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Corporate Information

Board of Directors

Munnawar Hamid, OBE	Chairman
Humayun Bashir	Director
Javed Hamid	Director
Sadeq Sayeed	Director
Arshad Ghafur	Director
Shaukat Tarin	Director
Azmat Tarin	President & CEO

Company Secretary

Syed Liaquat Ali, FCA

Audit Committee

Humayun Bashir	Chairman
Sadeq Sayeed	Member
Arshad Ghafur	Member

Risk Committee

Arshad Ghafur	Chairman
Humayun Bashir	Member
Javed Hamid	Member

Human Resources Committee

Munnawar Hamid, OBE	Chairman
Javed Hamid	Member
Shaukat Tarin	Member
Azmat Tarin	Member

Senior Management Committee (SMC)

Azmat Tarin	President & CEO
Aneeq Khawar	Chief Operating Officer
Jamil A. Khan	Group Head Compliance, Legal & ICD
Kasim Feroze Khan	Group Head Special Assets Management
Goharulayn Afzal	Group Head Marketing and Strategic Planning
Talha Saeed	Group Head Retail Banking
Syed Liaquat Ali	CFO & Company Secretary
Syed Jawaid Akhter	Head of Internal Audit
Sumbul Munir	Head of Corporate & Investment Banking
Shafaq Rahid	Head of Customer Satisfaction & Quality

Corporate Information

Auditors

Anjum Asim Shahid Rahman
Chartered Accountants

Legal Advisor

Cornelius, Lane & Mufti

Registered Office

Silkbank Limited
Silkbank Building, I.I. Chundrigar Road, Karachi.
Telephone No.: +92 21-111-00-7455 Ext. 414 & 436
Fax No.: +92 21 32460464 & 32462902
Website: www.silkbank.com.pk

Share Registrar

Noble Computer Services (Pvt.) Limited
Mezzanine Floor, House of Habib Building (Siddiqsons Tower),
3-Jinnah Cooperative Housing Society, Main Shahrah-e-Faisal
Karachi - 75350.
Telephone No.: + 92 21 34325482-87
Fax No.: + 92 21 34325442
E-mail: ncsl@noble-computers.com
Website: www.noble-computers.com

Directors' Review Report September 30, 2010

Dear Shareholders,

We are pleased to present the un-audited financial statements of Silkbank Limited for the third quarter ended September 30, 2010.

Economic Review

The GDP growth rate is expected to settle at around 2% for the year down from the pre-flood forecast of 4%, with Agriculture sector posting negative growth and industry a growth rate of about 3% to 4%. Inflation and interest rates have already started going up. However, the floods have also caused improved fertility of the land, which will have a positive impact on the agriculture produce going forward.

Financial Performance

Summarized financial position for the quarter is as under:

	Rupees in Million
	<u>3rd Quarter September 2010</u>
Loss before provision	589
Provisions (Net of Recoveries)	263
	<u>852</u>
Tax	56
Loss after tax	<u>908</u>
Loss per Share	<u>(0.42)</u>

The deposit growth was as under:

	Rupees in Million		
	<u>30-09-2010</u>	<u>31-12-2009</u>	<u>Net Increase</u>
Current Accounts	7,763	7,509	254
Saving Accounts	14,435	11,771	2,664
Term Deposits	28,490	27,050	1,440
FCY Accounts	4,241	3,280	961
Total	<u>54,929</u>	<u>49,610</u>	<u>5,319</u>

Advances since December 2009 also increased by Rs. 10.6 billion to Rs 51.2 billion, increasing the ratio of performing advances to NPLs. Net equity increased to Rs. 5.2 billion from Rs 1.7 billion resulting from subscription to the rights shares and gain on disposal of the properties.

Year to date net interest income recorded growth of 526% and non-interest income increased by 89% compared to the same period in the corresponding year, whilst Administrative Expenses including necessary development expenses such as new systems, branches, training and publicity increased by 19% in the same period.

Operations

The Bank has continued to enhance its operational efficiency, as a result of which service standard at branches has significantly improved as also confirmed in various mystery shopping results. Low cost deposits (Current and Savings) have recorded good growth, and cost of funds has shown reduction. The focus on enhancing trade volumes and ancillary business has also yielded positive results. Regional infrastructure has been streamlined resulting in improved efficiency and better human resources utilization. The internal control function at branches has been strengthened by extending internal control review function to branches in addition to implementing internal/external audits and reviews by the compliance department. Training plans have been implemented across the Bank based on a Training Need Analysis (TNA), and different programs have been launched for the talent and efficiency recognition. While the total branches remained at 85, 4 branches were relocated to better sites.

Directors' Review Report September 30, 2010

New Products

The Bank will soon be introducing a Personal Loan Product. Work on the Credit Card project has extended into an advanced stage, and the Bank is also evaluating certain SME / Consumer and Remittance related products.

Minimum Capital Requirement (MCR)

Although the Board has extended the subscription date of the unpaid rights to March 31, 2011, the Bank is expecting to be compliant on the minimum capital requirement required by the SBP at end of 2010.

Board of Directors

Mr. Tariq Iqbal Khan, Ex Chairman National Investment Trust (NIT) has been appointed as a Director on the board of Silkbank Limited, subject to approval of State Bank of Pakistan, in order to fill the casual vacancy on the Board. We welcome Mr. Khan to the Board and look forward to benefiting from his outstanding professional experience in strengthening the Bank.

Credit Rating

The long term entity rating of the Bank is A- (Single A Minus). The short term rating is A 2 (A Two), which has been placed under "Rating watch/positive status."

Future Outlook


The future outlook remains positive. The Board and the management are conducting a detailed strategic session in December for 2011 and beyond, aiming at meeting the entity's goal to be a profitable institution creating value for all shareholders. As we look to the future, the Board will also be mindful of Silkbank's Mission, Vision and Core Values and enhancing the efficiency of the governance structure.

Acknowledgement

We take this opportunity to express our deepest gratitude to our customers and business partners for their continued support and trust, and our sincere appreciation to the State Bank of Pakistan for their guidance and cooperation extended to the Bank. We are also equally thankful to our associates, staff and colleagues for their committed services to the Bank, and look forward to their support going forward.

Karachi,
October 27, 2010

**For and on Behalf of the Board of
Silkbank Limited**


**Munnawar Hamid, OBE
Chairman**

Condensed Interim Statement of Financial Position as at September 30, 2010

	Note	Un-audited September 30, 2010	Audited December 31, 2009
Rupees in '000			
ASSETS			
Cash and balances with treasury banks		3,198,339	3,120,880
Balances with other banks		122,777	151,068
Lending to financial institutions		2,618,241	1,067,708
Investments	6	13,861,200	20,179,329
Advances	7	42,449,732	32,097,490
Operating fixed assets	8	2,415,322	3,720,695
Deferred tax assets (net)		4,173,502	3,976,149
Other assets		3,988,088	4,351,022
		72,827,201	68,664,341
LIABILITIES			
Bills payable		856,269	637,602
Borrowings from financial institutions		10,595,251	15,088,332
Deposits and other accounts		54,928,220	49,610,034
Liabilities against assets subject to finance lease		8,537	10,476
Other liabilities		1,198,796	1,554,808
		67,587,073	66,901,252
NET ASSETS		5,240,128	1,763,089
REPRESENTED BY			
Share capital	9	26,716,048	9,003,150
Reserves		7,463	224,649
Discount on issue of rights shares		(13,284,674)	-
Accumulated loss	10	(8,191,110)	(9,030,894)
		5,247,727	196,905
Surplus on revaluation of assets (net of tax)	11	(7,599)	1,566,184
		5,240,128	1,763,089
CONTINGENCIES AND COMMITMENTS	12		

The annexed notes from 1 to 19 form an integral part of these financial statements.

Sd/-
Chairman

Sd/-
Director

Sd/-
Director

Sd/-
Director

Condensed Interim Profit and Loss Account Unaudited for the Quarter and Nine Months Ended September 30, 2010

	Quarter ended		Nine months ended	
	July 01 to September 30, 2010	July 01, 2009 to September 30, 2009	January 01, 2010 to September 30, 2010	January 01, 2009 to September 30, 2009
	Rupees in '000			
Mark-up/return/interest earned	1,766,205	1,507,247	4,960,169	4,388,509
Mark-up/return/interest expensed	1,504,023	1,512,186	4,417,778	4,301,811
Net mark-up/ interest earned	262,182	(4,939)	542,391	86,698
(Reversal) / Provision against non-performing loans and advances - net	260,912	(686,047)	296,691	(407,021)
(Reversal) / Provision against consumer finance	2,787	(867)	9,958	(4,927)
Diminution/(reversal) in the value of investments	-	-	-	1,598
Impairment of Available-for-Sale investments	-	29,487	-	131,380
Bad debts written off directly	-	-	-	-
	263,699	(657,427)	306,649	(278,970)
Net mark-up / interest income/(loss) after provisions	(1,517)	652,488	235,742	365,668
NON MARK-UP/INTEREST INCOME				
Fee, commission and brokerage income	78,314	71,112	243,335	250,479
Dividend income	6,682	3,741	22,668	22,683
Income from dealing in foreign currencies	38,581	17,525	107,488	89,097
(Loss)/Gain on sale of investments - net	(103,182)	14,986	(74,232)	82,030
Unrealized (loss)/gain on revaluation of investments classified as Held-for-Trading	792	899	-	(1,143)
Other income	37,918	34,430	718,814	95,017
Total non-markup/interest income	59,105	142,693	1,018,073	538,163
	57,588	795,181	1,253,815	903,831
NON MARK-UP/INTEREST EXPENSES				
Administrative expenses	908,023	682,403	2,235,356	1,879,129
Other provisions / write offs	(322)	-	(153,464)	-
Other charges	2,268	(30)	2,802	15,881
Total non-markup/interest expenses	909,969	682,373	2,084,694	1,895,010
PROFIT/(LOSS) BEFORE TAXATION	(852,381)	112,808	(830,879)	(991,179)
Taxation - Current	56,025	9,728	59,456	32,435
- Prior years	-	-	-	-
- Deferred	-	325,668	(190,000)	307,033
	56,025	335,396	(130,544)	339,468
(LOSS) AFTER TAXATION	(908,406)	(222,588)	(700,335)	(1,330,647)
	Rupee			
Profit / (Loss) per share - Basic and Diluted	(0.42)	(0.20)	(0.32)	(1.17)

The annexed notes from 1 to 19 form an integral part of these financial statements.

Sd/-
Chairman

Sd/-
Director

Sd/-
Director

Sd/-
Director

Condensed Interim Statement of Comprehensive Income Unaudited for the Quarter and Nine Months Ended September 30, 2010

	Quarter Ended July 01 to September 30, 2010	July 01 to September 30, 2009	Nine months Ended January 01 to September 30, 2010	January 01 to September 30, 2009
	Rupees in '000			
Profit / (Loss) for the period	(908,406)	(222,588)	(700,335)	(1,330,647)
Other comprehensive income				
Reversal of provision against upgraded rescheduled advances	-	-	1,370	-
Total comprehensive (loss) for the Period	<u><u>(908,406)</u></u>	<u><u>(222,588)</u></u>	<u><u>(698,965)</u></u>	<u><u>(1,330,647)</u></u>

Surplus / deficit on revaluation of 'available-for-sale' securities and 'fixed assets' are presented under a separate head below equity as 'surplus / deficit on revaluation of assets' in accordance with the requirements specified by the State Bank of Pakistan vide its BSD circular 20 dated August 04, 2000 and BSD circular 10 dated July 13, 2004 and Companies Ordinance, 1984 respectively.

The annexed notes from 1 to 19 form an integral part of these financial statements.

Sd/-
Chairman

Sd/-
Director

Sd/-
Director

Sd/-
Director

Condensed Interim Cash Flow Statement Unaudited for the Nine Months Ended September 30, 2010

	Note	September 30, 2010	September 30, 2009
Rupees in '000			
CASH FLOW FROM OPERATING ACTIVITIES			
Loss before taxation		(830,879)	(991,179)
Add: Dividend Income		(22,668)	(22,683)
		<u>(853,547)</u>	<u>(1,013,862)</u>
Adjustments for non-cash items			
Depreciation		212,707	161,436
Amortization of premium on investment		177,918	143,220
Amortization of intangible assets		26,548	6,479
Provision against non-performing advances		296,691	(407,021)
Provision / (Reversal) of provision against consumer finance		9,958	(4,927)
Provision for diminution in Investment		-	1,597
Unrealized Loss on revaluation of investments classified as Held for Trading		-	1,142
Impairment of investment classified as Available for Sale		-	131,380
Provision for Gratuity		4	18,448
Other (reversal) / provisions written back		(153,464)	-
(Gain) on sale of fixed assets		(567,255)	(7,716)
Financial charges on leased assets		959	3,879
		<u>4,066</u>	<u>47,917</u>
		<u>(849,481)</u>	<u>(965,946)</u>
(Increase)/ Decrease in operating assets			
Lendings to financial institutions		(1,714,154)	75,500
Net investments in Held-for-Trading securities		1,782,703	(73,161)
Advances		(10,658,891)	(1,579,503)
Other assets (excluding advance taxation)		362,934	(1,762,281)
		<u>(10,227,408)</u>	<u>(3,339,445)</u>
Increase/ (Decrease) in operating liabilities			
Bills payable		218,667	193,146
Borrowings from financial institutions		(4,493,081)	5,034,456
Deposits		5,318,186	6,385,161
Other liabilities		(398,677)	230,289
		<u>645,095</u>	<u>11,843,052</u>
		<u>(10,431,793)</u>	<u>7,537,662</u>
Income tax paid		(103,105)	(32,435)
Net cash flow from operating activities		<u>(10,534,898)</u>	<u>7,505,226</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Net investment in Available-for-Sale securities		3,898,973	(6,892,627)
Net investment in Held-to-Maturity securities		383,637	(726,513)
Dividend Income		22,668	22,683
Sale proceeds of property & equipment disposed off		2,472,895	18,275
Investment in operating fixed assets		(556,985)	(467,601)
Net cash flow from investing activities		<u>6,221,188</u>	<u>(8,045,783)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Payments of lease obligations		(2,898)	(27,020)
Expenses on account of rights shares		(183,817)	-
Issue of rights shares		4,428,224	-
Net cash flow from financing activities		<u>4,241,509</u>	<u>(27,020)</u>
Increase/(Decrease) in cash and cash equivalents		<u>(72,201)</u>	<u>(567,577)</u>
Cash and cash equivalents at January 01,		4,021,948	4,561,415
Cash and cash equivalents at September 30,	13	<u>3,949,746</u>	<u>3,993,838</u>

The annexed notes from 1 to 19 form an integral part of these financial statements.

Sd/-
Chairman

Sd/-
Director

Sd/-
Director

Sd/-
Director

Condensed Interim Statement of Changes In Equity for the Nine Months Ended September 30, 2010

	Share Capital	Discount on Issuance of Shares	Share Deposit Money	* Statutory Reserves	Others	Accumulated Profit / (Loss)	Net Equity
	Rupees in '000						
Balance as at January 01, 2009	9,003,150	-	-	218,556	-	(6,131,709)	3,089,997
(Loss) for the nine months after taxation	-	-	-	-	-	(1,330,647)	(1,330,647)
Transfer from surplus on revaluation of fixed assets on account of incremental depreciation- net of tax	-	-	-	-	-	2,790	2,790
Balance as at September 30, 2009-Unaudited	9,003,150	-	-	218,556	-	(7,459,566)	1,762,140
(Loss) for the three months after taxation	-	-	-	-	-	(1,572,258)	(1,572,258)
Reversal of provision against upgraded rescheduled advances	-	-	-	-	6,093	-	6,093
Transfer from surplus on revaluation of fixed assets on account of incremental depreciation- net of tax	-	-	-	-	-	930	930
Balance as at December 31, 2009-Audited	9,003,150	-	-	218,556	6,093	(9,030,894)	196,905
(Loss) for the nine months after taxation	-	-	-	-	-	(700,335)	(700,335)
Other comprehensive income	-	-	-	-	1,370	-	1,370
Share deposit money for issue of rights shares	-	-	4,428,224	-	-	-	4,428,224
Share deposit money utilized for issue of rights shares	-	-	(4,428,224)	-	-	-	(4,428,224)
Issue of rights shares	17,712,898	-	-	-	-	-	17,712,898
Discount on issue of rights shares	-	(13,284,674)	-	-	-	-	(13,284,674)
Transfer from Statutory Reserve to Retained Earnings	-	-	-	(218,556)	-	218,556	-
Expenses incurred on account of rights issue	-	-	-	-	-	(183,817)	(183,817)
Transfer from surplus on revaluation of fixed assets on disposal of assets	-	-	-	-	-	1,502,591	1,502,591
Transfer from surplus on revaluation of fixed assets on account of incremental depreciation- net of tax	-	-	-	-	-	2,789	2,789
Balance as at September 30, 2010-Unaudited	26,716,048	(13,284,674)	-	-	7,463	(8,191,110)	5,247,727

* Statutory reserve represents amount set aside as per requirements of section 21 of the Banking Companies Ordinance, 1962.

The annexed notes from 1 to 19 form an integral part of these financial statements.

Sd/-
Chairman

Sd/-
Director

Sd/-
Director

Sd/-
Director

Notes to the Condensed Interim Financial Statements for the Nine Months Ended September 30, 2010

1. STATUS AND NATURE OF BUSINESS

SilkBank Limited ("the Bank") was incorporated in Pakistan on April 04, 1994 as a public limited company under the Companies Ordinance, 1984. The Bank commenced commercial operations on May 07, 1995. Its shares are quoted on all the Stock Exchanges in Pakistan. The Bank is engaged in banking services as described in the Banking Companies Ordinance, 1962. It operates through 85 branches (December 31, 2009: 82) in Pakistan with the registered office located at SilkBank Building, I. I. Chundrigar Road, Karachi. The short term and long term credit rating of the Bank rated by JCR-VIS Credit Rating Company Limited is 'A-2' and 'A-' respectively.

Majority shareholding 84.21% (December 31, 2009: 86.69%) in the Bank as on September 30, 2010 hold by a consortium comprising of Bank Muscat S.A.O.G, Nomura European Investment Limited, International Finance Corporation (IFC) and executives of the SInthos Capital Advisors Limited. As a result of a rights issue which is in process of subscription, the majority shareholding in the Bank may change upon full subscription towards the rights.

2. BASIS OF PRESENTATION

In accordance with the directives of the Federal Government regarding shifting of the banking system to Islamic modes, the State Bank of Pakistan (SBP) 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 markup 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 utilized and the appropriate portion of mark-up thereon.

3. BASIS OF MEASUREMENT

This condensed interim financial information comprise condensed interim statement of financial position, condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity together with explanatory notes have been prepared under the historical cost convention except that certain fixed assets are stated at revalued amounts, certain investments are stated at market value, derivative financial instruments have been marked to market and certain staff retirement benefits are carried at present value.

This condensed interim financial information have been prepared following the accrual basis of accounting except for the cash flow information.

4. STATEMENT OF COMPLIANCE

This condensed interim financial information of the Bank for the nine months ended September 30, 2010 has been prepared in accordance with the requirements of International Accounting Standard 34, 'Interim Financial Reporting', requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the provisions of and directives issued by the State Bank of Pakistan (SBP) and Securities and Exchange Commission of Pakistan (SECP). In case requirements differ, the provisions of Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or the requirement of said directives have been followed.

The SBP vide BSD Circular No.10 dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, Financial Instrument: Recognition and Measurement (IAS 39) and International Accounting Standard 40, Investment Property (IAS 40) for banking companies till further instructions. Further, according to the notification of SECP dated April 28, 2008, the IFRS – 7 "Financial Instruments: Disclosures" has not been made applicable for banks. However, instruments have been valued in accordance with the requirements of various circulars issued by SBP.

Notes to the Condensed Interim Financial Statements for the Nine Months Ended September 30, 2010

These condensed interim financial statements are unaudited and are being submitted to the shareholders in accordance with section 245 of the Companies Ordinance, 1984.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Preparation of the condensed interim financial information requires management to make judgments, estimates and assumptions that effect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing the condensed interim financial information, the significant judgments made by the management in applying the company's accounting policies and the key sources " & " of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended December 31, 2009.

6. INVESTMENTS

	Note	Held by bank	Given as collateral	Total
Rupees in '000				
As at September 30, 2010-Unaudited	6.1	8,496,031	5,365,169	13,861,200
As at December 31, 2009-Audited		8,657,879	11,521,450	20,179,329

	September 30, 2010-Unaudited			December 31, 2009-Audited		
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
Rupees in '000						
6.1 Investments by type:						
Held-for-Trading securities	-	-	-	1,782,703	-	1,782,703
Held-to-Maturity securities	4,738,143	-	4,738,143	1,540,148	3,759,550	5,299,698
Available-for-Sale securities	3,942,289	5,365,169	9,307,458	5,444,531	7,761,900	13,206,431
Investment in Associate	75,000	-	75,000	75,000	-	75,000
Investment at cost	8,755,432	5,365,169	14,120,601	8,842,382	11,521,450	20,363,832
Less: Provision for diminution in value of investments	(85,137)	-	(85,137)	(85,137)	-	(85,137)
Investments-net of provision	8,670,295	5,365,169	14,035,464	8,757,245	11,521,450	20,278,695
(Deficit) / Gain on revaluation of						
Held-for-Trading securities	-	-	-	69	-	69
Available-for-Sale securities	(174,264)	-	(174,264)	(99,435)	-	(99,435)
Total Investments at market value	8,496,031	5,365,169	13,861,200	8,657,879	11,521,450	20,179,329

Notes to the Condensed Interim Financial Statements for the Nine Months Ended September 30, 2010

	September 30, 2010 Un-audited	December 31, 2009 Audited
	Rupees in '000	
6.2 Investments by segments	Note	
Federal Government Securities		
Market treasury bills	4,668,242	9,029,855
Pakistan investment bonds	6,634,500	8,759,005
	11,302,742	17,788,860
Fully paid-up ordinary shares		
Listed companies	251,729	174,758
Unlisted companies	65,680	65,680
	317,409	240,438
Term Finance Certificates, Debentures, Bonds and Participation Term Certificates		
Term finance certificates - Listed	222,829	252,130
- Unlisted	1,800,839	1,786,910
	2,023,668	2,039,040
Other investments		
Mutual fund units	282,334	54,542
Preference shares - Listed	44,538	44,538
- Unlisted	-	-
Investment in commercial papers	-	46,504
Investment in associate	75,000	75,000
Shares repo	74,910	74,910
	476,782	295,494
Total investments at cost	14,120,601	20,363,832
Provision for diminution in the value of investments	(85,137)	(85,137)
Investments - net of provision	14,035,464	20,278,695
Deficit on revaluation of held for trading investments	-	69
Deficit on revaluation of available for sale investments	(174,264)	(99,435)
Total Investment at market value	13,861,200	20,179,329
7. ADVANCES - NET		
Loans, cash credits, running finances, etc.		
In Pakistan	49,887,269	39,637,979
Outside Pakistan	-	-
	49,887,269	39,637,979
Bills discounted and purchased (excluding treasury bills)		
Payable in Pakistan	282,319	296,655
Payable outside Pakistan	1,040,991	657,460
	1,323,310	954,115
Advance gross	51,210,580	40,592,094
Provision for non-performing advances - specific	7.2 (8,746,443)	(8,490,158)
Provision against consumer finance - general	7.2 (14,404)	(4,446)
Advances net of provisions	42,449,732	32,097,490

Notes to the Condensed Interim Financial Statements For the Nine Months Ended September 30, 2010

7.1 Advances include Rs.12,533 million (2009: Rs.11,891 million) which have been placed under non-performing status as detailed below:

Category of classification - specific	September 30, 2010-Unaudited			December 31, 2009-Audited		
	Classified Advances	Provision Required (Domestic)	Provision held	Classified Advances	Provision Required (Domestic)	Provision held
	Rupees in '000					
Substandard	642,594	44,323	44,323	457,149	103,196	103,196
Doubtful	905,213	305,554	305,554	1,054,404	263,384	263,384
Loss	10,985,398	8,396,565	8,396,565	10,379,875	8,123,578	8,123,578
	12,533,205	8,746,443	8,746,443	11,891,428	8,490,158	8,490,158

7.2 Particulars of provision against non-performing advances

	September 30, 2010-Unaudited			December 31, 2009-Audited		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
Opening balance	8,490,158	4,446	8,494,604	7,089,770	10,249	7,100,019
Reclassification of provision against other assets	-	-	-	(323,097)	-	(323,097)
	8,490,158	4,446	8,494,604	6,766,673	10,249	6,776,922
Charge for the period	712,015	9,958	721,973	3,272,861	-	3,272,861
Reversals	(416,694)	-	(416,694)	(1,108,216)	(5,803)	(1,114,019)
Net Charge / (reversals)	295,321	9,958	305,279	2,164,645	(5,803)	2,158,842
Written off	(39,036)	-	(39,036)	(441,160)	-	(441,160)
Closing Balance	8,746,443	14,404	8,760,847	8,490,158	4,446	8,494,604

September 30,	December 31,
2010	2009
Un-audited	Audited
Rupees in '000	

7.3 Reversal for the nine months

Reversal charged to profit and loss statement	416,694	1,108,216
Reversal made directly to equity as capital reserve	1,370	6,093
Net reversal	418,064	1,114,309

7.4 Net charge during the nine months - specific provisioning

Net charge classified to profit and loss account	296,691	2,170,738
Less: Reversal made directly to the equity as capital reserve	(1,370)	(6,093)
Net increase in provision against non-performing advances	295,321	2,164,645

7.5 General provision against consumer finance loans represents provision made equal to 1.5% of the fully secured performing portfolio and 5% of the unsecured performing portfolio as required by the Prudential Regulations issued by the SBP for Consumer Financing.

Notes to the Condensed Interim Financial Statements For the Nine Months Ended September 30, 2010

8 OPERATING FIXED ASSETS

8.1 Following additions / disposals have been made to / from property and equipment:

	September 30, 2010		September 30, 2009	
	Addition	Disposal	Addition	Disposal
	Rupees in '000			
Land-Free Hold	146,232	535,735	-	-
Building - Free Hold	10,576	64,000	-	-
Land - Lease Hold	-	1,196,568	-	-
Building Lease Hold	-	103,600	-	-
Leasehold improvements	215,177	-	82,741	4,834
Furniture & fixture	78,212	-	23,610	-
Other equipments	127,394	-	80,836	319
Computers	251,459	161	38,036	-
Vehicles	33,184	35,325	44,427	40,743
	<u>862,234</u>	<u>1,935,390</u>	<u>269,650</u>	<u>45,896</u>

8.2 Additions and disposals to intangible assets

Following additions / disposals have been made to / from intangible assets:

Computer Software	<u>468,792</u>	<u>-</u>	<u>9,007</u>	<u>-</u>
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8.3 Gain on disposal

	September 30, 2010			September 30, 2009		
	Sale Proceeds	Book Value	Gain / (Loss)	Sale Proceeds	Book Value	Gain / (Loss)
	Rupees in '000					
Vehicles	22,693	17,463	5,230	17,971	10,177	7,794
Other Equipment	76	4	72	44	20	24
Computer Equipment	126	139	(13)	-	-	-
Land and building	2,450,000	1,888,032	561,968	-	-	-
Renovation	-	-	-	260	3,787	(3,527)
	<u>2,472,895</u>	<u>1,905,638</u>	<u>567,257</u>	<u>18,275</u>	<u>13,984</u>	<u>4,291</u>

8.4 During the period, the management has implemented Core Banking Software T-24. Useful life of core banking software and its allied hardware is determined to be seven years and four years respectively.

Notes to the Condensed Interim Financial Statements For the Nine Months Ended September 30, 2010

9. SHARE CAPITAL

Authorized capital

September 30, 2010 Unaudited No. of shares in '000	December 31, 2009 Audited		September 30, 2010 Unaudited Rupees in '000	December 31, 2009 Audited
<u>4,000,000</u>	<u>4,000,000</u>	Ordinary shares of Rs. 10 each.	<u>40,000,000</u>	<u>40,000,000</u>

Issued, subscribed and paid up share capital

September 30, 2010 Unaudited No. of shares in '000	December 31, 2009 Audited		September 30, 2010 Unaudited Rupees in '000	December 31, 2009 Audited
<u>800,315</u>	<u>800,315</u>	Fully paid up ordinary shares of Rs. 10 each.	<u>8,003,150</u>	<u>8,003,150</u>
<u>100,000</u>	<u>100,000</u>	Fully paid up ordinary shares of Rs. 10 each issued at a discount of Rs. 2.5 per share	<u>1,000,000</u>	<u>1,000,000</u>
<u>1,771,290</u>	<u>-</u>	Fully paid up ordinary shares of Rs. 10 each issued at a discount of Rs. 7.5 per share	<u>17,712,898</u>	<u>-</u>
<u>2,671,605</u>	<u>900,315</u>		<u>26,716,048</u>	<u>9,003,150</u>

- 9.1 The State Bank of Pakistan requires each commercial bank to: (a) hold the minimum level of the regulatory capital (net of losses) to be raised to Rs.10 billion by the year ending December 31, 2013. The raise is to be achieved in phased manner requiring Rs.7 billion paid up capital (net of losses) by the end of the financial year 2010 and (b) maintain a ratio of total regulatory capital to the risk-weighted asset (the "Basel ratio") at or above the internationally agreed minimum of 10%.

The Bank had approved issuance of rights shares @311.00226% on December 2, 2009 at a discount of Rs.7.5 per share on the face value of Rs.10 each to generate net additional capital of Rs. 7 billion. These rights shares were subsequently taken up by the shareholders and by the close date Rs. 4.428 billion had been subscribed by the shareholders. The subscription of the remaining portion aggregating to Rs. 2.572 billion is to be completed on or before March 31, 2011.

10. ACCUMULATED LOSS

	September 30, 2010 Rupees in '000
Loss brought forward January 01, 2010	(9,030,894)
Transfer of reserve fund to accumulated loss	218,556
Realized surplus on revaluation of properties (Note 10.1)	1,502,591
Total comprehensive income for the nine months ended September 30,2010	(698,965)
Rights share issue cost	(183,817)
Reversal of provision against upgraded rescheduled advances	(1,370)
Transfer from surplus on revaluation of fixed assets on account of incremental depreciation- net of tax	2,789
Accumulated loss carried forward	(8,191,110)

Notes to the Condensed Interim Financial Statements For the Nine Months Ended September 30, 2010

10.1 During the period the Bank has disposed of some of its properties. The resultant gain has been recorded in the books as under:

	September 30, 2010-Unaudited
	Rupees in '000
Realized surplus on revaluation of properties transferred to accumulated loss	<u>1,502,591</u>
Gain on disposal reflected in other income	<u>561,968</u>

	September 30, 2010-Unaudited	December 31, 2009-Audited
	Rupees in '000	

11 SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS

(Deficit) on revaluation of securities	(138,294)	(68,915)
Surplus on revaluation of property and equipments	130,695	1,635,099
	<u>(7,599)</u>	<u>1,566,184</u>

11.1 (Deficit) on revaluation of securities

Federal Government securities	(101,019)	(87,199)
Quoted securities	(73,245)	(12,236)
Other securities	<u>-</u>	<u>-</u>
	(174,264)	(99,435)
Deferred tax asset recognised	35,970	30,520
	<u>(138,294)</u>	<u>(68,915)</u>

11.2 Surplus on revaluation of property and equipments

Surplus on revaluation of properties	161,809	1,667,188
Deferred tax (liability) recognised	(31,114)	(32,089)
	<u>130,695</u>	<u>1,635,099</u>
	<u>(7,599)</u>	<u>1,566,184</u>

12 CONTINGENCIES AND COMMITMENTS

12.1 Direct credit substitutes

- -

12.2 Transaction-related contingent liabilities

Guarantees favouring		
Government	6,479,547	3,948,414
Banking companies and other financial institutions	182,111	90,442
Others	1,050,039	1,293,072
	<u>6,479,547</u>	<u>3,948,414</u>
	<u>1,050,039</u>	<u>1,293,072</u>

12.3 Trade-related contingent liabilities

Letters of Credit & Acceptances	<u>3,508,879</u>	<u>2,923,902</u>
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12.4 Claims against the bank not acknowledged as debt

207,607 186,875

12.4.1 The Bank had purchased a property of Rs. 68.882 million in Lahore in year 2006 for its own use. Although the builder has released the clearance letter in favor of the Bank but due to dispute between Military Estate Officer and builder in respect of area allotted for parking, the title documents of the property has not been transferred in Bank's name. The said property has therefore been classified as capital work in progress.

Notes to the Condensed Interim Financial Statements For the Nine Months Ended September 30, 2010

	September 30, 2010 Unaudited	December 31, 2009 Audited
	Rupees in '000	
12.5 Commitments in respect of:		
Forward Exchange contracts with State Bank of Pakistan, banks and other institutions		
Sale	2,565,824	1,137,795
Purchase	3,906,066	3,190,282
	6,471,890	4,328,077
12.6 Commitments in respect of:		
Property civil work & equipment	44,659	388,052
Purchase of software	58,967	50,162
13. CASH AND CASH EQUIVALENTS		
Cash and balances with treasury banks	3,198,339	2,981,030
Balances with other banks	122,777	237,808
Call money lendings	628,630	775,000
	3,949,746	3,993,838
14. OTHER INCOME		
Rent on property	5,629	3,447
Net profit on sale of property and equipment	615,012	7,718
Income from non-baking assets and profit from sale of or dealing with such assets	47,746	-
Recovery of expenses from customers	43,251	38,637
Others	7,176	45,215
	718,814	95,017

15. TAXATION

Provision for current taxation is based on taxable income for the year determined in accordance with the prevailing laws for taxation.

16. RELATED PARTY TRANSACTIONS

Related parties comprise of directors, major shareholders of the Bank and the companies owned by such shareholders, entities owned by the directors of the bank, companies where directors of the bank also hold directorship, key employees and entities that have key management personnel in common.

Transactions with the related parties are executed substantially on the same terms, including mark-up rates and collaterals as those prevailing at the time for comparable transaction with the unrelated parties and do not involve more than a normal risk (i.e. under the Comparable Uncontrolled Price Method).

Other than those transactions which are made under the terms of employment, the majority of the transactions with related parties comprise of loans and advance, deposits, issuance of letter of credits and guarantees.

Advances for the house building, conveyance and for personal use have also been provided to the staff and executives at the reduced rates in accordance with the employment and pay policy. Facility of group life insurance and hospitalization insurance is also provided to staff and executives. In addition to this, executives of the Bank have been provided with Bank maintained car.

Details of transactions with related parties and balances with them as at the period-end were as follows:

Notes to the Condensed Interim Financial Statements For the Nine Months Ended September 30, 2010

	September 30, 2010-Unaudited			December 31, 2009-Audited		
	Directors	Key Management Personnel	Associated Companies & Common Directorship	Directors	Key Management Personnel	Associated Companies & Common Directorship
Rupees in '000						
Balances						
Loans						
Outstanding at the beginning of the period	-	1,153	-	-	1,666	-
Loans given during the period	-	2,766	-	-	5,307	-
Loans repaid during the period	-	(3,913)	-	-	(5,820)	-
Loans outstanding at the end of the period	-	6	-	-	1,153	-
Deposits						
Deposits at the beginning of the period	2,469	57,861	36,830	6,915	105,632	20,755
Deposit received during the period	2,064,589	564,787	704,784	143,375	815,101	1,218,805
Deposit repaid during the period	(2,044,697)	(551,898)	(662,838)	(147,821)	(862,872)	(1,202,730)
Deposit at the end of the period	22,361	70,750	78,776	2,469	57,861	36,830
Letter of credit and acceptance	-	-	-	-	-	-
Investment in Term Finance Certificates	-	-	-	-	-	6,128

	September 30, 2010-Unaudited			September 30, 2009-Unaudited		
	Directors	Key Management Personnel	Associated Companies & Common Directorship	Directors	Key Management Personnel	Associated Companies & Common Directorship
Rupees in '000						
Transactions						
Short term employment benefits	-	208,995	-	-	236,578	-
Termination benefits	-	20,824	-	-	17,458	-
Mark-up and commission earned	-	70	-	-	123	1,407
Mark-up and commission paid	140	1,353	2,532	262	4,035	2,608
Services Rendered/ goods supplied	-	-	74,001	-	-	98,257
Software Procured	-	-	3,998	-	-	-

17. SUBSEQUENT EVENTS

There were no significant adjustable events subsequent to September 30, 2010, that might require an adjustment to these condensed interim financial statements or that may require disclosure and have not already been disclosed in these financial statements.

18. DATE OF AUTHORISATION FOR ISSUE

The financial statements were authorised for issuance on October 27, 2010 by the Board of Directors of the Bank.

19. GENERAL

Figures have been rounded off to the nearest thousand rupees.

Sd/-
Chairman

Sd/-
Director

Sd/-
Director

Sd/-
Director

Branch Network

ATTOCK

B-2, Pleader Lane, Attock City

BAHAWALPUR

Near Fawara Chowk, Circular Road

BATAPUR

Main G.T. Road

DADYAL

315, Rajput Plaza, Main Rawalpindi Road

DERA GHAZI KHAN

Fareedi Bazaar

DINA

Chaudhry Street, Mangla Raod

FAISALABAD

Kotwali Road Branch

Kotwali Road

Madina Town Branch

6C-Z-101, Susan Road, Madina Town

GUJJAR KHAN

Ward # 5, Main G.T. Road

GUJRANWALA

B-13/75-147, Shaukat Centre, G.T. Road

GUJRAT

B-17/1553-R, Near Eidgah Masjid, G.T. Road

HAZRO

Allah Wala Chowk, Circular Road

HYDERABAD

F/17, Badri Manzil, Risala Road, Opp. Old Café George

ISLAMABAD

Main Branch

93-Razia Sharif Plaza, Blue Area

E-11 Markaz Branch

Plot # 3, E-11/3 Markaz

F-7 Markaz Branch

Plot # 13-L, F-7/2 Markaz

F-8 Markaz Branch

Plot # 18-C, Kaghan Road, F-8 Markaz

F-11 Markaz Branch

Plot # 25-D, F-11 Markaz

G-9 Markaz Branch

4-B, Karachi Company, G-9 Markaz

I-8 Markaz Branch

Laraib Plaza, Sector I-8 Markaz

JHELUM

Plot # 8, Paswal Plaza, G.T.S. Square,

Jhelum City

KARACHI

Main Branch

Silkbank Building, I.I. Chundrigar Road

Adamjee Nagar Branch

Sana Complex, C.P. Berar Society, Ameer Khusroo Road

Bahadurabad Branch

ZN Plaza, Bahadur Yar Jung Co-Operative Society Bahadurabad

Clifton Branch

Showroom 1, Plot # D-69, Block-7, Clifton

Cloth Market Branch

Khandwala Building, Fakhre Matri Road, Kharadar

Defence Branch

Shahbaz Commercial Area, Khayaban-e-Shahbaz, Phase-VI, D.H.A.

Defence Phase-IV Branch

91-E, 9th Commercial Street, Phase-IV, D.H.A.

F.B. Area Branch

C-31/A, Block-6, Federal 'B' Area, KDA, Scheme-16

Gulshan-e-Iqbal Branch

Saima Classics, Main Rashid Minhas Road, Block-10/A, Gulshan-e-Iqbal

Hyderi Branch

D-11, Block-H, Shershah Suri Road, North Nazimabad

Jodia Bazaar Branch

6/16, Virjee Street, Jodia Bazaar

Khalid Bin Waleed Road Branch

Shop # 1, 2, 3 & 4, Plot # 151-A, Khalid Bin Waleed Road / Allama Iqbal Road, Block-2, PECHS

Khayaban-e-Ittehad Branch

Plot # 100-C, 11th Commercial Street, Main Khayaban-e-Ittehad, Phase-II Ext., D.H.A.

Korangi Industrial Area Branch

Plot # 25, Sector 23, Korangi Industrial Area

Korangi Road Branch

Arcadia Shopping Mall, Phase-I, D.H.A.

M.A. Jinnah Road Branch

Wadhmal Odharam Quarters, Opp. City Court, M.A. Jinnah Road

Saddar Branch

Snow White Centre, Main Abdullah Haroon Road, Saddar

Shahrah-e-Faisal Branch

47-A, Dar-ul-Aman Housing Society, PECHS, Block 7/8, Shahrah-e-Faisal

S.I.T.E. Branch

Plot # B/9-C-1, S.I.T.E.

Sohrab Goth Branch

Al-Asif Square, Sohrab Goth

26th Street D.H.A. Branch

Plot # 23-C, Street-37,

Tauheed Commercial Area, Phase-V, D.H.A.

University Road Branch

B-9-10, Block-16, Main University Road, Gulshan-e-Iqbal

Zamzama Branch

9-E, 8th Zamzama Commercial Lane, Zamzama, Clifton

LAHORE

Main Branch

Silkbank House, 14-Egerton Road

Allama Iqbal Town Branch

6-Hunza Block, Allama Iqbal Town

Badami Bagh Branch

66, Grain Market, Badami Bagh

Cavalry Ground Branch

20, Commercial Area, Cavalry Ground

Circular Road Branch

73, Circular Road

D.H.A. Z-Block Branch

320-Z, Phase-III, Commercial Area, D.H.A.

Fortress Stadium Branch

Silver Star Complex, Fortress Stadium, Lahore Cantt.

Gulberg Branch

97-A/D-1, P.E.C. Building, Liberty Roundabout, Gulberg-III

Gulberg, Q-Block Branch

Plot # 6, Q-Block, Gulberg-II

Johar Town Branch

Plot # 15, Block-M, M.A. Johar Town

L-Block, Gulberg Branch

Plot # 52, L-Block, Gulberg-III

Model Town Branch

16, Bank Square Market, Model Town

New Garden Town Branch

1-4, Usman Block, New Garden Town

PECO Road Branch

896-D, Faisal Town, PECO Road

Shah Alam Market Branch

15-B, Shah Alam Market

Shadman Town Branch

119-A, Colony # 1, Shadman Town

T-Block, D.H.A. Branch

Plot # 88, Sector-CCA, Phase-2 C, D.H.A.

Thokar Niaz Baig Branch

7-B, Judicial Colony, Raiwind Road, Thokar Niaz Baig

Wapda Town Branch

Wapda Roundabout, PIA Employees Co-operative Housing Society

LARKANA

Pakistan Chowk

MANDI BAHAUDDIN

Qader Trade Centre, Ghallah Mandi

MIRPUR AZAD KASHMIR

82-D, Allama Iqbal Road, Mirpur

MULTAN

Main Branch

64/2, Abdali Road Opp. Honda Breeze

Qasim Road Branch

76, Qasim Road, S.P. Chowk

PESHAWAR

Main Branch

Lamsy Arcade, 1-C, Fakhar-e-Alam Road, Peshawar Cantt.

Khyber Bazaar Branch

Haji Khan Building, Suikarno Square, Khyber Bazaar

QUETTA

Firdousi Building, Jinnah Road

RAWALPINDI

Main Branch

Aslam Plaza, 60 Main Adamjee Road, Rawalpindi Cantt.

Bahria Town Branch

91, Civic Center, Bahria Town

Chaklala Branch

Plot # 46, Commercial Area, Chaklala Scheme-III

Satellite Town Branch

D-321, Fifth Road, Satellite Town

Westridge Branch

Plot # 488 to 491, Westridge Bazaar Road, Westridge-I

RAHIM YAR KHAN

26, Shahi Road

RAIWIND

Railway Road

SAHIWAL

Jail Road, Opp. Jinnah Hall

SARGODHA

Main Branch

Khayyam Chowk, Gulberg Park

Pull-111 Branch

Pull-111, Sargodha-Faisalabad Road

SHEIKHUPURA

Sharif Plaza, Main

Lahore-Sargodha Road

SIALKOT

70, Paris Road

SUKKUR

Husaini Road

WAH

Plot # 1, Shop # 37/A, Aslam Market