



First Women Bank Limited.

DIRECTOR'S REPORT

The Board of Directors of First Women Bank Ltd. are pleased to present (un-audited) financial statements for the nine months period ended as at 30th September, 2009.

Financial Highlights:

	(Rs. in 000's)	
	As at 30 September, 2009	As at 31 December, 2008
Paid up Share Capital	283,650	283,650
Reserves	228,540	228,540
Un-appropriated profit	617,427	623,610
Surplus/ (Deficit) on revaluation of assets – net of tax	34,380	(32,767)
Total Net Assets:	1,163,997	1,103,033
	For the Nine Months Period Ended As At 30 September, 2009	For the Nine Months Period Ended As At 30 September, 2008
Profit before Taxation, Provisions & Impairment charge	92,388	168,690
Less: Provisions against NPLs, Investments and receivables	89,639	17,548
Profit before Tax	2,749	151,142
Less: Taxation	10,433	56,581
Profit /(Loss) after Tax	(7,684)	94,561

The impact of world recession also effected Pakistan's economy that largely increased the portfolio infections. The earnings of the industry as well as that of FWBL got reduced; But due to immediate corrective monetary measures by the Regulators, the banking & financial industry continues showing the positive signs of recovery. Keeping in view the economic slow down the Bank remained cautious in booking new assets of corporate sector or participation in new syndicate finances.

Income from core banking activities increased by 26.6% from Rs. 517 million to Rs. 655 million, which was absorbed by similar increase of Rs. 138 million in cost of deposits. Overall results, for the current nine months period, were adversely affected due to booking of additional provisions of Rs. 75 million against non-performing corporate clients/ micro-financing portfolio, provision of Rs. 5 million against investments/ other assets and additional impairment loss of Rs. 8 million against investments.



First Women Bank Limited.

During the period administrative expenses increase by Rs. 62 million, mainly due to increase in Salaries & Allowances, rentals and utilities charges, due to impact of high inflation; as such earnings per share (EPS) decreased by Rs. 3.60 from earning of Rs. 3.33 to loss of Rs. 0.27. The Bank will continue the strategy of improving its banking and support services for women, consolidating its position and increasing the business with stringent risk management measures.

The management is confident that after the cleaning-up operation by booking major provisioning and impairments losses, mainly during the first two quarters of the year, the Bank has shown significant improvement during the third quarter and will soon recover from this position and shall post significant net-profits by the year-end. The management, with its commitment to attract more business-women towards FWBL, continued its focus on renovation of branches, to change the shabby outlook of branches and taking initiatives for developing and launching innovative products for women, backed by IT solutions and services; while, the prime aspiration and priority of the Bank is economic empowerment of women.

Advances to women / women owned Enterprises: To date, First Women Bank Ltd. has disbursed Rs. 21,375 million with outreach to 46,498 borrowers, of which 75.46% of the borrowers are in Micro-credit category through its collaboration with ILO combating child labour and Ministry of Women Development in 220 villages for Micro Credit to women living under the line of poverty, skill and training, 24.43% are in Small & Medium loans category and 0.11% under Syndicate loans category. This reflects the model of First Women Bank Ltd. that caters to women at all levels of economic activity and takes very seriously its commitment and responsibility to support the economic and social well-being of the communities in which it operates.

Market Recognition:

PACRA had maintained the Bank's "long-term" and "short-term" entity ratings, on standalone basis, at "BBB+" (Triple B Plus) and "A2" (A two), respectively, as per the press release issued on 9th July, 2009. These ratings, as defined by PACRA, indicate that there is currently a low expectation of credit risk, the capacity for timely payment of financial commitments is considered adequate, and obligations are supported by a satisfactory capacity for timely repayment of financial commitments.



First Women Bank Limited.

Acknowledgement:

The Board of Directors and the management of the Bank would like to place on record their gratitude to the Government of Pakistan, Ministry of Finance and the State Bank of Pakistan for their continued support and guidance. We also take this opportunity to express our gratitude to our valued customers and business partners for their continued trust and patronage. Finally, we are thankful to the staff for their commitment and continuous efforts to make FWBL a success.

For and on behalf of the Board of Directors,

Shafqat Sultana

Chairperson & President/CEO

Date: 29th October, 2009.

First Women Bank Limited
Condensed Interim Balance Sheet
As at 30 September 2009

	<i>Note</i>	30 September 2009	31 December 2008
		(Rupees in '000)	
Assets		Un-Audited	Audited
Cash and balances with treasury banks		678,275	575,929
Balances with other banks		441,371	400,761
Lendings to financial institutions	5	2,910,384	350,849
Investments - net	6	3,580,072	2,264,088
Advances - net	7	2,538,564	3,304,330
Operating fixed assets	8	197,788	176,483
Deferred tax assets - net		50,788	56,630
Other assets - net		248,060	174,651
		10,645,302	7,303,721
Liabilities			
Bills payable		1,393,304	101,993
Borrowings	9	31,498	27,140
Deposits and other accounts	10	7,846,700	5,939,308
Subordinated loan		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities		209,803	132,247
		9,481,305	6,200,688
Net assets		1,163,997	1,103,033
Represented by:			
Share capital	11	283,650	283,650
Reserves		228,540	228,540
Unappropriated profit		617,427	623,610
		1,129,617	1,135,800
Surplus/(Deficit) on revaluation of assets - net of tax	13	34,380	(32,767)
		1,163,997	1,103,033
Contingencies and commitments	14		

The annexed notes 1 to 18 form an integral part of these financial statements.

The investments in securities held as 'Available-for-sale' are valued at prices quoted on stock exchange / net assets value as of 30th September 2009 and the resulting decline in market value below cost is reported in the 'Surplus / deficit on revaluation of available-for-sale securities-net of tax'. Also refer to note 6.2.

Shahid Mughal
Chief Financial Officer

Shafqat Sultana
**President and
Chief Executive**

Shafqat Sultana
**President and
Chief Executive**

Atif Aslam Bajwa
Director

Atif R. Bokhari
Director

M. Aftab Manzoor
Director

First Women Bank Limited
Profit and Loss Account -Unaudited
For the period ended 30 September 2009

	Note	Quarter Ended		Period Ended	
		30 September		30 September	
		2009	2008	2009	2008
Mark-up / return / interest earned		253,322	173,761	655,393	517,593
Mark-up / return / interest expensed		(129,730)	(63,451)	(286,515)	(148,443)
Net mark-up / interest income		123,592	110,310	368,878	369,150
Provision against non-performing advances		(1,650)	12,902	(75,702)	(17,548)
Bad debts written off directly		(303)	-	(303)	-
Provision for diminution in the value of investments		(664)	-	(8,634)	-
		(2,617)	12,902	(84,639)	(17,548)
Net mark-up / interest income after provisions		120,975	123,212	284,239	351,602
NON-MARK-UP / INTEREST INCOME					
Fees, commission and brokerage income		5,988	4,716	17,677	17,802
Dividend income		-	1,928	-	1,928
Income from dealing in foreign currencies		3,569	14,329	15,482	27,035
Gain on sale of securities - net		-	7,250	2,208	7,250
Other income		3,897	2,048	10,875	10,723
Total non-mark-up / interest income		13,454	30,271	46,242	64,738
		134,429	153,483	330,481	416,340
NON-MARK-UP / INTEREST EXPENSES					
Administrative expenses		(121,526)	(93,620)	(321,149)	(264,942)
Other provision / write offs (against other assets)		-	-	(5,000)	-
Other charges		(172)	(239)	(1,583)	(256)
Total non-mark-up / interest expenses		(121,698)	(93,859)	(327,732)	(265,198)
PROFIT / (LOSS) BEFORE TAXATION		12,731	59,624	2,749	151,142
Taxation - Current		(4,821)	(12,484)	(22,232)	(59,191)
- Prior years		-	-	(14,897)	(7,909)
- Deferred		(145)	(57)	26,696	10,519
		(4,966)	(12,541)	(10,433)	(56,581)
(LOSS) / PROFIT AFTER TAXATION		7,765	47,083	(7,684)	94,561
Basic and diluted earnings per share	15	0.27	1.66	(0.27)	3.33

The annexed notes 1 to 18 form an integral part of these condensed interim financial information.

In accordance with SRO 150(1) 2009 dated 13 February 2009, the impairment loss on securities held as 'Available-for-sale' has been reported in 'Surplus / deficit on revaluation of available-for-sale securities - net of tax'.

Also refer to note 6.2.

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First Women Bank Limited
Condensed Interim Cash Flow Statement - Unaudited
For the period ended 30 September 2009

	Note	
	Nine months period ended 30 September	
	2009	2008
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (Loss) before taxation	2,749	151,142
Dividend income	-	(1,928)
	<u>2,749</u>	<u>149,214</u>
Adjustments for non-cash charges		
Depreciation	12,025	11,202
Amortisation of intangible assets	1,051	437
Provision against Workers Welfare Fund	1,168	-
Provision against other assets	5,000	-
Provision / (reversal) against non-performing advances	76,005	17,548
Provision against Investment considered impaired	8,634	-
(Gain) / loss on sale of fixed assets	(666)	(185)
	<u>103,217</u>	<u>29,002</u>
	105,966	178,216
(Increase)/ decrease in operating assets		
Lendings to financial institutions	(2,559,535)	185,000
Advances-net	690,342	(491,427)
Others assets (excluding advance tax)	(53,701)	(105,883)
	<u>(1,922,894)</u>	<u>(412,310)</u>
Increase/ (decrease) in operating liabilities		
Bills payable	1,291,311	(80,723)
Borrowings from financial institutions	4,358	549,047
Deposits and other accounts	1,907,392	(818,679)
Other liabilities	74,550	29,114
	<u>3,277,611</u>	<u>(321,241)</u>
	1,460,683	(555,335)
Income tax paid	(61,837)	(63,052)
Net cash flows from operating activities	<u>1,398,846</u>	<u>(618,387)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments	(1,222,175)	634,964
Investments in operating fixed assets	(34,935)	-
Sale proceeds of property and equipment disposed-off	1,220	(4,420)
Net cash flows from investing activities	<u>(1,255,890)</u>	<u>630,544</u>
Increase in cash and cash equivalents	142,956	12,157
Cash and cash equivalents at beginning of the period	976,690	1,194,449
Cash and cash equivalents at end of the period	<u>1,119,646</u>	<u>1,206,606</u>

The annexed notes 1 to 18 form an integral part of these condensed interim financial information.

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First Women Bank Limited

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

For the period ended 30 September 2009

	Share capital	Capital reserve statutory reserve	Revenue reserve unappropriated profit	Total
	----- (Rupees in '000) -----			
Balance as at 1 January 2008	283,650	207,336	537,130	1,028,116
Changes in equity for the nine months period ended 30 September 2008				
Profit after taxation for the nine months period ended 30 September 2008	-	-	94,561	94,561
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	832	832
Total recognised income for the nine months period ended 30 September 2008	-	-	95,393	95,393
Transferred to statutory reserve	-	18,912	(18,912)	-
Balance as at 30 September 2008	283,650	226,248	613,611	1,123,509
Changes in equity for the three months period ended 31 December 2008				
Profit after taxation for the three months period ended 31 December 2008	-	-	11,459	11,459
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	832	832
Total recognised income for the three month period ended 31 December 2008	-	-	12,291	12,291
Transferred to statutory reserve	-	2,292	(2,292)	-
Balance as at 31 December 2008	283,650	228,540	623,610	1,135,800
Changes in equity for the nine months period ended 30 September 2009				
Profit after taxation for the nine months period ended 30 September 2009	-	-	(7,684)	(7,684)
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	1,501	1,501
Total recognised income for the nine months period ended 30 September 2009	-	-	(6,183)	(6,183)
Transferred to statutory reserve	-	-	-	-
Balance as at 30 September 2009	283,650	228,540	617,427	1,129,617

The annexed notes 1 to 18 form an integral part of these condensed interim financial information.

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First Women Bank Limited
Notes to the Condensed Interim Financial Statements-Unaudited
As at 30 September 2009

1. STATUS AND NATURE OF BUSINESS

First Women Bank Limited ("the Bank") was incorporated under the Companies Ordinance, 1984 on 21 November 1989 in Pakistan as an unquoted public limited company and commenced operations on 2 December 1989. The Bank is engaged in commercial banking and related services. The registered office of the Bank is situated at ground floor, S.T.S.M. Foundation Building, Civil Lines, Karachi. The number of branches as at 30 September 2009 was thirty eight (31 December 2008: thirty eight).

2. STATEMENT OF COMPLIANCE

2.1 These 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 issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984 and Banking Companies Ordinance, 1962 and the directives issued by State Bank of Pakistan (SBP). In case the requirements differ, the provisions of and directives issued under the Companies Ordinance, 1984 and Banking Companies Ordinance, 1962 and the directives issued by SBP shall prevail.

2.2 The State Bank of Pakistan, vide its BSD Circular No. 10 dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, Financial Instruments Recognition and Measurement and International Accounting Standard 40, Investment Property for banking companies till further instructions. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.

The disclosures made in these condensed interim financial statements have, however been limited based on the format prescribed by the State Bank of Pakistan, vide BSD Circular No. 2 dated May 12, 2004 and International Accounting Standard 34, Interim financial Reporting. These condensed interim financial statements do not include all of the information required for full annual financial statements, and these condensed interim financial statements should be read in conjunction with the financial statements of the Bank for the year ended December 31, 2008.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation followed in the preparation of these condensed interim financial statements are same as those applied in preparing the most recent annual financial statements of the Bank .

4. EFFECT OF CHANGE IN ACCOUNTING ESTIMATE

The accounting estimates made by the management in preparation of these condensed interim financial statements are same as those applied in preparing the most recent annual financial statements of the Bank except as mentioned in note no. 7.2 .

5. LENDINGS TO FINANCIAL INSTITUTIONS

	<i>Note</i>	30 September 2009	31 December 2008
(Rupees in '000)			
Short term lendings - secured	5.1	185,264	227,767
Repurchase agreement lendings	5.2	2,725,120	123,082
		2,910,384	350,849

5.1. This represents secured financings with two financial institutions carrying profit rate at six months KIBOR+2% (which at the period-end amounted to 14.76% (December 31, 2008: 17.70%). These are due to mature in December 2009 and are adjustable in monthly installments.

5.2. These are unsecured lendings to Financial Institutions, carrying mark-up rates, ranging between 12.30% to 12.90% (December 31, 2008: 14.90%) per annum and maturing on October 12, 2009.

6. INVESTMENTS - net

6.1 Investments by types

<i>Note</i>	30 September 2009			31 December 2008		
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
----- (Rupees in '000) -----						
Available-for-sale						
- Market Treasury Bills	2,142,090	-	2,142,090	882,864	-	882,864
- Pakistan Investment Bonds	1,188,773	-	1,188,773	1,199,680	-	1,199,680
- Term Finance Certificates (TFCs)	57,995	-	57,995	68,209	-	68,209
- Units / certificates of mutual funds	50,000	-	50,000	60,000	-	60,000
- Preference shares of a listed company	10,000	-	10,000	10,000	-	10,000
- Shares of an unlisted company	954	-	954	954	-	954
	3,449,812	-	3,449,812	2,221,707	-	2,221,707
Held-to-maturity						
- Pakistan Investment Bonds	225,841	-	225,841	231,771	-	231,771
Investments at cost	3,675,653	-	3,675,653	2,453,478	-	2,453,478
Less: Provision for diminution in value of Investment	(19,350)	-	(19,350)	(10,716)	-	(10,716)
Investments (Net of Provisions)	3,656,303	-	3,656,303	2,442,762	-	2,442,762
Deficit on revaluation of available for sale securities - net	(76,231)	-	(76,231)	(178,674)	-	(178,674)
Investments at revalued amounts	3,580,072	-	3,580,072	2,264,088	-	2,264,088

- 6.2 State Bank of Pakistan's BSD Circular No. 4 dated 13 February 2009 has provided to follow Securities and Exchange Commission of Pakistan (SECP) notification vide SRO 150 (1)/2009 dated 13 February, 2009 allowing that the impairment loss, if any, recognized as on 31 December 2008 due to valuation of listed equity investments held as "Available-for-Sale" to quoted market prices to be shown under the equity. The amount taken to equity including any adjustment/effect for price movements shall be taken to Profit and Loss account on quarterly basis during the year ending 31 December 2009. The amount taken to equity at 31 December 2008 shall be treated as a charge to Profit and Loss Account for the purposes of distribution as dividend.

	30 September 2009	31 December 2008
	(Rupees in '000)	
Impairment loss		
Assessed Impairment loss	18,250	21,432
Recognised in 2008	(10,716)	(10,716)
Recognised during the nine month period of 2009	(8,634)	-
	(19,350)	(10,716)
Increase in market value exceeding charge already booked and not reversed	1,100	-
Amount to be recognised in remaining quarters of 2009	-	10,716

In accordance with International Accounting Standard 39 – Financial Instruments: Recognition and Measurement (IAS 39), although not applicable such impairment loss should be transferred from equity to Profit and Loss Account.

	30 September 2009
	Rupees in '000
Increase in Impairment Loss in Profit and Loss Account	8,634
Decrease in tax charge for the year	863
Decrease in profit for the year - after tax	7,771
	Rupees
Decrease in earnings per share - after tax (basic and diluted)	0.27
	Rupees in '000
Decrease in deficit on revaluation of available for sale securities	19,350
Decrease in unappropriated profit	8,634

7. ADVANCES - net

	30 September 2009	31 December 2008
	(Rupees in '000)	
Loans, cash credits, running finances, etc.		
In Pakistan	2,719,500	3,409,842
Bills discounted and purchased (excluding treasury bills)		
Payable in Pakistan	-	-
Payable outside Pakistan	-	-
Advances - gross	2,719,500	3,409,842
Provision against advances		
Specific provision	180,144	104,441
General provision	792	1,071
	180,936	105,512
Advances - net	2,538,564	3,304,330

Advances include Rs. 222.802 million (2008: Rs. 174.287 million) which have been placed under the non-performing status as stated in note 7.3.

7.1 Particulars of advances (gross)

In local currency	2,538,564	3,207,406
In foreign currencies	-	-
	2,538,564	3,207,406

- 7.2 During the period, the Bank, in line with the requirements of BSD Circular No.2 of 2009 and BSD Circular No. 10 of 2009 , issued by the State Bank of Pakistan, changed its method of measuring provision against non performing advances whereby benefit has been allowed to consider forced sale value of pledged stocks and mortgaged commercial residential and industrial (land and building only) properties held as collateral in determining the specific provision. According to BSD Circular 10 benefit is restricted to 40% of forced sales value of such collateral and allowed for only three years from date of classification for calculating provisioning requirement. Had there been no change, the provision against non performing advances would have been higher by Rs. 8.169 million and net advances would have been lower by Rs. 8.169 million.

7.3 **Classified Advances & Provision**

Category of classification

	30 September 2009				
	Classified Advances			Specific Provision	
	Domestic	Oversees	Total	Required	Held
	----- (Rupees in '000) -----				
Substandard	40,351	-	40,351	9,707	9,707
Doubtful	8,451	-	8,451	3,229	3,229
Loss	174,000	-	174,000	167,208	167,208
	<u>222,802</u>	<u>-</u>	<u>222,802</u>	<u>180,144</u>	<u>180,144</u>

Category of classification

	31 December 2008				
	Classified Advances			Specific Provision	
	Domestic	Oversees	Total	Required	Held
	----- (Rupees in '000) -----				
Substandard	91,602	-	91,602	22,900	22,900
Doubtful	2,289	-	2,289	1,145	1,145
Loss	80,396	-	80,396	80,396	80,396
	<u>174,287</u>	<u>-</u>	<u>174,287</u>	<u>104,441</u>	<u>104,441</u>

8. **OPERATING FIXED ASSETS**

Capital work-in-progress
Property and equipment
Intangible assets

	30 September 2009	31 December 2008
	(Rupees in '000)	
	23,643	1,650
	168,184	167,845
	5,961	6,988
	<u>197,788</u>	<u>176,483</u>

8.1 **Capital work-in-progress**

Advances to contractors
Advances for vehicles

	30 September 2009	31 December 2008
	16,824	1,650
	6,819	-
	<u>23,643</u>	<u>1,650</u>

9. **BORROWINGS**

Secured

Borrowings from State Bank of Pakistan under
-Export refinance scheme
-Locally manufactured machinery

	30 September 2009	31 December 2008
	31,498	27,140
	-	-
	<u>31,498</u>	<u>27,140</u>

Unsecured

Call borrowings

	30 September 2009	31 December 2008
	-	-
	<u>31,498</u>	<u>27,140</u>

10. **DEPOSITS AND OTHER ACCOUNTS**

Customers

Fixed deposits
Savings deposits
Current (saving cum current) accounts - remunerative
Current accounts - non remunerative
Call deposits
Sundry deposits

	30 September 2009	31 December 2008
	1,122,531	515,492
	3,045,775	3,010,555
	2,226,877	817,539
	1,291,239	1,446,332
	113,554	129,006
	43,654	20,178
	<u>7,843,630</u>	<u>5,939,102</u>

Financial institutions

Remunerative deposits
Non-remunerative deposits

	30 September 2009	31 December 2008
	2,193	176
	877	30
	<u>3,070</u>	<u>206</u>
	<u>7,846,700</u>	<u>5,939,308</u>

10.1 **Particulars of deposits**

In local currency
In foreign currencies

	30 September 2009	31 December 2008
	7,378,123	5,551,123
	468,577	388,185
	<u>7,846,700</u>	<u>5,939,308</u>

11. SHARE CAPITAL

11.1 Authorised capital

30 September 2009 (Number of shares)	31 December 2008		30 September 2009 (Rupees in '000)	31 December 2008
<u>30,000,000</u>	<u>30,000,000</u>	Ordinary shares of Rs 10 each	<u>300,000</u>	<u>300,000</u>

11.2 Issued, subscribed and paid up capital

This comprises of fully paid-up ordinary shares of Rs 10 each as follows:

30 September 2009 (Number of shares)	31 December 2008		30 September 2009 (Rupees in '000)	31 December 2008
<u>24,365,000</u>	24,365,000	Issued for cash	<u>243,650</u>	243,650
<u>4,000,000</u>	<u>4,000,000</u>	Issued as bonus shares	<u>40,000</u>	40,000
<u>28,365,000</u>	<u>28,365,000</u>		<u>283,650</u>	<u>283,650</u>

11.3 Major shareholders (associated undertakings)

	2009 & 2008	
	Number of shares held	Percentage of shareholding
		%
MCB Bank Limited	7,596,000	26.78
Habib Bank Limited	7,596,000	26.78
Allied Bank Limited	2,544,000	8.96
National Bank of Pakistan	2,532,000	8.93
United Bank Limited	2,532,000	8.93
Ministry of Women Development, Government of Pakistan	5,565,000	19.62
		<u>100.00</u>

11.4 According to BSD Circular No. 19 of 2008, the Bank was required to raise its paid-up capital to Rs. 5 billion by 31 December 2008. However, the State Bank of Pakistan through its letter reference BSD/BAI-3/608/10/2009 dated 05 January 2009 has keeping in view the recapitalisation/restructuring of the Bank, granted the Bank an extension for meeting the Minimum Paid-up Capital Requirement up till 31 December 2009 or re-capitalization/restructuring of the Bank which ever occurs earlier.

12. SURPLUS ON REVALUATION OF ASSETS

- net of tax

Surplus arising on revaluation (net of tax) of:

	30 September 2009	31 December 2008
- fixed assets	84,299	85,800
- available-for-sale securities	<i>12.1</i> (49,919)	(118,567)
	<u>34,380</u>	<u>(32,767)</u>

12.1 Deficit on revaluation of available-for-sale securities - net of tax	30 September 2009	31 December 2008
<i>Note</i>	(Rupees in '000)	
Federal Government Securities	(74,509)	(166,027)
Listed Securities		
- Units / certificates of mutual funds / preference shares-net	1,295	(6,793)
- Listed Term Finance Certificates	(3,017)	(5,854)
	(1,722)	(12,647)
	(76,231)	(178,674)
Add: Related deferred tax asset - net	26,312	60,107
	(49,919)	(118,567)

13. CONTINGENCIES AND COMMITMENTS

13.1 Transaction-related contingent liabilities

Guarantees in favour of:

Government	37,097	40,575
Others	43	890
	37,140	41,465

13.2 Trade-related contingent liabilities

Letter of credit and acceptances on behalf of:

Government	-	1,342
Others	1,137	1,574
	1,137	2,916

13.3 Other contingencies

Claims against the Bank not acknowledged as debt	154,037	154,037
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13.4 Taxation

The income tax assessments of the Bank have been finalised up to and including the tax year 2008 (financial year ended 31 December 2007). The tax authorities have made certain disallowances comprising of interest on non-performing advances suspended by the Bank and Nostro account and bad debts balances written-off by the Bank, in respect of the financial years ended from 31 December 1995 to 1998, 2000, 2003 to 2005 and 2007 against which appeals have been filed by the Bank at appellate forums. Tax effect of disallowances involved amounts to Rs. 30.811 million.

However, the management is confident that the decision in appeals would be in its favour and as such no provision has been made against the above amount.

14. RELATED PARTY TRANSACTIONS AND BALANCES

The Bank has related party relationships with companies with common directorship, directors, key management personal and employee benefit plans.

Banking transactions with 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 (i.e., under the comparable uncontrolled price).

Contributions to the accounts in respect of staff retirement benefits are made in accordance with actuarial valuation (terms of contribution plan). Transactions with key management personnel are in accordance under the terms of their employment. Other transactions are at agreed terms.

Details of transactions with related parties as at the period/year end were as follows:

14' A Balances	Directors		Key management personnel		Associated Undertakings		Other related parties	
	Un-audited Sep-09	Audited Dec-08	Un-audited Sep-09	Audited Dec-08	Un-audited Sep-09	Audited Dec-08	Un-audited Sep-09	Audited Dec-08
------(Rupees in '000)-----								
Deposits								
Balance at beginning of the period / year	1,734	923	3,250	1,619	-	-	67,620	6,217
Deposited during the period / year	27,980	54,079	47,158	22,526	-	-	474,731	216,024
Withdrawn during the period / year	29,714	53,268	43,775	20,895	-	-	452,009	154,621
Adjustment	725	-	(725)	-	-	-	-	-
Balance at end of the period / year	<u>725</u>	<u>1,734</u>	<u>5,908</u>	<u>3,250</u>	<u>-</u>	<u>-</u>	<u>90,342</u>	<u>67,620</u>
Deposits carry mark-up rate at 5% to 7% per annum (2008: 5% & 15% per annum).								
Mark-up / return / interest expensed	<u>57</u>	<u>38</u>	<u>47</u>	<u>32</u>	<u>-</u>	<u>-</u>	<u>3,343</u>	<u>414</u>
Mark-up payable in local currency	<u>23</u>	<u>27</u>	<u>19</u>	<u>25</u>	<u>-</u>	<u>-</u>	<u>1,229</u>	<u>347</u>
Advances (secured)								
Balance at beginning of the period / year	4,980	5,653	3,385	2,044	58,333	416,667	57,788	309,962
Loans granted during the period / year	960	-	4,662	2,500	-	825,727	825	429,192
Repayments received during the period / year	582	673	254	1,159	20,833	1,184,061	1,042	681,366
Adjustments *	(5,358)	-	-	-	-	-	5,358	-
Balance at end of the period / year	<u>-</u>	<u>4,980</u>	<u>7,793</u>	<u>3,385</u>	<u>37,500</u>	<u>58,333</u>	<u>57,571</u>	<u>57,788</u>
Advances carry profit rates ranging from 5% to 12.11% per annum (2008: 5% to 12.11% per annum)								
Mark-up / return / interest earned	<u>-</u>	<u>256</u>	<u>109</u>	<u>103</u>	<u>6,076</u>	<u>52,719</u>	<u>6,196</u>	<u>23,899</u>
Mark-up receivable in local currency	<u>-</u>	<u>186</u>	<u>298</u>	<u>139</u>	<u>2,598</u>	<u>241</u>	<u>1,927</u>	<u>2,164</u>

14' B Other transactions and balances (including profit and loss related transactions)

Balances as at the period / year end	Associated undertakings		Other related parties	
	Un-audited Sep-09	Audited Dec-08	Un-audited Sep-09	Audited Dec-08
------(Rupees in '000)-----				
Cash and balance with treasury bank	<u>21,892</u>	<u>32,517</u>	<u>-</u>	<u>-</u>
Balances with other banks	<u>12,367</u>	<u>35,659</u>	<u>-</u>	<u>-</u>
Investment in National Institutional Facilitation Technologies (Private) Limited	<u>954</u>	<u>954</u>	<u>-</u>	<u>-</u>
------(Rupees in '000)-----				
MCB ATM settlement account balance	<u>417</u>	<u>417</u>	<u>-</u>	<u>-</u>
Receivable/(Payable) from/to benefit plan	<u>-</u>	<u>-</u>	<u>(4,738)</u>	<u>671</u>
Payable to defined contribution plan	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Mark-up payable in local currency	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Transactions during the period / year ended				
Interest income on lendings to financial institutions	<u>31,726</u>	<u>3,960</u>	<u>-</u>	<u>-</u>
Charge for retirement benefits				
Approved pension fund			15,262	6,722
Approved gratuity fund			936	1,028
Contributory provident fund			420	415
			<u>16,618</u>	<u>8,165</u>
Remuneration of key management personnel			<u>14,723</u>	<u>19,265</u>

	30 September 2009	30 September 2008
	(Rupees in '000)	
15. BASIC AND DILUTED EARNINGS PER SHARE		
Profit after taxation	<u>(7,684)</u>	<u>94,561</u>
	(Number of shares)	
Weighted average number of ordinary shares outstanding during the period	<u>28,365,000</u>	<u>28,365,000</u>
	(Rupees)	
Basic and diluted earnings per share	<u>(0.27)</u>	<u>3.33</u>

16. CASH AND CASH EQUIVALENTS

	(Rupees in '000)	
Cash and balances with treasury banks	678,275	781,495
Balances with other banks	441,371	425,111
	<u>1,119,646</u>	<u>1,206,606</u>

17. RECLASSIFICATION **31 December
2008**
(Rupees in '000)

Following corresponding figure has been reclassified for the purpose of better presentation.

From	To	
Other assets (Advances Deposits & Prepayments)	Capital work in progress	1,650

18. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Bank in their meeting held on 29 OCT 2009.

Shahid Mughal
Chief Financial Officer

Shafqat Sultana
President and
Chief Executive

Shafqat Sultana
President and
Chief Executive

Atif Aslam Bajwa
Director

Atif R. Bokhari
Director

M. Aftab Manzoor
Director