
	For the 9 months period ended	For the 9 months period ended
	September 30, 2010	September 30, 2009
Loss before taxation	(123.3)	(795.7)
Taxation (including deferred)	(8.2)	40.7
Loss after taxation	(131.5)	(755.0)
Loss per share - in Rupees	(0.11)	(0.86)

	(Rupees in million)	
	September 30, 2010	December 31, 2009
	Total assets	25,828
Investments	3,261	5,808
Advances	9,909	9,723
Deposits	15,253	12,521
Paid up capital & reserves (before revaluation reserve)	7,924	7,073
(Deficit) / surplus on revaluation of securities - net of tax	(14)	3

Financial Overview

In spite of the stress on the economy and the challenging business environment, primarily due to the unprecedented floods faced by the country, your bank was successful in reducing its after tax loss to Rs. 131.5 million during nine months ended September 30, 2010, which is Rs.623 million lower than Rs.755 million losses incurred in the corresponding period of last year. Your bank's management remained focused on growing its low cost and stable deposits and building its corporate loan book, while ensuring good asset quality. Provision for credit losses also declined by 84%, as compared to the corresponding period of last year. This is indicative of the bank's prudent approach to risk taking in the prevailing lending environment and the successful recoveries in the now discontinued consumer loans.

Net mark-up income registered a growth of about 71% over the corresponding period of last year. Also, in spite of the prevailing high inflation, the management was successful in reducing its operating expenses to Rs.995 million from Rs.1,118 million in the corresponding period of 2009. This was achieved by effectively managing the expense base and extracting operational efficiencies.

As of September 30, 2010, your bank's deposit and loan portfolio grew by approximately 22% and 2%, respectively, over December 31, 2009. Overall balance sheet of your bank stood at Rs.26 billion, showing an increase of about 9% over December 31, 2009.

Credit Rating

JCR-VIS Credit Rating Agency maintained the bank's long term credit rating of A (single A) and short term rating A-1 (A One). These long and short term ratings, respectively, denote adequate credit quality with reasonable protection and strong capacity for timely payment of its financial commitments.

Future Outlook

Pakistan's economy will remain challenged by the devastation caused by the recent floods, in general, and twin deficits, imbalances and inflation, in particular. Security and power shortfall remain a cause for concern for 2010-11.

Your bank will remain focused on growing and widening its revenue base by building quality assets, growing its deposits, constantly improving its deposit mix, reducing its cost of funds and introducing new products and services. The management will be relentless in optimizing its operational efficiencies to effectively mitigate the adverse effects of the rising cost of doing business.

Acknowledgment

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

On behalf of Board of Directors,

Tawfiq A. Husain
President & Chief Executive Officer

October 20, 2010

Condensed Interim Statement of Financial Position

As at September 30, 2010

	Note	(Rupees in '000)	
		(Un-audited)	(Audited)
		September 30, 2010	December 31, 2009
ASSETS			
Cash and balances with treasury banks		1,210,628	961,280
Balances with other banks		24,884	707,912
Lendings to financial institutions		8,035,324	3,123,377
Investments - net	6	3,261,763	5,807,829
Advances - net	7	9,909,117	9,723,411
Operating fixed assets		1,027,894	1,112,169
Deferred tax assets - net		1,563,146	1,550,008
Other assets		795,599	748,140
		<u>25,828,355</u>	<u>23,734,126</u>
LIABILITIES			
Bills payable		114,010	78,127
Borrowings	8	1,591,829	3,141,284
Deposits and other accounts	9	15,252,932	12,520,633
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		279	279
Deferred tax liabilities		-	-
Other liabilities		959,353	918,143
		<u>17,918,403</u>	<u>16,658,466</u>
NET ASSETS REPRESENTED BY:			
Share capital		14,334,734	8,769,517
Discount on issue of right shares		(2,365,217)	-
Reserves		43,080	43,080
Advance share subscription money received against proposed issue of right shares		-	2,189,440
Accumulated loss		(4,088,299)	(3,929,320)
		<u>7,924,298</u>	<u>7,072,717</u>
(Deficit) / surplus on revaluation of assets - net of tax		(14,346)	2,943
		<u>7,909,952</u>	<u>7,075,660</u>

CONTINGENCIES AND COMMITMENTS

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The annexed notes 1 to 15 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 Nine Months Period Ended September 30, 2010

Note	(Rupees in '000)		(Rupees in '000)	
	Quarter ended		Nine Months ended	
	Sep 30, 2010	Sep 30, 2009	Sep 30, 2010	Sep 30, 2009
Mark-up / return / interest earned	611,200	435,832	1,749,839	1,387,179
Mark-up / return / interest expensed	315,018	263,458	923,690	903,229
Net mark-up / return / interest income	296,182	172,374	826,149	483,950
(Reversal) / Provision against loans and advances - net	24,711	101,354	26,303	165,487
Provision for diminution in the value of investments- net	-	-	11,794	-
Bad debts written-off directly / (recoveries against debts written-off)	(550)	-	(2,913)	-
	24,160	101,354	35,184	165,487
Net mark-up / return / interest income after provisions	272,022	71,020	790,965	318,463
Non mark-up / interest income				
Fee, commission and brokerage income	10,231	7,367	49,539	26,454
Dividend income	-	-	8	-
Income from dealing in foreign currencies	(15,508)	(10,824)	(38,207)	3,989
Gain / (loss) on sale of securities	9,867	113	10,723	3,185
Gain / (loss) on revaluation of investments classified as held for trading	39	-	-	-
Other income	26,508	9,204	31,200	28,175
Total non mark-up / interest income	31,137	5,860	53,263	61,803
	303,159	76,880	844,228	380,266
Non mark-up / interest expenses				
Administrative expenses	330,015	374,686	1,003,589	1,091,382
Other provisions / write offs- net	-	26,381	(27,462)	57,455
Other charges	-	-	(8,593)	27,162
Total non mark-up / interest expenses	330,015	401,067	967,534	1,175,999
	(26,856)	(324,187)	(123,306)	(795,733)
Extraordinary items	-	-	-	-
Loss before taxation	(26,856)	(324,187)	(123,306)	(795,733)
Taxation - Current year	6,539	-	18,354	-
- Prior years	-	-	-	-
- Deferred	1,656	-	(10,109)	(40,722)
	8,195	-	8,245	(40,722)
Loss after taxation	(35,051)	(324,187)	(131,551)	(755,011)
Basic / diluted loss per share (Rupees)	(0.02)	(0.37)	(0.11)	(0.86)

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The annexed notes 1 to 15 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 Nine Months Period Ended September 30, 2010

	(Rupees in '000)		(Rupees in '000)	
	Quarter ended		Nine Months ended	
	Sep 30, 2010	Sep 30, 2009	Sep 30, 2010	Sep 30, 2009
Loss for the period	(35,051)	(324,187)	(131,551)	(755,011)
Other comprehensive income	-	-	-	-
Comprehensive income transferred to condensed interim statement of changes in equity	(35,051)	(324,187)	(131,551)	(755,011)
Components of comprehensive income not reflected in equity				
(Deficit) / surplus on revaluation of available for sale financial assets - net of tax	(12,511)	9,881	(17,289)	24,862
Total comprehensive income for the period	(47,563)	(314,306)	(148,840)	(730,149)

The annexed notes 1 to 15 form an integral part of these condensed interim financial statements.

Condensed Interim Cash Flow Statement (Un-audited)

For The Nine Months Period Ended September 30, 2010

	(Rupees in '000)	
	Nine Months ended	Nine Months ended
	September 30, 2010	September 30, 2009
CASH FLOW FROM OPERATING ACTIVITIES		
Loss before taxation	(123,306)	(795,733)
Less: Dividend income	(8)	-
	(123,314)	795,733
Adjustments for non-cash charges:		
Depreciation and amortization	122,880	118,407
Provision against loans and advances - net	26,303	165,487
Provision for diminution in the value of investment	11,794	-
Gain on sale of operating fixed assets	(28,242)	(9,167)
Write offs intangible assets	1,125	-
Gain on sale of securities	(10,723)	(3,185)
Other provisions / write offs-net	(28,500)	57,455
	94,637	328,997
	(28,677)	(466,736)
(Increase) / decrease in operating assets		
Lendings to financial institutions	(4,911,947)	407,749
Held for trading securities	-	2,429,297
Advances	(212,008)	(115,288)
Other assets (excluding advance & current taxation)	(59,734)	69,317
	(5,183,689)	2,791,075
Increase/ (decrease) in operating liabilities		
Bills payable	35,883	25,888
Borrowings from financial institutions	(1,549,455)	1,349,325
Deposits and other accounts	2,732,299	306,282
Other liabilities	62,707	43,986
	1,281,434	1,725,481
	(3,930,932)	4,049,820
Income tax refunds / (paid) - net	922	(5,930)
Net cash (outflow on) / inflow from operating activities	(3,930,010)	4,043,890
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in securities	2,524,678	(4,236,349)
Dividend received	8	-
Investment in operating fixed assets	(47,082)	(51,047)
Proceeds from sale of fixed assets	35,594	21,499
Net cash outflow on investing activities	2,513,198	(4,265,897)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of right shares	1,010,560	-
Cost incurred on issuance of shares	(27,428)	-
Net cash used in financing activities	983,132	-
Increase / (Decrease) in cash and cash equivalents	(433,680)	(222,007)
Cash and cash equivalents at beginning of the period	1,669,192	1,105,776
Cash and cash equivalents at end of the period	1,235,512	883,769

The annexed notes 1 to 15 form an integral part of these interim condensed financial statements.

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

For The Nine Months Period Ended September 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 period ended September 30, 2009	-	-	-	-	-	(755,011)	(755,011)
Balance as at September 30, 2009	8,769,517	-	20,935	22,145	-	(4,091,278)	4,721,319
Comprehensive income for the quarter ended December 31, 2009	-	-	-	-	-	161,958	161,958
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 period ended September 30, 2010	-	-	-	-	-	(131,551)	(131,551)
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 September 30, 2010	14,334,734	(2,365,217)	20,935	22,145	-	(4,088,299)	7,924,298

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 15 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 Nine Months Period Ended September 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 Wafai 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 period. 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-2/201/901/2009 dated September 19, 2009 and EMD/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 September 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

- 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.
- 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 411(I)/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.
- 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 adopted in the preparation of these condensed interim financial statements are the 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	September 30, 2010			December 31, 2009			
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total	
Held for trading securities	61	-	-	-	-	-	
Available for sale securities	62	2,524,001	468,805	2,992,806	3,997,331	1,535,053	5,532,384
Held to maturity securities	63	316,377	-	316,377	320,071	-	320,071
Associates / Associated companies	64	371,470	-	371,470	371,470	-	371,470
		3,211,848	468,805	3,680,653	4,688,872	1,535,053	6,223,925
Provision for diminution in the value of investments		(398,900)	-	(398,900)	(416,424)	-	(416,424)
Deficit on revaluation of held for trading securities		-	-	-	-	-	-
Deficit on revaluation of available for sale securities		(17,620)	(2,369)	(19,989)	(759)	1,087	328
Investments-net		2,795,327	466,436	3,261,763	4,271,689	1,536,140	5,807,829
6.1 Held for trading securities							
Market Treasury Bills		-	-	-	-	-	-
6.2 Available-for-sale securities							
Market Treasury Bills		2,236,141	468,805	2,704,946	3,672,991	1,535,053	5,208,044
Pakistan Investment Bonds		116,633	-	116,633	116,224	-	116,224
Sukuk Bond		10,000	-	10,000	10,000	-	10,000
Ordinary shares and certificates - listed		85,818	-	85,818	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
		2,524,001	468,805	2,992,806	3,997,331	1,535,053	5,532,384
6.3 Held-to-maturity securities							
Pakistan Investment Bonds		316,377	-	316,377	320,071	-	320,071
6.4 Associates							
Ordinary shares - listed		371,470	-	371,470	371,470	-	371,470

7. ADVANCES - NET

(Rupees in '000)

Note	September 30, 2010	December 31, 2009
Loans, cash credits, running finances, etc. - in Pakistan	11,863,523	11,605,399
Net Investment in finance lease in - Pakistan	507,599	567,821
Bills discounted and purchased (excluding government treasury bills)	171,133	170,140
Advances gross	12,542,255	12,343,360
Less: Provision for loans and advances		
- Specific provision	(2,576,788)	(2,544,717)
- General provision	(56,350)	(75,232)
	(2,633,138)	(2,619,949)
	9,909,117	9,723,411

7.1 Advances include Rs 2,716.5 million which have been placed under non-performing status as detailed below:

(Rupees in '000)

Category of classification	September 30, 2010				
	Classified Advances		Total	Provision held	
	Domestic	Overseas		Provision required	
Substandard	102,428	-	102,428	25,093	25,093
Doubtful	377	-	377	189	189
Loss	2,613,696	-	2,613,696	2,551,506	2,551,506
	2,716,501	-	2,716,501	2,576,788	2,576,788

7.2 The general provision includes a provision amounting to Rs 33,750 million against consumer financing portfolio as required by the Prudential Regulations issued by the SBP. General provision also includes a provision of Rs 22,600 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.

(Rupees in '000)

	September 30, 2010	December 31, 2009
8 BORROWINGS		
Secured		
Borrowings from SBP under export refinance scheme	903,935	1,286,716
Repurchase agreement borrowings	465,558	1,532,232
	1,369,493	2,818,948
Unsecured		
Call money borrowing	200,000	300,000
Bankers Equity Limited (under liquidation)	22,336	22,336
	222,336	322,336
	1,591,829	3,141,284
9 DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	6,603,332	5,980,945
Savings deposits	3,743,984	2,621,126
Current accounts - non-remunerative	4,746,363	2,757,072
Others - non-remunerative	11,604	12,364
	15,105,283	11,371,507
Banks and Financial Institutions		
Remunerative deposits	126,378	1,102,999
Non-remunerative deposits	21,271	46,127
	147,649	1,149,126
	15,252,932	12,520,633
10 CONTINGENCIES AND COMMITMENTS		
10.1 Direct credit substitutes		
Favouring others	472,859	421,003
	472,859	421,003
10.2 Transaction-related contingent liabilities /commitments		
Contingent liabilities in respect of performance bonds, bid bonds, warranties, etc. given favouring		
- Government	1,016,918	955,835
- Others	204,792	196,792
	1,221,710	1,152,627
10.3 Trade-related contingent liabilities		
Favouring others	296,119	607,890
	296,119	607,890
10.4 Other contingencies		
Claim against the bank not acknowledged as debt	177,933	96,766

10.5 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.

10.6 Commitments to extend credit

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

10.7 Commitments in respect of forward foreign exchange contracts

Purchase

Sale

(Rupees in '000)	
(Un-audited)	(Audited)
September 30, 2010	December 31, 2009
11,049,426	3,751,883
10,203,849	3,724,147

10.8 Capital Commitments

Commitments for capital expenditure as at September 30, 2010 amounted to Rs. 5.79 million (December 31, 2009: Rs. 7.4 million).

11 LOSS PER SHARE - Basic & Diluted

Loss after taxation attributable to ordinary shareholders

Weighted average number of shares outstanding during the period

Loss per share - Basic & diluted

(Rupees in '000)	
(Un-audited)	(Un-audited)
September 30, 2010	September 30, 2009
(131,551)	(755,011)
Number of Shares	
1,156,231,815	876,951,675
(Rupees)	
(0.11)	(0.86)

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

12 RELATED PARTY TRANSACTIONS

The bank has related party relationship with its 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.

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)

	September 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	15,595	-	-	23,313	-	-
Repaid during the period	(6,378)	-	-	(21,145)	-	-
Adjustments	43	-	-	-	-	-
At September 30 / December 31	74,389	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	309,224	-	43,035	251,792	162,313	300,818
Withdrawn during the period	(296,846)	-	(19,301)	(205,633)	(175,025)	(266,129)
Adjustments	7,174	-	-	(1,842)	-	-
At September 30 / December 31	122,478	3,222	116,384	102,926	3,222	92,650
Others						
Guarantees	-	42,196	-	-	42,196	-
Provision against guarantees	-	3,733	-	-	3,733	-
Balances in nostro accounts	-	7,826	-	-	4,237	-
Investment in shares	-	371,470	-	-	371,470	-
Sundry receivables	-	32,791	-	-	32,791	-
Sundry payable	-	134,439	-	-	113,989	-
Group service cost	-	100,000	-	-	70,000	-
Other Liabilities	-	5,000	-	-	5,000	-
Balances in vostro accounts	-	11,961	-	-	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)

	(Un-audited)			(Audited)		
	January - September 2010			January - September 2009		
	Key management personnel	Associates / Holding Company	Others	Key management personnel	Associates / Holding Company	Others
Transactions for the period						
Remuneration and benefits	103,758	-	-	100,289	-	-
Directors fee	4,476	-	-	3,845	-	-
Commission on guarantee	-	50	-	-	54	-
Counter confirmation charges on guarantees	-	8,886	-	-	16,690	-
Provision against guarantees	-	-	-	-	3,733	-
Mark-up / return / interest expensed	5,576	-	7,987	3,995	2,396	3,079
Mark-up / return / interest income	1,906	-	-	1,853	-	-
Disposal of fixed assets	537	-	-	-	-	-
Group Services cost	-	30,000	-	-	-	-
Received against unsubscribed portion of right issue	-	1,010,184	-	-	-	-
Share capital issued (net of discount)	-	3,199,624	-	-	-	-

13 BUSINESS SEGMENTS

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

(Rupees in '000)

For the nine months period ended September 30, 2010 (Un-audited)

Particulars	Corporate finance	Trading & sales	Retail banking	Commercial banking	Total
Total income (net of interest expense and provisions)	13,144	213,630	293,481	351,435	871,690
Total operating expenses	(9,152)	(92,683)	(72,436)	(171,725)	(994,996)
Net loss (before tax)	3,992	120,947	(427,955)	179,710	(123,306)

(Rupees in '000)

For the nine months period ended September 30, 2009 (Un-audited)

Particulars	Corporate finance	Trading & sales	Retail banking	Commercial banking	Total
Total income (net of interest expense and provisions)	784	98,983	36,402	186,642	322,811
Total operating expenses	(18,059)	(94,614)	(750,064)	(255,807)	(1,118,544)
Net loss (before tax)	(17,275)	4,369	(713,662)	(69,165)	(795,733)

(Rupees in '000)

As at September 30, 2010 (Un-audited)

Particulars	Corporate finance	Trading & sales	Retail banking	Commercial banking	Total
Segment assets	13,979	13,926,496	2,748,947	12,269,914	28,959,336
Segment non-performing loans	-	-	761,421	1,955,080	2,716,501
Segment provision held	-	404,184	697,276	2,029,521	3,130,981
Segment liabilities	5	727,090	11,849,083	5,342,225	17,918,403

(Rupees in '000)

As at December 31, 2009 (Audited)

Particulars	Corporate finance	Trading & sales	Retail banking	Commercial banking	Total
Segment assets	6,408	12,302,708	3,102,483	1,465,111	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

14 GENERAL

Corresponding figures have been re-arranged and reclassified, wherever necessary, to facilitate comparison. However, there are no material reclassifications to report in these condensed interim financial statements.

Figures have been rounded off to the nearest thousand rupees.

15 DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on October 20, 2010 by the Board of Directors of the bank.

President & Chief Executive Officer

Chairman

Director

Director