



**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 Half Year ended 30<sup>th</sup> June, 2009:

### **Financial Highlights:**

	(Rs. in 000's)	
	<b>As at 30 June, 2009</b>	<b>As at 31 December, 2008</b>
Paid up Capital	283,650	283,650
Reserve	228,540	228,540
Un-appropriated profit	609,471	623,610
Surplus/ (Deficit) on revaluation of Assets (net)	35,781	(32,767)
Total Net Assets:	1,157,442	1,103,033
	<b>For the Half Year ended 30 June, 2009</b>	<b>For the Half year ended 30 June, 2008</b>
Profit before Taxation, Provisions & Impairment charge	77,040	121,968
Provisions against NPLs & Other Assets, and Impairment against Investments – net	(87,022)	(30,450)
(Loss) / Profit before Tax	(9,982)	91,518
Taxation – net	(5,467)	(44,154)
(Loss) / Profit after Tax	(15,449)	47,364

The Bank's qualitative financing increased by 19%, Deposits increased by 31% and maintained healthy Advances Deposit Ratio of 53%. The Bank, keeping in view the economic slow down, remained cautious in booking new assets of corporate sector or participation in new syndicate finances. The impact of world recession also had an effect on Pakistan's economy that largely increased the portfolio infections and 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.

Core banking income increased by 16.8% from Rs. 344 million to Rs. 402 million, which did not reflect positively in overall results due to higher increase in cost of funds from Rs. 85 million to Rs. 157 million, because of rising trends of interest rates; Besides booking of heavy provisioning of Rs. 87 million against few non-performing corporate



---

**First Women Bank Limited.**

---

clients, micro-financing portfolio and some investments. The inflationary impacts increased the administrative costs by Rs. 35 million, as such EPS decreased by Rs. 2.21 from earning of Rs. 1.67 to loss of Rs. 0.54 per share. The Bank will continue its strategy of controlling its costs, but improving its services and increasing the business with stringent risk management measures. The management is confident that after the clearing-up operation by booking major provisioning during the first half of the year, the Bank will soon recover from this position and shall post significant net-profits by the year-end.

**Advances to women /women owned Enterprises:** To date, First Women Bank Ltd. has disbursed Rs. 20,982 million with outreach to 46,326 borrowers, of which 75.69% of the borrowers are in Micro-credit category through its collaborations mainly with the Ministry of Women Development in 220 villages for Micro-Credit to women living under the line of poverty, imparting skills and trainings; around 24.20% of the borrowers 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.

To ascertain the true potential of the model of FWBL – as a commercial and a DFI, with the focus on women development and keeping in view, that there is statistical invisibility of women and very little research on the Bank’s market niche – Women Entrepreneurs, a critical need was felt of a market assessment study. FWBL had asked SPDC to conduct a Market Assessment Study, supported through CIDA’s grant. The Study gave surprising results and revealed a Credit demand ranging between Rs. 261 billion and Rs 285 billion for women entrepreneurs, in five big cities, highlighting 52 business sectors; Thus, demonstrating FWBL’s true potential.

The Government of Pakistan vide Finance Division’s Notification dated 20<sup>th</sup> May, 2009 had nominated a new President of the Bank, whose first step towards a smooth operation was to decentralize the branches from three Regions to smaller units under area managers for enhancing control and to boost direct sales and marketing activities, jointly by branches and area managers. The management is focusing on renovation of branches, to change the shabby outlook, for attracting business women and taking initiatives for innovative products for women, backed by IT solutions and services; while, the prime aspiration and priority of the Bank is economic empowerment of women.



---

**First Women Bank Limited.**

---

The Bank recently launched its corporate documentary film titled “FWBL – The Icon of Women’s Economic Empowerment”, which are widely viewed on the Independence Day on various TV and Cable Channels.

**Market Recognition:**

PACRA has 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 latest press release issued on 9<sup>th</sup> 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.

**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 / C.E.O.

Date : 28<sup>th</sup> August, 2009

## **Independent Report on Review of Interim Financial Information to the Members**

### *Introduction*

We have reviewed the accompanying condensed interim balance sheet of **First Women Bank Limited** ("the Bank") as at 30 June 2009 and the related condensed interim profit and loss account, condensed interim cash flow statement, condensed interim statement of changes in equity and condensed interim statement of comprehensive income for the six months period then ended (here-in-after referred to as the "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for Interim Financial Reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

### *Scope of Review*

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

### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information as at 30 June 2009 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for Interim Financial Reporting.

The figures for the quarter ended 30 June 2009 in the condensed interim profit and loss account have not been reviewed and we do not express a conclusion on them.

**Date: 28<sup>th</sup> August 2009**

**Karachi**

---

**KPMG Taseer Hadi & Co.**  
**Chartered Accountants**  
**Amyr Pirani**

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

	<i>Note</i>	<b>30 June 2009</b>	31 December 2008
		<b>(Rupees in '000)</b>	
<b>ASSETS</b>		<b>(Un-Audited)</b>	<b>(Audited)</b>
Cash and balances with treasury banks		737,887	575,929
Balances with other banks		503,280	400,761
Lendings to financial institutions	7	1,044,747	350,849
Investments	8	2,625,766	2,264,088
Advances - net	9	3,943,560	3,304,330
Operating fixed assets		174,621	174,833
Deferred tax assets - net	10	51,138	56,630
Other assets - net		201,828	176,301
		<b>9,282,827</b>	<b>7,303,721</b>
<b>LIABILITIES</b>			
Bills payable		101,753	101,993
Borrowings from Financial Institutions	11	30,270	27,140
Deposits and other accounts	12	7,815,849	5,939,308
Subordinated loan		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities		177,513	132,247
		<b>8,125,385</b>	<b>6,200,688</b>
<b>NET ASSETS</b>		<b>1,157,442</b>	<b>1,103,033</b>
<b>REPRESENTED BY:</b>			
Share capital	13	283,650	283,650
Reserve		228,540	228,540
Unappropriated profit		609,471	623,610
		<b>1,121,661</b>	<b>1,135,800</b>
Surplus / (deficit) on revaluation of assets - net of tax	14	35,781	(32,767)
		<b>1,157,442</b>	<b>1,103,033</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	15		

The annexed notes 1 to 19 form an integral part of these condensed interim financial information.

The investments in securities held as 'Available-for-sale' are valued at prices quoted on stock exchange / net assets value as of 30 June 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'. Had the full amount of impairment loss been charged to profit and loss account, net deficit on revaluation of available-for-sale securities would have been lower by Rs. 2.222 million with consequential effect on Unappropriated profit. See note 8.1.

**Shahid Mughal**  
**Chief Financial Officer**

**Shafqat Sultana**  
**President and  
Chief Executive**

**Shafqat Sultana**  
**President and  
Chief Executive**

**Atif Aslam Bajwa**  
**Director**

**S. Ali Raza**  
**Director**

**Atif R. Bokhari**  
**Director**

**First Women Bank Limited**  
**Condensed Interim Profit and Loss Account (Un-audited)**  
*For the half year ended 30 June 2009*

	Note	Six months period ended		Quarter ended	
		30 June		30 June	
		2009	2008	2009	2008
------(Rupees in '000)-----					
Mark-up / return / interest earned		<b>402,071</b>	343,832	<b>225,553</b>	171,387
Mark-up / return / interest expensed		<b>(156,785)</b>	(84,992)	<b>(98,703)</b>	(45,867)
Net mark-up / interest income		<b>245,286</b>	258,840	<b>126,850</b>	125,520
Provision against non-performing loans and advances - net		<b>(74,052)</b>	(30,450)	<b>(50,421)</b>	(28,976)
Provision for diminution in the value of investments	8.1	<b>(7,970)</b>	-	<b>(4,296)</b>	-
Net mark-up / interest income after provisions		<b>163,264</b>	228,390	<b>72,133</b>	96,544
<b>NON-MARK-UP / INTEREST INCOME</b>					
Fees, commission and brokerage income		<b>11,689</b>	13,086	<b>6,829</b>	7,161
Dividend income		-	-	-	-
Income from dealing in foreign currencies		<b>11,913</b>	12,706	<b>7,100</b>	6,266
Gain / (loss) on sale of securities - net		<b>2,208</b>	-	<b>(2,828)</b>	-
Other income		<b>6,978</b>	8,675	<b>2,831</b>	4,695
Total non-mark-up / interest income		<b>32,788</b>	34,467	<b>13,932</b>	18,122
<b>NON-MARK-UP / INTEREST EXPENSES</b>					
Administrative expenses		<b>(199,623)</b>	(171,322)	<b>(102,555)</b>	(93,636)
Other provision / write offs (against other assets)		<b>(5,000)</b>	-	<b>(5,000)</b>	-
Other charges		<b>(1,411)</b>	(17)	<b>(17)</b>	-
Total non-mark-up / interest expenses		<b>(206,034)</b>	(171,339)	<b>(107,572)</b>	(93,636)
<b>(LOSS) / PROFIT BEFORE TAXATION</b>		<b>(9,982)</b>	91,518	<b>(21,507)</b>	21,030
Taxation - Current		<b>(17,411)</b>	(46,707)	<b>(5,574)</b>	(17,604)
- Prior years		<b>(14,897)</b>	(7,909)	<b>(14,897)</b>	(7,909)
- Deferred		<b>26,841</b>	10,462	<b>18,571</b>	3,675
		<b>(5,467)</b>	(44,154)	<b>(1,901)</b>	(21,838)
<b>(LOSS) / PROFIT AFTER TAXATION</b>		<b>(15,449)</b>	47,364	<b>(23,407)</b>	(808)
<b>Basic and diluted earnings per share</b>	<i>Rupees</i>	<b>(0.54)</b>	1.67	<b>(0.83)</b>	(0.03)

The annexed notes 1 to 19 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'. In case the full amount of impairment loss was charged to profit and loss account, profit for the year would have been lower by Rs. 2.222 million and earnings per share would have been lower by Rs. 0.08. See note 8.1.

**Shahid Mughal**  
**Chief Financial Officer**

**Shafqat Sultana**  
**President &  
Chief Executive**

**Shafqat Sultana**  
**President &  
Chief Executive**

**Atif Aslam Bajwa**  
**Director**

**S. Ali Raza**  
**Director**

**Atif R. Bokhari**  
**Director**

First Women Bank Limited  
Condensed Interim Statement of Comprehensive Income (Un-audited)

For the half year ended 30 June 2009

	Six months period ended June 30, 2009	Six months period ended June 30, 2008	Quarter ended June 30, 2009	Quarter ended June 30, 2008
-----Rupees in '000'-----				
(Loss) / profit after taxation for the period	(15,449)	47,364	(23,407)	(808)
<b>Other comprehensive income</b>				
Surplus on revaluation of fixed assets relating to incremental depreciation	2,015	1,280	1,792	1,280
Deferred tax relating to incremental depreciation on revaluation of fixed assets	(705)	(448)	(627)	(448)
	1,310	832	1,165	832
<b>Comprehensive income transferred to equity</b>	<b>(14,139)</b>	<b>48,196</b>	<b>(22,242)</b>	<b>24</b>
<b>Components of comprehensive income not transferred to equity</b>				
Surplus on revaluation of fixed assets relating to incremental depreciation	(1,310)	(832)	(1,165)	(832)
Surplus / (deficit) on revaluation of investments- available for sale	102,894	(101,580)	23,713	(69,809)
Deferred tax on revaluation of investments - available for sale	(33,037)	36,661	(5,546)	24,806
	69,857	(64,919)	18,167	(45,003)
	<b>54,408</b>	<b>(17,555)</b>	<b>(5,240)</b>	<b>(45,811)</b>

The annexed notes 1 to 19 form an integral part of these condensed interim financial information.

Shahid Mughal  
Chief Financial Officer

Shafqat Sultana  
President &  
Chief Executive

Shafqat Sultana  
President &  
Chief Executive

Atif Aslam Bajwa  
Director

S. Ali Raza  
Director

Atif R. Bokhari  
Director

First Women Bank Limited  
Condensed Interim Cash Flow Statement (Un-audited)  
For the half year ended 30 June 2009

	Note	Six months period ended	
		2009	2008
<b>(Rupees in '000)</b>			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		(9,982)	91,518
<b>Adjustments for non-cash charges</b>			
Depreciation		7,302	8,534
Amortisation of intangible assets		699	874
Provision against Workers Welfare Fund		1,013	2,617
Provision against other assets		5,000	-
Provision against non-performing advances		74,052	30,450
Provision for diminution in value of investments		7,970	-
Loss / (gain) on sale of fixed assets		1,008	(185)
		<u>97,044</u>	<u>42,290</u>
		87,062	133,808
<b>(Increase)/ decrease in operating assets</b>			
Lendings to financial institutions		(693,898)	560,000
Advances-gross		(713,282)	(57,338)
Others assets (excluding advance tax)		(5,806)	(5,760)
		<u>(1,412,986)</u>	<u>496,902</u>
<b>Increase/ (decrease) in operating liabilities</b>			
Bills payable		(240)	(98,137)
Borrowings from financial institutions		3,130	348,332
Deposits and other accounts		1,876,541	(1,173,241)
Other liabilities		45,266	377
		<u>1,924,697</u>	<u>(922,669)</u>
		598,773	(291,959)
Income tax paid		(54,085)	(46,912)
<b>Net cash flows from operating activities</b>		<u>544,688</u>	<u>(338,871)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Net investments in available-for-sale securities		(271,101)	412,055
Investments in operating fixed assets		(11,090)	(3,861)
Proceeds from sale of fixed assets		1,980	577
<b>Net cash flows from investing activities</b>		<u>(280,211)</u>	<u>408,771</u>
<b>Increase in cash and cash equivalents during the period</b>		<u>264,477</u>	<u>69,900</u>
Cash and cash equivalents at beginning of the period		976,690	1,194,449
<b>Cash and cash equivalents at end of the period</b>	18	<u>1,241,167</u>	<u>1,264,349</u>

The annexed notes 1 to 19 form an integral part of these condensed interim financial information.

Shahid Mughal  
Chief Financial Officer

Shafqat Sultana  
President &  
Chief Executive

Shafqat Sultana  
President &  
Chief Executive

Atif Aslam Bajwa  
Director

S. Ali Raza  
Director

Atif R. Bokhari  
Director

First Women Bank Limited  
Condensed Interim Statement of Changes in Equity (Un-audited)  
For the half year ended 30 June 2009

	Share capital	Statutory reserve	Revenue reserve unappropriated profit	Total
----- (Rupees in '000) -----				
<b>Balance as at 1 January 2008</b>	283,650	207,336	537,130	1,028,116
<b>Changes in equity during the half year ended 30 June 2008</b>				
Total comprehensive income for the half year ended 30 June 2008	-	-	48,196	48,196
Transferred to statutory reserve	-	9,473	(9,473)	-
<b>Balance as at 30 June 2008</b>	<b>283,650</b>	<b>216,809</b>	<b>575,853</b>	<b>1,076,312</b>
<b>Changes in equity during half year ended 31 December 2008</b>				
Total comprehensive income for the half year ended 31 December 2008	-	-	59,488	59,488
Transferred to statutory reserve	-	11,731	(11,731)	-
<b>Balance as at 31 December 2008</b>	<b>283,650</b>	<b>228,540</b>	<b>623,610</b>	<b>1,135,800</b>
<b>Changes in equity during the half year ended 30 June 2009</b>				
Total comprehensive loss for the half year ended 30 June 2009	-	-	(14,139)	(14,139)
<b>Balance as at 30 June 2009</b>	<b>283,650</b>	<b>228,540</b>	<b>609,471</b>	<b>1,121,661</b>

The annexed notes 1 to 19 form an integral part of these condensed interim financial information.

Shahid Mughal  
Chief Financial Officer

Shafqat Sultana  
President &  
Chief Executive

Shafqat Sultana  
President &  
Chief Executive

Atif Aslam Bajwa  
Director

S. Ali Raza  
Director

Atif R. Bokhari  
Director

# First Women Bank Limited

## Notes to the Condensed Interim Financial Information (Un-audited)

*For the half year ended 30 June 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 June 2009 was 38 (31 December 2008: 38).

### **2. BASIS OF PRESENTATION**

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

### **3. STATEMENT OF COMPLIANCE**

- 3.1.** These condensed interim financial information have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved Accounting Standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Banking Companies Ordinance, 1962, the Companies Ordinance, 1984, and the directives issued by the State Bank of Pakistan ('SBP') and the Securities and Exchange Commission of Pakistan ('SECP'). In case requirements differ, the provisions of and directives issued under the Banking Companies Ordinance, 1962, the Companies Ordinance, 1984, and the directives issued by SBP and SECP shall prevail.
- 3.2.** The State Bank of Pakistan, vide BSD Circular Letter No. 10, dated August 26, 2002 had deferred the applicability of International Accounting Standard 39, Financial Instruments: Recognition and Measurement (IAS 39) and International Accounting Standard 40, Investment Property (IAS 40) for the banking companies till further instructions. Accordingly, the requirements of these standards have not been considered in the preparation of these condensed interim financial information. However, investments have been classified and valued in accordance with the requirements prescribed by SBP through various circulars.
- 3.3.** During the current period, International Accounting Standard 1 (Revised), Presentation of Financial Statements (IAS 1) became effective from January 1, 2009. The application of this standard has resulted in certain increased disclosures only.

Other new standards, amendments and interpretations that were mandatory for accounting periods beginning on or after January 1, 2009 and are not considered to be relevant or have any significant effect on the Bank's operations, are not detailed in these condensed interim financial information.

#### 4. ACCOUNTING ESTIMATES

The basis of accounting estimates adopted in the preparation of these condensed interim financial information are the same as those applied in preparation of annual financial statements of the Bank for the year ended 31 December 2008, except for the change indicated in note 9.1 to these financial information.

#### 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these condensed interim financial information are the same as those applied in the preparation of annual financial statement of the Bank for the year ended 31 December 2008.

#### 6. FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies are consistent with those disclosed in the financial statements of the Bank for the year ended 31 December 2008.

7. LENDINGS TO FINANCIAL INSTITUTIONS	Note	30 June	31 December
		2009	2008
		(Un-audited)	(Audited)
		(Rupees in '000)	
Short term lendings - secured	7.1	195,527	227,767
Repurchase agreement lendings	7.2	849,220	123,082
		<u>1,044,747</u>	<u>350,849</u>

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

7.2. These are short term lendings to financial institutions, carrying mark-up rates, ranging between 13.25% to 13.90% per annum (2008: 14.90% per annum) and maturing on 2 July 2009.

#### 8. INVESTMENTS

Note	(Un-audited)			(Audited)		
	30 June 2009			31 December 2008		
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
------(Rupees in '000)-----						
<b>Available-for-sale</b>						
- Market Treasury Bills	1,187,581	-	1,187,581	882,864	-	882,864
- Pakistan Investment Bonds	1,192,527	-	1,192,527	1,199,680	-	1,199,680
- Term Finance Certificates (TFCs)	61,746	-	61,746	68,209	-	68,209
- Units / certificates of mutual funds	40,000	-	40,000	60,000	-	60,000
- Preference shares of a listed company	10,000	-	10,000	10,000	-	10,000
- Shares in an unlisted company	954	-	954	954	-	954
	<u>2,492,808</u>	-	<u>2,492,808</u>	2,221,707	-	2,221,707
<b>Held-to-maturity</b>						
- Pakistan Investment Bonds	227,424	-	227,424	231,771	-	231,771
	<u>2,720,232</u>	-	<u>2,720,232</u>	2,453,478	-	2,453,478
Provision for diminution in value of investments	8.1	(18,686)	(18,686)	(10,716)	-	(10,716)
Deficit on revaluation of available-for-sale securities - net	14.1	(75,780)	(75,780)	(178,674)	-	(178,674)
<b>Investments at revalued amounts</b>		<u>2,625,766</u>	<u>2,625,766</u>	<u>2,264,088</u>	-	<u>2,264,088</u>

- 8.1. 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.

<i>Note</i>	<b>As at and for the six months period / year ended</b>	
	<b>30 June 2009</b>	<b>31 December 2008</b>
	<b>(Un-audited)</b>	<b>(Audited)</b>
	<b>(Rupees in '000)</b>	

Details of impairment loss is as follows:

Reassessed impairment loss / impairment loss originally assessed Recognised in 2008	<b>21,155</b>	21,432
Recognised during six months ended 30 June 2009	<b>(10,716)</b>	(10,716)
	<b>(7,970)</b>	-
	<b>(18,686)</b>	(10,716)
Amount to be recognised in the remaining quarters of 2009	<b>2,469</b>	10,716

Had the entire balance of above impairment loss been recognised in the profit and loss account, the effect on the financial statements would have been as follows:

Increase in 'Impairment Loss' in Profit and Loss Account	<b>2,469</b>	10,716
Decrease in tax charge for the year	<b>247</b>	1,803
Decrease in profit for the year - after tax	<b>2,222</b>	8,913

**(Rupees)**

Decrease in earnings per share - after tax (basic and diluted)	<b>0.08</b>	0.31
--	-------------	------

**(Rupees in '000)**

Decrease in deficit on revaluation of available for sale securities (net of tax) and decrease in unappropriated profit	<b>2,222</b>	8,913
--	--------------	-------

## 9. ADVANCES

	<b>30 June 2009</b>	<b>31 December 2008</b>
	<b>(Un-audited)</b>	<b>(Audited)</b>
	<b>(Rupees in '000)</b>	
Loans, cash credits, running finances, etc.		
In Pakistan	<b>4,123,124</b>	3,409,842
Provision against advances		
Specific provision	<b>178,585</b>	104,441
General provision	<b>979</b>	1,071
	<b>179,564</b>	105,512
	<b>3,943,560</b>	3,304,330

- 9.1 State Bank of Pakistan vide BSD Circular No. 2 dated 27 January 2009 had allowed the banks to avail the benefit of 30 percent of forced sale value ('FSV') of pledged stock and mortgaged commercial and residential properties held as collateral by the banks against their non-performing (excluding consumer housing finance portfolio) for three years from the date of classification for the purpose of determining the provisioning requirement with effect from 31 December 2008. In case of advances given under consumer housing finance portfolio the benefit of FSV would be 50 percent for the first and second years where as 30 percent allowable for the third year from the date of classification. Benefit of FSV shall not be available after three years from the date of classification.

The Bank accordingly decided to avail the aforesaid benefit. Had the benefit of FSV not been availed by the Bank the specific provision against non-performing advances would have been higher and consequently profit before taxation and advances (net of provisions) as at 30 June 2009 would have been lower by approximately Rs.2.84 million. Increase in profit is not available for distribution of cash and stock dividend to the share holders.

- 9.2 Advances include Rs. 203.321 million (2008: Rs. 174.287 million) which have been placed under the non-performing status as detailed below:

Category of classification	30 June 2009 (Un-audited)		
	Total domestic	Required provision	Provision held
	----- (Rupees in '000) -----		
Substandard	17,789	4,037	4,037
Doubtful	12,160	1,575	1,575
Loss	173,372	172,973	172,973
	<u>203,321</u>	<u>178,585</u>	<u>178,585</u>

Category of classification	31 December 2008 (Audited)		
	Total domestic	Required provision	Provision held
	----- (Rupees in '000) -----		
Substandard	91,602	22,900	22,900
Doubtful	2,289	1,145	1,145
Loss	80,396	80,396	80,396
	<u>174,287</u>	<u>104,441</u>	<u>104,441</u>

10. **DEFERRED TAX ASSETS - net**
- |   | Note | 30 June 2009 (Un-audited) | 31 December 2008 (Audited) |
|---|------|---------------------------|----------------------------|
|   |      | (Rupees in '000)          |                            |
| 10.1. The details of the tax effect of taxable and deductible temporary differences are as follows: |      |                           |                            |

**Taxable temporary differences on:**

Surplus on revaluation of operating fixed assets		(27,499)	(28,203)
Accelerated tax depreciation		(3,219)	(1,257)
		<u>(30,718)</u>	<u>(29,460)</u>

**Deductible temporary differences on:**

Deficit on revaluation on investments		27,070	60,107
Provision against advances	10.2, 10.3 & 10.4	52,938	25,983
Compensated absences	10.4	1,848	-
		<u>81,856</u>	<u>86,090</u>
		<u>51,138</u>	<u>56,630</u>

- 10.2. The Finance Act, 2009 has made significant amendments in the Seventh Schedule to Income Tax Ordinance, 2001. The deduction for provisions for doubtful and loss categories of advances and off balance sheet items is now allowable upto a maximum of 1% of total advances. The amount of bad debts classified as substandard under Prudential Regulations issued by the State Bank of Pakistan would not be allowed as an expense. Provisioning in excess of 1% of total advances would be allowed to be carried over to succeeding years. The management is of the view that it would be able to get deduction of provision in excess of 1% of total advances provided for the half year and accordingly has recognized deferred tax amounting to Rs. 19.190 million on such provisions.
- 10.3. The amendments introduced in the Seventh Schedule do not provide for any transitional mechanism i.e. how and when the provision for bad debts hitherto disallowed would be allowed as a deduction. The Institute of Chartered Accountants of Pakistan (ICAP) and Pakistan Banking Association (PBA) has taken up this matter with Federal Board of Revenue (FBR). However, pending the final resolution of the matter, ICAP considers that reversal of deferred tax assets in relation thereto may not be made until the end of the financial year by which time the matter is expected to be decided by the FBR as proposed by the ICAP and the PBA. Accordingly, the deferred tax asset recognized on to provisions for advances amounting to Rs. 33.748 million has been carried forward.

- 10.4. During the current period, certain disallowances against provision for non-performing advances and compensated absences were made by the taxation authorities. The Bank accordingly has recognised deferred tax asset in the current period against these disallowances amounting in total to Rs. 9.613 million (with a corresponding related tax liability).

11. BORROWINGS	Note	30 June 2009 (Un-audited) (Rupees in '000)	31 December 2008 (Audited)
In Pakistan - in local currency		<u>30,270</u>	<u>27,140</u>
<b>11.1 Details of borrowings (Secured)</b>			
Borrowings from State Bank of Pakistan under export refinance scheme		<u>30,270</u>	<u>27,140</u>
<b>12. DEPOSITS AND OTHER ACCOUNTS</b>			
<b>Customers</b>			
Fixed deposits		983,311	515,492
Savings deposits		3,287,222	3,010,555
Current (saving cum current) accounts - remunerative		1,576,225	817,539
Current accounts - non remunerative		1,777,913	1,446,332
Call deposits		156,138	129,006
Sundry deposits		<u>32,375</u>	<u>20,178</u>
		<u>7,813,184</u>	<u>5,939,102</u>
<b>Financial institutions</b>			
Remunerative deposits		2,188	176
Non-remunerative deposits		477	30
		<u>2,665</u>	<u>206</u>
		<u>7,815,849</u>	<u>5,939,308</u>
<b>12.1 Particulars of deposits</b>			
In local currency		7,373,307	5,551,123
In foreign currencies		442,542	388,185
		<u>7,815,849</u>	<u>5,939,308</u>
<b>13. SHARE CAPITAL</b>			
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 and by 31 December 2009 has to raise its paid-up capital to Rs. 6 billion. 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.			
<b>14. SURPLUS ON REVALUATION OF ASSETS</b>			
<b>- net of tax</b>			
Surplus / (deficit) arising on revaluation of:			
- fixed assets		84,491	85,800
- available-for-sale securities	14.1	<u>(48,710)</u>	<u>(118,567)</u>
		<u>35,781</u>	<u>(32,767)</u>

<b>14.1 Deficit on revaluation of available-for-sale securities - net of tax</b>	<b>30 June 2009 (Un-audited) (Rupees in '000)</b>	<b>31 December 2008 (Audited)</b>
Federal Government Securities	(67,777)	(166,027)
Listed Securities		
- Units / certificates of mutual funds / preference shares-net	(2,095)	(6,793)
- Listed Term Finance Certificates	(5,908)	(5,854)
	(8,003)	(12,647)
	(75,780)	(178,674)
Add: Related deferred tax asset	27,070	60,107
	<b>(48,710)</b>	<b>(118,567)</b>

## **15. CONTINGENCIES AND COMMITMENTS**

### **15.1 Transaction-related contingent liabilities**

Guarantees in favour of:

Government  
Others

33,806	40,575
696	890
<b>34,502</b>	<b>41,465</b>

### **15.2 Trade-related contingent liabilities**

Letter of credit and acceptances on behalf of:

Government  
Others

-	1,342
4,369	1,574
<b>4,369</b>	<b>2,916</b>

### **15.3 Commitments in respect of lending**

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.

### **15.4 Other contingencies**

Claims against the Bank not acknowledged as debt

<b>152,290</b>	<b>154,037</b>
----------------	----------------

### **15.5 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.

No provision against the above disallowances has been made as the management is confident that the decision in appeals would be in its favour.

## 16. RELATED PARTY TRANSACTIONS AND BALANCES

The Bank has related party relationships with associated undertakings, employee benefits, directors and key management personnel and companies with common directors.

There are no transactions with key management personnel other than under their terms of employment. Contributions to and accruals in respect of staff retirement benefit plans are made in accordance with the actuarial valuation / terms of the contribution plan. Other transactions are at agreed terms. The details of transactions and balances with related parties are as follows:

16.1 Balances	Directors		Key management personnel		Associated Undertakings		Other related parties	
	(Un-audited)	(Audited)	(Un-audited)	(Audited)	(Un-audited)	(Audited)	(Un-audited)	(Audited)
	Jun-09	Dec-08	Jun-09	Dec-08	Jun-09	Dec-08	Jun-09	Dec-08
	------(Rupees in '000)-----							
<b>Deposits</b>								
Balance at beginning of the period / year	1,734	923	3,250	1,619	-	-	67,620	6,217
Deposited during the period / year	25,883	54,079	30,071	22,526	42	-	400,718	216,024
Withdrawn during the period / year	27,617	53,268	30,100	20,895	27	-	416,982	154,621
Adjustments *	725	-	(725)	-	-	-	-	-
Balance at end of the period / year	725	1,734	2,496	3,250	15	-	51,356	67,620

Deposits carry mark-up rate at 1.5% to 7.5% per annum (2008: 7.5% & 8% per annum).

Mark-up / return / interest expensed	-	38	25	32	-	-	2,073	414
Mark-up payable in local currency	2	27	42	25	1	-	738	347

### 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	-	-	2,500	-	825,727	825	429,192
Repayments received during the period / year	582	673	193	1,159	20,833	1,184,061	824	681,366
Adjustments *	(5,358)	-	-	-	-	-	5,358	-
Balance at end of the period / year	-	4,980	3,192	3,385	37,500	58,333	63,147	57,788

\* Due to the change in the President of the Bank.

Advances carry profit rates ranging from 5% to 12.11% per annum (2008: 5% to 12.11% per annum)

Mark-up / return / interest earned	-	256	82	103	4,767	52,719	4,192	23,899
Mark-up receivable in local currency	-	186	306	139	129	241	1,992	2,164

## 16.2 Other transactions and balances (including profit and loss related transactions)

Balances as at the period / year end	Associated undertakings		Other related parties	
	Un-audited	Audited	Un-audited	Audited
	Jun-09	Dec-08	Jun-09	Dec-08
	------(Rupees in '000)-----			
Cash and balance with treasury bank	494,372	32,517	-	-
Balances with other banks	59,318	35,659	-	-
Investment in National Institutional Facilitation Technologies (Private) Limited	954	954	-	-
Mark-up receivable in local currency	-	39	-	-
MCB ATM settlement account balance	417	417	-	-
Receivable/(Payable) from/to benefit plan	-	-	337	671
<b>Transactions during the period</b>				
Interest income on lending financial institutions	15,776	3,960	-	-
Interest expense on repurchase agreement borrowings	99	3,990	-	-
Dividend income	-	6,160	-	-
Charge for retirement benefits				
Approved pension fund	-	-	10,214	16,722
Approved gratuity fund	-	-	572	1,028
Contributory provident fund	-	-	239	415
	-	-	11,025	18,165
Other expenses - cheque clearing charges	1,365	2,691	-	-
Proceeds from sale of fixed assets	-	-	1,980	-
Remuneration of key management personnel	7,126	19,265	-	-

17. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	For the six months period ended and as of 30 June 2009 (Un-audited)				
	Corporate Finance	Trading and Sales	Retail & Consumer Banking	Commercial Banking	Total
	------(Rupees in '000)-----				
Total income	56,834	171,655	176,520	29,850	434,859
Total expenses	118,073	142,326	160,642	23,800	444,841
Income tax expense	-	-	-	-	5,467
Net income	<u>(61,239)</u>	<u>29,329</u>	<u>15,878</u>	<u>6,050</u>	<u>(15,449)</u>
Segment assets - (Gross)	2,899,248	4,209,532	2,113,095	158,257	9,380,132
Advance tax	-	-	-	-	30,141
Deferred tax assets	-	-	-	-	51,138
Total assets	<u>2,899,248</u>	<u>4,209,532</u>	<u>2,113,095</u>	<u>158,257</u>	<u>9,461,411</u>
Segment non performing loans	<u>146,267</u>	-	<u>57,054</u>	-	<u>203,321</u>
Segment specific provision required	<u>134,299</u>	-	<u>44,286</u>	-	<u>178,585</u>
Segment liabilities	<u>12,780</u>	<u>17,027</u>	<u>8,062,461</u>	<u>33,117</u>	<u>8,125,385</u>
Segment return on net assets (ROA)	-2.11%	0.70%	0.75%	3.82%	-0.16%
Segment cost of funds	0.69%	1.19%	-1.29%	7.99%	12.50%
	-----				
	For the six months period ended and as of 30 June 2008 (Un-audited)				
	Corporate Finance	Trading and Sales	Retail & Consumer Banking	Commercial Banking	Total
	------(Rupees in '000)-----				
Total income	56,100	146,955	141,162	34,082	378,299
Total expenses	51,577	146,198	72,971	16,035	286,781
Income tax expense	-	-	-	-	44,154
Net income	<u>4,523</u>	<u>757</u>	<u>68,191</u>	<u>18,047</u>	<u>47,364</u>
Segment assets - (Gross)	1,303,570	3,847,863	2,610,517	238,448	8,000,398
Deferred tax assets	-	-	-	-	36,570
Total assets	<u>1,303,570</u>	<u>3,847,863</u>	<u>2,610,517</u>	<u>238,448</u>	<u>8,036,968</u>
Segment non performing loans	<u>6,250</u>	-	<u>84,371</u>	<u>15,333</u>	<u>105,954</u>
Segment specific provision required	<u>3,125</u>	-	<u>84,147</u>	<u>7,666</u>	<u>94,938</u>
Segment liabilities	<u>2,730</u>	<u>8,509</u>	<u>6,933,147</u>	<u>21,894</u>	<u>6,966,280</u>
Segment return on net assets (ROA) (%)	0.35%	0.02%	2.61%	7.57%	0.59%
Segment cost of funds (%)	3.67%	3.42%	9.21%	3.70%	8.05%

<b>18. CASH AND CASH EQUIVALENTS</b>	<b>30 June 2009 (Un-audited)</b>	<b>31 December 2008 (Audited)</b>
	<b>(Rupees in '000)</b>	
Cash and balances with treasury banks	737,887	575,929
Balances with other banks	<u>503,280</u>	<u>400,761</u>
	<u><u>1,241,167</u></u>	<u><u>976,690</u></u>

**19. DATE OF AUTHORISATION FOR ISSUE**

These condensed interim financial statements were authorized for issue by the Board of Directors of the Bank in their meeting held on 28 Aug 2009.

Shahid Mughal  
Chief Financial Officer

Shafqat Sultana  
President &  
Chief Executive

Shafqat Sultana  
President &  
Chief Executive

Atif Aslam Bajwa  
Director

S. Ali Raza  
Director

Atif R. Bokhari  
Director