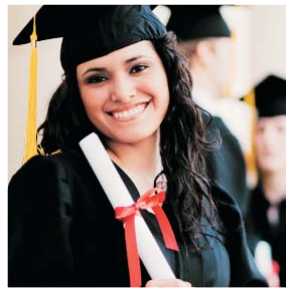




IN MEMORY OF SHAHEED MOHTARMA BENAZIR BHUTTO

A green crescent moon with a white star inside, positioned above the word "SINDH".
SINDH BANK
POWER TO THE PEOPLE



Half Yearly
Financial Statements
June 30, 2011

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VISION & MISSION STATEMENTS

Vision Statement

Our vision is to be a leading bank which would play positive role to generate economic activities for empowering the people by meeting their financial needs for running a successful business and create employment opportunities.

Mission Statement

To develop as leading Commercial Bank in the country by meeting its stated objectives of promoting economic development of the country in general and Province of Sindh in particular.

CORPORATE INFORMATION

Board of Directors	Mr. Raja Muhammad Abbas Mr. Muhammad Ishaque Lashari Mr. Naveed Kamran Baloch Mr. Wazir Ali Khoja Mr. Javed Mahmood Mr. S.A. Wahab Mehdi Mr. Muhammad Bilal Sheikh	Chairman Director Director Director Director Director President & CEO
Audit Committee	Mr. Raja Muhammad Abbas Mr. Wazir Ali Khoja Mr. S.A. Wahab Mehdi	Chairman Member Member
Chief Operating Officer	Mr. Naeem Farooqui	
Chief Financial Officer	Mr. Latif Khawar	
Company Secretary	Mr. Shamsuddin Khan	
Auditors	KPMG Taseer Hadi & Co. Chartered Accountants	
Legal Advisors	Mohsin Tayebaly & Co.	
Share Registrar	Central Depository Company of Pakistan Limited	
Registered / Head Office	3rd, Floor Federation House Abdullah Shah Ghazi Road Clifton, Karachi - 75600 UAN: +92-21-111-333-225 Fax: +92-21-35870543	
Bank's Registration Number	0073917	
Bank NTN Number	3654008-7	
Web site	www.sindhbankltd.com	

DIRECTORS' REPORT TO THE MEMBERS

The Board of Directors of Sindh Bank Ltd (SNDB) is pleased to present its half yearly report for the period ending June 30th, 2011.

Progress:

Since the last report to the members, the bank has made further progress in developing its branch banking network with an aim to establish 50 branches by December 31st, 2011. Subsequent to granting permission for settings up 5 branches, the State Bank of Pakistan (SBP) vide its letter dated April 6, 2011, has granted permission to Sindh Bank Limited (SNDB) for establishment of 45 additional branches. Current status of Branch network is tabulated below:

Branches in Operation	Branches ready to Commence Operations	Premises acquired and under Construction / Renovation	Premises finalized but awaiting Possession	Premises finalized but awaiting Construction / Renovation	Premises awaiting approval Process	Total
10	06	06	03	08	17	50

All but one operational branches are in Sindh, the only other one being in Peshawar. The premises in Lahore, Quetta and AJK are waiting handing over of possession while premises in Rawalpindi, Islamabad and Gujranwala are under construction/ renovation.

Another noteworthy feature during the period under review has been the rapid development of the corporate banking (CB) portfolio. In a matter of less than 3 months, the CB portfolio has touched the Rs.3bn mark spread across quality profile clients.

SNDB has also ventured into core Investment Banking operations with contributions from participation fees already becoming visible. Likewise a studied and controlled exposure in the Capital Markets has also been initiated.

Financial Highlights:

Balance Sheet		As of June 30, 2011 (Rs in 000)
Paid up Capital		10,000,000
Equity		10,418,175
Deposits		24,653,398
Investments		24,933,722
Advances		3,348,203
Profit and Loss Account		Period Ending June 30, 2011
Revenue-net		770,117
Non markup expenses		141,792
Operating Profit		628,325
Provisions		-
Profit before tax		628,325
Profit after tax		408,569
Earning per share - Rupees		0.41

DIRECTORS' REPORT TO THE MEMBERS

Despite a constricted economic environment, SNDB has managed to increase its Balance Sheet size by a considerable 34.65% to Rs.37.429bn in the last quarter. What is more noteworthy is the 113.09% increase in the deposit base in the period under review. Overall net spread has been systematically maintained at previous period's level reflecting an astute and proactive management.

Moving onto the Revenue side, total revenue (net) for the period under review stands at Rs.770.12mn. The financials of SNDB clearly indicate that momentum achieved in the first quarter has been maintained.

As a result, inspite of the continuing economic sluggishness, the bank posted operating profit of Rs. 628.32 mn and an after tax profit of Rs. 408.57mn in 1HCY11. This is a reflection of not only the continuing growth momentum but also a clear indicator of robust management strategies that within a short span of time are beginning to bear fruit. This translates into an overall EPS of Rs. 0.41, and Rs. 0.16 for the quarter ended June 30th, 2011.

Staffing:

Staffing costs were marginally down on a Q/Q basis (Cost/Revenue metric) @ 4.71% (6.00% March 31, 2011). This is a clear indicator of stringent cost control measures being practiced. One should also realize that at this stage, some of these costs are one-time expenses. At the same time, the impact of recurring costs on the bottom line should be mitigated as their contribution to the bottom line increases.

Core Banking System:

By the grace of Allah the Bank has finalized acquisition of Core Banking System from Autosoft Dynamics costing Rs. 43.48mn (Bidding Range: Highest @ 389.48mn - Lowest @ 43.48mn). The Bank was assisted in the exercise for selection of the system by M/s. KPMG, an internationally reputed company for such services.

Autosoft dynamics were selected on the basis of local and international competitive bidding and besides the cost consideration were deemed to be technically the most suitable for the bank.

Change of Directors:

During the period under review, the Chief Secretary, Government of Sindh, Mr. Ghulam Ali Shah Pasha, on his retirement was replaced by Mr. Abdus Subhan Memon who continued as Director and the Chairman of the Board for a short period was also replaced by Mr. Raja Muhammad Abbas, the new Chief Secretary, Government of Sindh. The Board wishes to place on record its appreciation for the contribution of the two outgoing Directors and welcome Raja Muhammad Abbas on Board as Director and Chairman.

DIRECTORS' REPORT TO THE MEMBERS

Future Prospects:

The management plans to enhance its network to 50 branches by end of calendar year 2011. As these branches mature, it is expected that their contribution towards bottom line profitability will increase significantly.

Despite the constricted economic environment, SNDB's prudent management policies and strategies have ensured quality growth which by September should be further facilitated by its enhanced branch network (25 branches). Management has a well thought out Retail Banking strategy with key locations in Sindh mapped out in order to provide the most efficient coverage.

With banking sector profitability continuing to remain muted, risks persist on the asset quality front with lower cotton prices in particular placing pressure on Textile related NPLs. However, SNDBs management has retained a prudent stance by placing surplus funds in the money market and GoP securities which has positive implications for overall asset quality. Going forward, SNDB would continue to retain a similar strategy to protect the bottom line and mitigate the element of risk.

Acknowledgement:

In the end the Board of Directors of Sindh Bank Limited would like to record its gratitude and appreciation for the crucial support extended to it by the Government of Sindh and the Government of Pakistan. The Board also acknowledges the un-remitting guidance and assistance of the State Bank of Pakistan during Sindh Bank's formative stages. Last but not least, the Board would like to thank all the staff for their continuous hard work and dedication.

On behalf of the Board.



Muhammad Bilal Sheikh
President / CEO

Karachi, August 17, 2011.

AUDITORS' REPORT TO MEMBERS ON REVIEW OF INTERIM FINANCIAL INFORMATION



KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2
Beaumont Road
Karachi, 75530 Pakistan

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Fax + 92 (21) 3568 5095
Internet www.kpmg.com.pk

Auditors' Report to Members on Review of Interim Financial Information

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Sindh Bank Limited ("the Bank") as at 30 June 2011 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and a summary of significant accounting policies and the notes to the accounts for the period from 29 October 2010 to 30 June 2011 then ended (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 2011 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 2011 in the condensed interim unconsolidated profit and loss account have not been reviewed and we do not express a conclusion on them.

Date: 17 AUG 2011

Karachi


KPMG Taseer Hadi & Co.
Chartered Accountants
Syed Iftikhar Anjum

KPMG Taseer Hadi & Co., a Partnership firm registered in Pakistan and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

IS MEMBER OF SHARH MUJIBWA BAZAR BHUTTO
08 SINDH BANK
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CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UN-AUDITED) AS AT JUNE 30, 2011

	Note	(Rupees in '000)
ASSETS		
Cash and balances with treasury banks	6	1,427,840
Balances with other banks	7	6,256,458
Lendings to financial institutions	8	848,225
Investments	9	24,933,722
Advances	10	3,348,203
Operating fixed assets	11	167,804
Deferred tax assets		-
Other assets	12	446,716
		37,428,968
LIABILITIES		
Bills payable		137,253
Borrowings from financial institutions	13	1,836,273
Deposits and other accounts	14	24,653,398
Sub-ordinated loans		-
Liabilities against assets subject to finance lease		-
Deferred tax liability		10,479
Other liabilities	15	373,390
		27,010,793
NET ASSETS		10,418,175
REPRESENTED BY		
Share capital	16	10,000,000
Reserves		81,714
Unappropriated profit		326,855
		10,408,569
Surplus on revaluation of investments - net of deferred tax		9,606
		10,418,175
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The annexed notes 1 to 27 form an integral part of the condensed interim financial statements.


 President & Chief Executive Officer


 Director


 Director


 Director

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED) FOR THE PERIOD FROM OCTOBER 29, 2010 TO JUNE 30, 2011

	Note	Period from 29 October 2010 to 30 June 2011	Quarter ended 30 June 2011
(Rupees in '000)			
Mark-up / return / interest earned	18	1,439,308	868,052
Mark-up / return / interest expensed	19	673,408	552,977
Net mark-up / interest income		765,900	315,075
Provision against non-performing loans and advances		-	-
Provision for diminution in the value of investments		-	-
Bad debts written off directly		-	-
Net mark-up / interest income after provisions		765,900	315,075
Non mark-up / interest income			
Fee, commission and brokerage income		2,074	2,074
Dividend income		633	633
Income from dealing in foreign currencies		-	-
Gain on sale / redemption of securities		1,240	979
Unrealised gain on revaluation of investments classified as held-for-trading		-	-
Other income		270	116
Total non mark-up / interest income		4,217	3,802
Non mark-up / interest expense			
Administrative expenses	20	141,792	73,025
Other provisions / write offs		-	-
Other charges		-	-
Total non mark-up / interest expenses		141,792	73,025
Extraordinary / unusual items		-	-
Profit before taxation		628,325	245,852
Taxation - Current		214,450	83,889
- Prior years		-	-
- Deferred		5,306	5,306
Profit after taxation		408,569	156,657
Basic and diluted earnings per share (Rupees)	21	0.41	0.16

The annexed notes 1 to 27 form an integral part of the condensed interim financial statements.


President & Chief Executive Officer


Director


Director


Director

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED) FOR THE PERIOD FROM OCTOBER 29, 2010 TO JUNE 30, 2011

	Period from 29 October 2010 to 30 June 2011	Quarter ended 30 June 2011
	(Rupees in '000)	
Profit after taxation	408,569	156,657
Other comprehensive income	-	-
Total comprehensive income for the period transferred to equity	408,569	156,657
Components of comprehensive income not reflected in equity:		
Surplus on revaluation of investments	14,779	16,095
Deferred tax on revaluation of investments	(5,173)	(5,173)
	9,606	10,922

The annexed notes 1 to 27 form an integral part of the condensed interim financial statements.


President & Chief Executive Officer


Director


Director


Director

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE PERIOD FROM OCTOBER 29, 2010 TO JUNE 30, 2011

	Note	(Rupees in '000)
Cash flow from operating activities		
Profit before taxation		628,325
Dividend income		(633)
		627,692
Adjustments		
Depreciation		12,831
Amortisation		347
		13,178
		640,870
Increase in operating assets		
Lendings to financial institutions		(848,225)
Advances		(3,348,203)
Other assets (excluding advance taxation)		(446,443)
		(4,642,871)
Increase in operating liabilities		
Bills payable		137,253
Borrowings from financial institutions		1,836,273
Deposits and other accounts		24,653,398
Other liabilities		311,054
		26,937,978
		22,935,977
Income tax paid		(152,114)
Net cash flows from operating activities		22,783,863
Cash flow from investing activities		
Net investment in available-for-sale securities		(24,918,943)
Dividend income received		360
Investment in operating fixed assets		(180,982)
Net cash flows from investing activities		(25,099,565)
Cash flow from financing activities		
Proceeds from issuance of shares		10,000,000
Increase in cash and cash equivalents		7,684,298
Cash and cash equivalents at beginning of the period		-
Cash and cash equivalents at end of the period	22	7,684,298

The annexed notes 1 to 27 form an integral part of the condensed interim financial statements.


President & Chief Executive Officer


Director


Director


Director

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED) FOR THE PERIOD FROM OCTOBER 29, 2010 TO JUNE 30, 2011

	Issued, subscribed and paid-up share capital	Statutory reserve *	Unappropriated Profit	Total
	----- (Rupees in '000) -----			
Transaction with owners recognised directly in equity				
Issue of ordinary shares				
- initial capital issued at the time of incorporation	10,000	-	-	10,000
- right shares	9,990,000	-	-	9,990,000
Total Comprehensive income for the period				
Profit for the period	-	-	408,569	408,569
Transfer to statutory reserve	-	81,714	(81,714)	-
Balance as at 30 June 2011	<u><u>10,000,000</u></u>	<u><u>81,714</u></u>	<u><u>326,855</u></u>	<u><u>10,408,569</u></u>

* Under section 21 of the Banking Companies Ordinance, 1962, an amount not less than 20% of the profit is to be transferred to create a reserve fund till such time the reserve fund equals the amount of the paid up capital.

The annexed notes 1 to 27 form an integral part of the condensed interim financial statements.


President & Chief Executive Officer


Director


Director


Director

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD FROM OCTOBER 29, 2010 TO JUNE 30, 2011

1 STATUS AND NATURE OF BUSINESS

- 1.1 Sindh Bank Limited (the Bank) was incorporated in Pakistan on 29 October 2010 as a public limited unlisted company under the Companies Ordinance, 1984 and granted banking license by the State Bank of Pakistan (SBP) on 02 December 2010. The Bank obtained Certificate of Commencement of Business on 14 December 2010 and its first branch commenced operations from 26 December 2010. Currently, the Bank is engaged in commercial banking activities.

The Bank was operating through nine branches as at 30 June 2011. The Bank's registered office is located at 3rd floor, Federation House, Abdullah Shah Ghazi Road, Clifton, Karachi.

- 1.2 The Bank is 100% owned by the Government of Sindh, through its Finance Department.
- 1.3 JCR –VIS Credit Rating Company Limited has completed 'initial' rating exercise of the Bank, and has assigned medium to long term entity rating of 'AA-' (Double A Minus) with a "Stable outlook", and short term rating of 'A-1' (A-One) to the Bank.
- 1.4 These published financial statements of the Bank cover period from 29 October 2010 (incorporation date) to 30 June 2011. Securities and Exchange Commission of Pakistan (SECP) and SBP have granted special permission vide letter No. K-0073917/Com/S-89/2010/12595 dated 15 February 2011 and letter No.BSD/BRP-4/548/2011/3710 dated 26 March 2011 in respect of preparation of first annual financial statements of the bank for the period exceeding 12 months (i.e. from 29 October 2010 to 31 December 2011).

2. BASIS OF PRESENTATION

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

3. STATEMENT OF COMPLIANCE

- 3.1 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 (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the provisions of and directives issued under the Companies Ordinance, 1984, and the Banking Companies Ordinance, 1962 and the directives issued by the State Bank of Pakistan (SBP). In case the requirements differ, the provisions of and directives issued under the Companies Ordinance, 1984, and the Banking Companies Ordinance, 1962 and the directives issued by the State Bank of Pakistan shall prevail.
- 3.2 The State Bank of Pakistan vide BSD Circular No. 10 dated 26 August 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.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD FROM OCTOBER 29, 2010 TO JUNE 30, 2011

4. BASIS OF MEASUREMENT

4.1 Accounting convention

These financial statements have been prepared under the historical cost convention except that certain investments are measured at fair values.

4.2 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and income and expenses. Actual results may differ from these estimates. These estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

In particular, information about significant areas of estimates, uncertainty and critical judgments in applying accounting policies that have the most significant affect on the amounts recognised in the financial statements are disclosed in the following:

- i) classification and impairment against investments (notes 5.4 and 9).
- ii) classification and impairment against advances (notes 5.5 and 10).
- iii) income taxes (note 5.8)
- iv) depreciation and amortization / useful lives of operating fixed assets (note 5.6 and 11)
- v) staff retirement benefits (note 5.9)

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 The accounting policies adopted by the Bank and applied in the preparation of the financial statements are set out below:

5.2 Cash and cash equivalents

For the preparation of cash flow statement, cash and cash equivalents include cash and balances with treasury banks and balances with other banks.

5.3 Lendings to / borrowings from financial institutions

The bank enters into transactions of repos and reverse repos at contracted rates for a specified period of time. These are recorded as under:

(a) Sale of securities under repurchase agreement

Securities sold subject to repurchase agreements (repo) remain on the balance sheet as investments and the counterparty liability is included in borrowings from financial institutions. The difference between the sale and repurchase price is treated as interest/ mark-up/ return expense and accrued over the period using the effective interest method.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD FROM OCTOBER 29, 2010 TO JUNE 30, 2011

(b) Purchase of securities under resale agreement

Securities purchased under agreements to resell (reverse repo) are recorded as lendings to financial institutions. These transactions are accounted for on the settlement date. The difference between the purchase and resale price is recognized as mark-up income over the period of the agreement using effective interest method.

5.4 Investments

The bank classifies its investments as follows:

(a) Held for trading

These are securities which are either acquired for generating a profit from short-term fluctuations in market prices, interest rate movements, dealer's margin or are securities included in a portfolio in which a pattern of short-term profit trading exists.

(b) Held to maturity

These are securities with fixed or determinable payments and fixed maturity that the bank has the positive intent and ability to hold to maturity.

(c) Available for sale

These are investments, other than those in subsidiaries and associates, that do not fall under the held for trading or held to maturity categories.

All purchases and sales of investments that require delivery within the time frame established by regulations or market convention are recognized at the trade date. Trade date is the date on which the bank commits to purchase or sell the investment.

Investments other than those categorized as 'held for trading' are initially recognized at fair value which includes transaction costs associated with the investment. Investments classified as 'held for trading' are initially recognized at fair value and transaction costs are expensed in the profit and loss account.

Quoted securities, other than those classified as held to maturity are subsequently stated at fair values. Investments classified as held to maturity are carried at amortized cost. Unquoted equity securities are valued at the lower of cost and break-up value. Break-up value of equity securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. Investments in other unquoted securities are valued at cost less impairment losses, if any.

Unrealized surplus / deficit arising on revaluation of quoted securities classified as 'available for sale' is disclosed below the shareholders' equity in the statement of financial position. Unrealized surplus / deficit arising on revaluation of quoted securities which are classified as 'held for trading' is taken to the profit and loss account.

Impairment loss in respect of investments classified as available for sale (except term finance certificates) and held to maturity is recognized on the basis of management's assessment of objective evidence of impairment as a result of one or more events that may have an impact on the estimated future cash flows of the investments. A significant or prolonged decline is considered as an objective

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD FROM OCTOBER 29, 2010 TO JUNE 30, 2011

evidence of impairment, significant means 20% decline in market value as compared to carrying value and prolonged means twelve months decline in fair value of an equity investment below its cost. Provision for diminution in the value of term finance certificates is made as per the requirements of Prudential Regulations issued by the State Bank of Pakistan. In case of impairment of available for sale securities, the cumulative loss that has been recognized directly in surplus on revaluation of securities on the balance sheet below equity is removed there from and recognized in the profit and loss account. For investments classified as held to maturity, the impairment loss is recognized in the profit and loss account.

Gain or loss on sale of investments is included in the profit and loss account.

5.5 Advances

Advances are stated net of provisions for non-performing advances. Specific and general provisions are made based on appraisal of the loan portfolio that takes into account the requirements of the Prudential Regulation issued by the State Bank of Pakistan. The provisions against non-performing advances are charged to the profit and loss account. Advances are written off when there is no realistic prospect of recovery after explicit approval from BOD.

5.6 Operating fixed assets and depreciation

(a) Tangible assets - owned

Operating fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Depreciation is charged to the profit and loss account applying the straight line method in accordance with the rates specified in note 11 to the financial statements after taking into account residual value, if significant. The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each balance sheet date. Depreciation is charged from the month the asset is put to use till the month of its disposal.

Subsequent costs are included in an asset's carrying amount or recognized as a separate asset as appropriate, only when it is probable that future benefits associated with the item will flow to the bank and the cost of the item can be measured reliably. All other repairs and maintenance expenses are charged to the profit and loss account as and when incurred.

Gains / losses on disposal, if any, are recognized in the profit and loss account currently.

(b) Capital work-in-progress

Capital work-in-progress is stated at cost less accumulated impairment losses, if any. All expenditure connected with specific assets incurred during installation and related advances there against, if any, are carried under this head. These are transferred to specific assets as and when assets become available for use.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD FROM OCTOBER 29, 2010 TO JUNE 30, 2011

(c) Intangibles

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Intangible assets are amortised using the straight line method from the date an asset is available for use, whereby the cost of an intangible asset is amortised over its estimated useful life over which economic benefits are expected to flow to the bank. The useful life and amortisation method are reviewed and adjusted, if appropriate, at each balance sheet date.

5.7 Impairment

The carrying amount of assets is reviewed at each balance sheet date to determine whether there is any indication of impairment of any asset or group of assets. If any such indication exists, the recoverable amount of such assets is estimated and impairment losses are recognized immediately in the financial statements. The resulting impairment loss is taken to the profit and loss account.

5.8 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the profit and loss account except to the extent that it relates to items recognized directly in equity or in the other comprehensive income.

Current

Current tax is the tax payable on the expected taxable income for the year using tax rates enacted or substantively enacted at the reporting date and, any adjustment to tax payable relating to prior years, after taking into consideration available tax credits, rebates, tax losses etc.

Deferred

Deferred tax is provided using the balance sheet method, providing for temporary difference between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the assets can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized.

5.9 Staff retirement and other benefits

(a) Defined contribution plan

The bank operates a unfunded contributory provident fund for all its permanent employees to which equal contributions at the rate of 8.33 percent of basic salary are made by both the bank and the employees. The contributions are recognized as employee benefit expense when they are due. This is in process of being funded.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD FROM OCTOBER 29, 2010 TO JUNE 30, 2011

(b) Defined benefit scheme

The bank operates an unfunded gratuity scheme for all its permanent employees who complete the prescribed eligibility period of service. Provision is made annually to meet the cost of such gratuity benefits on the basis of actuarial recommendations. The actuarial gains and losses arising at each valuation date are immediately recognized as income or expense in the profit and loss account. This is in process of being funded.

5.10 Provisions

Provisions are recognized when the bank has a legal or constructive obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and are adjusted to reflect the current best estimate.

5.11 Borrowings / deposits and their cost

Borrowings / deposits are recorded at the proceeds received. Borrowing / deposit costs are recognized as an expense in the period in which these are incurred using the effective mark-up / interest rate method.

5.12 Proposed dividend and transfers between reserves

Dividends and appropriations to reserves, except appropriations which are required by law, made subsequent to the balance sheet date are considered as non-adjusting events and are recorded in the financial statements in accordance with the requirements of International Accounting Standard (IAS) 10, 'Events after the Balance Sheet Date' in the period in which they are approved / transfers are made.

5.13 Revenue recognition

- Mark-up / interest on advances and returns on investments are recognized on a time proportion basis using the effective interest method.
- Dividend income from investments is recognized when the bank's right to receive the dividend is established.
- Fees, brokerage and commission on letters of credit / guarantee and others is recognized on time proportion basis.
- Financial advisory fees is recognized when the right to receive the fees is established and as the services are provided.

5.14 Foreign currencies

Transactions in foreign currencies are translated into Pak rupees at the exchange rates prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currencies are retranslated to Pak Rupees at the rates of exchange prevailing at the reporting date. Translation gains and losses are included in the profit and loss account.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD FROM OCTOBER 29, 2010 TO JUNE 30, 2011

5.15 Offsetting

Financial assets and financial liabilities are set off and the net amount is reported in the financial statements only when the bank has a legally enforceable right to set off and the bank intends to either settle on a net basis, or to realize the assets and to settle the liabilities simultaneously.

5.16 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the bank operates. The financial statements are presented in Pak Rupees, which is the bank's functional and presentation currency.

5.17 Earnings per share

The bank presents basic earnings per share (EPS) which is calculated by dividing the profit or loss attributable to ordinary shareholders of the bank by the weighted average number of ordinary shares outstanding during the year / period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

	Note	June 30, 2011 (Un-Audited) (Rupees in '000)
6. CASH AND BALANCES WITH TREASURY BANKS		
In hand		
- local currency		5,204
With State Bank of Pakistan in		
- Local currency current account	6.1	1,417,037
With National Bank of Pakistan in		
- Local currency current account		1,000
- Local currency PLS account	6.2	4,599
		5,599
		1,427,840

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD FROM OCTOBER 29, 2010 TO JUNE 30, 2011

6.1 This represent statutory cash reserve maintained by the Bank with the SBP i.e. a sum not less than such percentage of its time and demand liabilities in Pakistan as may be prescribed by the SBP.

6.2 Rate of return on the account is 5% per annum.

Note June 30, 2011
(Un-Audited)
(Rupees in '000)

7. BALANCES WITH OTHER BANKS

In Pakistan			
- On saving accounts	7.1	6,458	
- On deposit accounts	7.2	6,250,000	
		6,256,458	

7.1 This represent a saving account maintained with a commercial bank at a mark-up rate of 11.60% per annum.

7.2 This represent term deposits maintained with commercial banks at mark-up rates ranging from 13.75% to 13.85% per annum.

8. LENDINGS TO FINANCIAL INSTITUTIONS

Call money lending	8.1	500,000	
Repurchase lending agreement	8.2	348,225	
		848,225	

8.1 This represents lending to a commercial bank at a mark-up of 13.15 % per annum.

8.2 This represent repurchase lending agreement with a mark-up of 13.90% per annum.

June 30, 2011 (Un-Audited)

	Held by Bank	Given as collateral	Total
------(Rupees in '000)-----			
9. INVESTMENTS			
Investments by types			
Available-for-sale securities			
Listed Companies (ordinary shares)	141,980	-	141,980
Mutual Funds / NIT (units / certificates)	500,000	-	500,000
Term Finance Certificates	123,288	-	123,288
Market Treasury Bills	20,810,618	1,843,057	22,653,675
	21,575,886	1,843,057	23,418,943
Held-to-maturity securities			
Term Finance Certificates	100,000	-	100,000
Certificates of Investment	1,400,000	-	1,400,000
	1,500,000	-	1,500,000
Total investments at cost	23,075,886	1,843,057	24,918,943
Less: Provision for diminution in value of investments	-	-	-
Investments (net of provisions)	23,075,886	1,843,057	24,918,943
Add: Surplus on available-for-sale securities	13,984	795	14,779
Total investments	23,089,870	1,843,852	24,933,722

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD FROM OCTOBER 29, 2010 TO JUNE 30, 2011

June 30, 2011
(Un-Audited)
(Rupees in '000)

9.1 Investments by segments

Federal Government Securities		
- Market Treasury Bills		22,653,675
Fully paid-up ordinary shares		
- Listed Companies (ordinary shares)		141,980
Term Finance Certificates		
- Listed		223,288
Other investments		
- Mutual Funds (units / certificates)		500,000
- Certificates of Investment		1,400,000
Total investments at cost		<u>24,918,943</u>
Less: Provision for diminution in value of investments		-
Investments (net of provisions)		<u>24,918,943</u>
Surplus on revaluation of available-for-sale securities		14,779
Total investments		<u><u>24,933,722</u></u>

9.2 Quality of 'Available for Sale' securities

	2011			
	No. of Shares / Units	Rating	Cost	Market value
(Rupees in '000)				
Federal Government Securities				
Market Treasury Bills	-	-	22,653,675	22,660,694
			<u>22,653,675</u>	<u>22,660,694</u>
Particulars of shares held - listed				
Pakistan Refinery Ltd.	104,158	* N/A	8,892	8,380
Pakistan Petroleum Ltd.	54,500	* N/A	11,613	11,285
The Hub Power Co. Ltd.	275,000	AA+/A1+	10,397	10,313
Engro Corporation Ltd.	80,000	AA/A1+	13,863	13,060
Thatta Cement Co. Ltd.	3,375,000	* N/A	58,747	67,432
Attock Cement Pak. Ltd.	2,601	* N/A	137	126
Sui Northern Gas Pipelines Ltd.	40,000	AA/A1+	762	797
Sui Southern Gas Pipelines Ltd.	75,249	AA-/A1+	1,691	1,631
International Steel Ltd.	2,550,000	* N/A	35,878	34,705
			<u>141,980</u>	<u>147,729</u>

All shares are ordinary shares of Rs. 10 each.
* N/A is Not Available

**NOTES TO AND FORMING PART OF THE
CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD FROM OCTOBER 29, 2010 TO
JUNE 30, 2011**

	2011			
	No. of Shares / Units	Rating	Cost	Market value
	(Rupees in '000)			
Term Finance Certificates				
NIB Bank Ltd.	10,000	A+	48,223	48,138
Bank Alfalah Ltd.	15,000	AA-	75,065	75,328
Orix Leasing Pakistan Ltd.	20,000	AA+	100,000	100,000
			<u>223,288</u>	<u>223,466</u>
Particulars of units / certificates held in mutual funds				
National Investment Unit Trust	15,613,985	AM2-	500,000	501,833
			<u>500,000</u>	<u>501,833</u>
Certificates of Investment				
Pak Libya Holding Co.		AA-/A1+	300,000	300,000
Saudi Pak Industrial & Agricultural Investment Co. Ltd.		AA+ /A-1+	300,000	300,000
Pak Oman Investment Co. Ltd.		AA+/A-1+	300,000	300,000
Pak Brunai Investment Co. Ltd.		AA/A1+	500,000	500,000
			<u>1,400,000</u>	<u>1,400,000</u>
		Note	June 30, 2011 (Un-Audited) (Rupees in '000)	
10. ADVANCES				
Loans, cash credits, agri, running finances etc.				
In Pakistan		10.1	1,548,203	
Commodity Finance				
In Pakistan		10.2	1,800,000	
Advances - gross				3,348,203
Provision for non-performing advances - specific				-
Provision for consumer financing - general				-
				<u>3,348,203</u>
10.1	This represents various syndicate, agriculture and staff loans provided under respective term of agreements.			
10.2	This represent commodity financing provided to Food Department, Government of Sindh, under a debt swap arrangement advised by the Government of Sindh.			

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD FROM OCTOBER 29, 2010 TO JUNE 30, 2011

	Note	June 30, 2011 (Un-Audited) (Rupees in '000)
11. OPERATING FIXED ASSETS		
Capital work-in-progress	11.1	20,458
Property and equipment	11.2	133,054
Intangible assets	11.3	14,292
		167,804
		167,804
11.1 Capital work-in-progress		
Civil works	11.1.1	8,398
Vehicles		12,060
		20,458
		20,458

11.1.1 This represent renovation being carried out at various branches.

11.2 Property and equipment - own use

	A s a t J u n e 3 0 , 2 0 1 1							Rate of Depreciation %
	Cost		Accumalated Depreciation			Book Value		
	As at 29 October 2010	Additions	As at 30 June 2011	As at 29 October 2010	Charge	As at 30 June 2011		
	(Rupees in '000)							
Lease hold improvements	-	41,765	41,765	-	715	715	41,050	5
Furniture and fixtures	-	14,306	14,306	-	578	578	13,728	10
Computer and other equipments	-	32,659	32,659	-	5,282	5,282	27,377	33.33 & 20
Vehicles	-	57,155	57,155	-	6,256	6,256	50,899	20
	-	145,885	145,885	-	12,831	12,831	133,054	
								133,054

11.3 Intangible assets

	A s a t J u n e 3 0 , 2 0 1 1						Rate of amortisation %	
	Cost		Accumalated Amortisation			Book Value		
	As at 29 October 2010	Additions	As at 30 June 2011	As at 29 October 2010	Amortisation	As at 30 June 2011		
	(Rupees in '000)							
Software	-	14,639	14,639	-	347	347	14,292	20
	-	14,639	14,639	-	347	347	14,292	
								14,292

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD FROM OCTOBER 29, 2010 TO JUNE 30, 2011

	Note	June 30, 2011 (Un-Audited) (Rupees in '000)
12. OTHER ASSETS		
Accrued income on bank account, investments, placements and advances		363,979
Advances, deposits, advance rent and other prepayments		68,219
Stationery and stamps on hand		48
Federal excise duty recoverable		4,037
Advance against Pre-IPO of shares of Trakker Direct Insurance Limited		10,000
Other receivables		433
		<u>446,716</u>
13. BORROWINGS FROM FINANCIAL INSTITUTIONS		
Secured		
Repurchase agreement borrowings		
- Commercial Banks	13.1	<u>1,836,273</u>
13.1 This represents collateralized borrowings against market treasury bills at rates ranging from 13.25% to 13.35% per annum maturing upto July 2011.		
14. DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits		2,815,808
Savings deposits		21,717,857
Current accounts - non-remunerative		58,608
Margin and other accounts - non-remunerative		10,615
		<u>24,602,888</u>
Financial institutions		
Non-remunerative deposits		50,510
		<u>24,653,398</u>
14.1 Particulars of deposits		
In local currency		<u>24,653,398</u>
14.2 The above includes deposits amounting to Rs. 21.647 billion received from various departments of the Government of Sindh.		
15. OTHER LIABILITIES		
Accrued mark-up payable on deposits and repurchase agreements		284,224
Payable to Staff Provident Fund		5,112
Payable to Staff Gratuity Fund		2,689
Accrued expenses		3,505
Federal excise duty payable		260
Provision for taxation-net		62,336
With holding tax payable		3
Others		15,261
		<u>373,390</u>

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD FROM OCTOBER 29, 2010 TO JUNE 30, 2011

16. SHARE CAPITAL

16.1 Authorised Capital

Number of Shares

<u>1,000,000,000</u>	Ordinary shares of Rs. 10/- each	<u>10,000,000</u>
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16.2 Issued, subscribed and paid-up capital

<u>1,000,000,000</u>	Ordinary shares of Rs. 10/- each fully paid in cash	<u>10,000,000</u>
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16.3 The Government of Sindh, through its Finance Department, owns 100 % ordinary shares of the Bank.

Note
June 30, 2011
(Un-Audited)
(Rupees in '000)

17. CONTINGENCIES AND COMMITMENTS

17.1 Trade related contingent liabilities

Letter of credit	<u>258,821</u>
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17.2 Commitment in respect of repo transaction

- Sale and repurchase agreement	<u>1,843,560</u>
- Purchase and resale agreement	<u>348,357</u>

17.3 Commitment for capital expenditure

- Civil work for branches	<u>9,401</u>
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18. MARK-UP / RETURN / INTEREST EARNED

	Period from 29 October 2010 to 30 June 2011	Quarter ended 30 June 2011
On loans and advances to customers	27,701	27,559
On investments in:		
Held-for-trading securities	86	86
Available-for-sale securities	736,354	530,818
Held-to-maturity securities	58,523	37,861
On deposits with financial institutions	525,737	212,541
On securities purchased under resale agreements	21,408	19,283
On call / clean lendings	69,499	39,904
	<u>1,439,308</u>	<u>868,052</u>

**NOTES TO AND FORMING PART OF THE
CONDENSED INTERIM FINANCIAL STATEMENTS
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	Note	Period from 29 October 2010 to 30 June 2011 (Un-audited) (Rupees in '000)	Quarter ended 30 June 2011 (Un-audited)
19. MARK-UP / RETURN / INTEREST EXPENSED			
Deposits		586,193	512,258
Securities sold under repurchase agreements		87,098	40,718
Other short term borrowings		117	1
		<u>673,408</u>	<u>552,977</u>
20. ADMINISTRATIVE EXPENSES			
Salaries, allowances and benefits		69,899	38,072
Contribution to defined contribution plan		2,528	1,322
Contribution to defined benefit plan		2,689	1,449
Non Executive Director's fee		2,950	750
Rent, taxes, insurance, electricity, etc.		11,804	7,547
Legal and professional charges		369	196
Communications		1,781	1,072
Repairs and maintenance		2,603	1,533
Stationery and printing		2,844	1,540
Security service charges		1,151	760
Advertisement and publicity	20.1	11,600	2,027
Amortization of intangible assets		347	347
Depreciation on operating fixed assets		12,831	8,958
Auditor's remuneration		1,175	675
Travelling and conveyance		2,341	970
Brokerage and commission		1,026	513
Fees and subscription	20.2	10,997	3,729
Entertainment		1,751	582
Miscellaneous expense		1,106	983
		<u>141,792</u>	<u>73,025</u>

20.1 Includes Rs. 6.2 million incurred at the time of launch of first branch of the bank at Naudero.

20.2 Includes Rs. 5.0 million paid to Central Depository Company of Pakistan on account of share issuance fee and Rs. 2.112 million for acquiring 1 link membership for ATM operations.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD FROM OCTOBER 29, 2010 TO JUNE 30, 2011

	Period from 29 October 2010 to 30 June 2011	Quarter ended 30 June 2011
21. BASIC AND DILUTED EARNINGS PER SHARES	(Un-audited) (Rupees in '000)	
Profit after tax for the period	408,569	156,657
Weighted average number of ordinary shares	1,000,000,000	1,000,000,000
Basic and Dilute earning per share	0.41	0.16
22. CASH AND CASH EQUIVALENTS		
Cash and balances with treasury banks		1,427,840
Balances with other banks		6,256,458
		7,684,298

23. RELATED PARTY TRANSACTIONS

The related parties of the bank comprise associated undertakings, major shareholders, directors, staff retirement funds and key management personnel (including their associates).

Usual transactions with related parties includes deposits, advances and other banking services which are carried out in accordance with agreed terms. Transaction with executives are undertaken at terms in accordance with employment agreements and services rules.

Contributions to and accruals in respect of staff retirement benefits plan are made in accordance with the term of the benefit plan. Remuneration of the Chief Executive Officer and directors are determined in accordance with the terms of their appointment.

The details of balances and transactions with related parties, other than those disclosed under respective notes, during the period are as follows:

	Key management personnel	Directors	Associates/ Subsidiaries	Other related parties
------(Rupees in '000)-----				
Advances				
Disbursed during the period	25,277	-	*157,966	-
Repaid during the period	(635)	-	-	-
At 30 June 2011	24,642	-	157,966	-
Deposits				
Received during the period	21,400	-	-	-
Withdrawals during the period	(15,255)	-	-	-
At 30 June 2011	6,145	-	-	-
Repayment of liability of GoS	-	-	-	100,000
Mark-up receivable	4	-	*223	-
Profit payable	25	-	-	-
Mark-up / interest / return earned	261	-	-	-
Profit / interest / return expensed	46	-	-	-
Investments made	-	-	*558,747	-
Remuneration paid	38,530	-	-	-
Contribution to provident fund	1,557	-	-	-
Provision for gratuity	1,548	-	-	-
Directors' meeting fee	-	2,650	-	-
Others	-	-	-	1,380

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD FROM OCTOBER 29, 2010 TO JUNE 30, 2011

* This represents transactions with entities in which one of the nominee director of the Bank is also a director.
Government of Sindh owns 100% shares of the bank and transactions with the Government comprise of commodity financing (note 10.2) and receipt of deposits (note 14.2).

24. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

The bank is in the process of structuring its key business areas in various segments in a manner that each segment becomes a distinguishable component of the bank that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The business segments within the bank have been broadly categorized into the following classifications of business segments in accordance with the requirements of the State Bank of Pakistan.

(a) Business segments

Corporate Finance

It includes investment banking activities such as mergers and acquisitions, underwriting, privatization, securitization, Initial Public Offer (IPOs) and secondary private placements.

Trading and sales

It includes fixed income, equity, foreign exchange, commodities, credit, funding, own position securities, lending and repos, brokerage debt and prime brokerage.

Retail banking

Retail banking includes mortgage finance and personal loans to individual customers.

Commercial Banking

This includes loans, deposits and other transactions with corporate customers.

(b) Geographical Segments

The Bank operates only in Pakistan.

Based on above structure, the segment information for the period ended June 30, 2011 is given below:

	Period ended 30 June 2011				Total
	Trading and sales	Retail banking	Corporate finance	Commercial banking	
	----- (Rupees in '000) -----				
Total income	1,413,480	-	-	30,045	1,443,525
Inter segment revenue - net	(977,267)	-	-	977,267	-
Total income - net	<u>436,213</u>	<u>-</u>	<u>-</u>	<u>1,007,312</u>	<u>1,443,525</u>
Total expenses	<u>(125,089)</u>	<u>-</u>	<u>-</u>	<u>(690,111)</u>	<u>(815,200)</u>
Profit before tax	<u>311,124</u>	<u>-</u>	<u>-</u>	<u>317,201</u>	<u>628,325</u>
Segment assets	<u>33,823,250</u>	<u>-</u>	<u>-</u>	<u>3,605,718</u>	<u>37,428,968</u>
Segment liabilities	<u>1,867,216</u>	<u>-</u>	<u>-</u>	<u>25,143,577</u>	<u>27,010,793</u>

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD FROM OCTOBER 29, 2010 TO JUNE 30, 2011

25. RISK MANAGEMENT

Under the Bank's risk management framework, the Board's Risk Management Committee (BRMC) is responsible for review and improvement of the risk policies of the Bank. On a management level, the Bank has set up a Risk Management Division (RMD) to identify, assess and monitor credit risks, market risks and operational risks in the activities of the Bank and take adequate measures to manage and control risks on timely basis.

25.1 Credit risk

Credit risk strives to maximize the bank's risk adjusted rate of return by maintaining credit risk exposures within acceptable parameters. The effective management of credit risk is a critical component of a comprehensive approach to risk management and essential to the long term success of any banking organization.

The Bank's lending function will primarily be focused on small and medium sized secured loans in agriculture, SME and consumer products. Large corporate, commercial and industrial loans will be provided on selective basis whose policy will be subject to review as and when required.

Under RMD, the Credit Risk Management Department (CRMD) is responsible to ensure that credit risks stay within the parameters set by the Board, and to set up and monitor system parameters for identifying risks, monitoring of these risk and early warning systems. RMD monitors credit at the portfolio basis and reports to the CEO and the BRMC on a regular basis.

25.2 Segments by class of business

25.2.1 Segment information

Segmental information is presented in the respect of the class/nature of business and segment by distribution of advances, deposits and contingencies:

	Advances (Gross)		Deposits		Contingencies & Commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Agribusiness	25,674	0.77%	18,245	0.07%	-	-
Cement	157,966	4.72%	-	0.00%	-	-
Sugar	348,259	10.40%	14,128	0.06%	-	-
Financial	949,946	28.37%	50,059	0.20%	2,191,917	89.10%
Power, electric, gas	19,926	0.60%	150,017	0.61%	188,069	7.64%
GoS departments	1,800,000	53.76%	21,646,759	87.80%	-	-
Individuals	46,432	1.38%	31,879	0.14%	-	-
Federal government institutions	-	-	2,500,000	10.14%	-	-
Other	-	-	242,311	0.98%	80,153	3.26%
	3,348,203	100.00%	24,653,398	100.00%	2,460,139	100.00%
25.2.2 Segment by Sector						
Public / Government	1,800,000	53.76%	24,307,558	98.60%	-	0.00%
Private	1,548,203	46.24%	345,840	1.40%	2,460,139	100.00%
	3,348,203	100.00%	24,653,398	100.00%	2,460,139	100.00%

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD FROM OCTOBER 29, 2010 TO JUNE 30, 2011

25.3 Market risk

Market Risk is the risk that the value of 'on' or 'off' balance sheet positions will be adversely affected by movements in equity and interest rates, currency exchange rates and commodity prices.

The market risk management organization in the Bank comprises of the Board of Directors, BRMC, Asset and Liability Committee (ALCO), RMD and within the RMD the Market and Asset Liability Risk Management Department.

25.3.1 Foreign exchange risk

Foreign exchange risk is the risk that the Bank may suffer losses as a result of adverse exchange rate movements during a period in which it has an open position, either in the form of a balance sheet asset or liability account, or an off balance sheet item. Likewise foreign exchange settlement risk is the risk of loss when a bank in a foreign exchange transaction pays the currency it sold but does not receive the currency it bought. FX settlement failures can arise from counter party default, operational problems, market liquidity constraints and other factors.

At 30 June 2011, the bank is not significantly exposed to foreign currency risk except for foreign currency letter of credit denominated in US Dollars as disclosed in note 17.1.

25.3.2 Interest rate risk

Interest rate risk reflects the degree of vulnerability of an organization to adverse changes in interest rates. Such risk taking is normal in financial institution and could be an important source of profit earning. However, excess interest rate risks might create a serious threat to a bank's returns and capital base. ALCO, Treasury Division and RMD monitor the repricing / mismatch risks, basis risks, yield curve risks, and option risks on a continuous basis to minimize the interest rate risk.

25.3.3 Price risk

Price risk is the risk that the value of a security or portfolio of securities will decline in the future. It's the risk of losing money due to a fall in the market price of a security that the Bank owns. It results from changes in the value of marked-to-market financial instruments. Transactions in equity securities are subject to systematic and unsystematic risks in order to counter these the BRMC has laid down the limits of various investments and the Treasury Division and the RMD monitor all investments on a daily basis.

25.3.4 Mismatch of interest rate sensitive assets and liabilities

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market interest rates. The Bank is exposed to interest/mark-up rate risk as a result of mismatches or gaps in the amount of interest/mark-up based assets and liabilities that mature or re-price in a given period. The Bank manages this risk by matching/re-pricing of assets and liabilities. The Bank is not excessively exposed to interest/mark-up rate risk as its assets and liabilities are re-priced frequently. The Assets and Liabilities Committee (ALCO) of the Bank monitors and manages the interest rate risk with the objective of limiting the potential adverse effects on the profitability of the Bank.

**NOTES TO AND FORMING PART OF THE
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25.5 Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events; this includes legal risk, but excludes strategic and reputational risk.

The Operational Risk Management Department (ORMD) works under the RMD and its responsibilities include identifying, monitoring, measuring and managing operational risks assumed by the Bank. In adherence to industry best practice, the key functions of the ORMD are the operational risk policy and planning function, operational risk assessment function, operational risk measurement and analytics function and operational risk monitoring, mitigation and control function.

26. GENERAL

26.1 Figures have been rounded off to the nearest thousand rupee.

26.2 All preliminary expenses relating to pre-incorporation period and incorporation of the bank were borne by the owner of the bank i.e. the Government of Sindh.

27. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue by the Board of Directors on August 17, 2011.



President & Chief Executive Officer



Director



Director



Director

BRANCHES NETWORK

I.I. Chundrigar Road Branch, Karachi

P&O Plaza
I.I. Chundarigar Road
Karachi.
Tel : +92-21-32463744-7
Fax: +92-21-32463757

Clifton Branch

Ground Floor, Federation House,
Abdullah Shah Ghazi Road,
Clifton, Karachi
Tel: +92-21-35290334-35
Fax: +92-21-35290333

Court Road Branch

G5-A, Ground Floor,
Court View Apartment
Opp. Sindh Assembly Building
Karachi
Tel: +92-21-35640035-36
Fax: +92-21-35640034

Hyderabad Branch

Property No. 91/3-4,
Main Saddar Cantt
Hyderabad
Tel: +92-22-2730045
Fax: +92-22-2730046

Naudero Branch

Naudero Sugar Mills, Larkana
Road Disstt.Larkana
Tel: +92-74-4047528
Fax: +92-74-4047526

Khairpur Branch

Ground Floor,
Syed Ramzan Ali Shah Trade Centre
Opp. Civic Centre, Faujdari Road
Khair Purmirs
Tel: +92-243-715418-19
Fax: +92-243-715407

Dadu Branch

Plot No. 54, RS No. 987
Opp. Degree College
Dadu City , Distt. Dadu
Tel: +92-25-900305

Mirpur Khas Branch

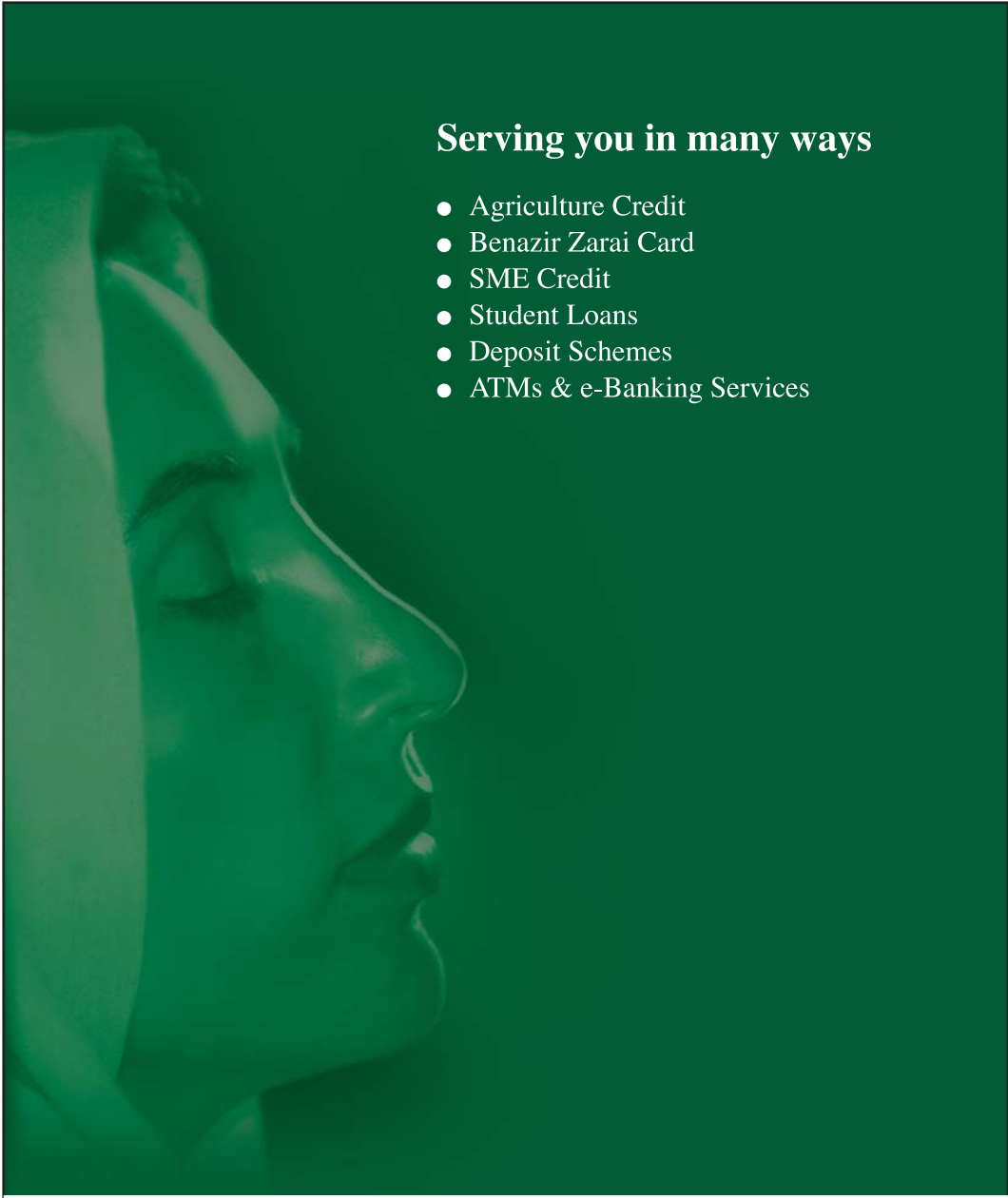
Plot # RCN-19,
City Survey No. 864/6
Main Umarkot Road
Mirpur Khas
Tel: +92-233-876405

Hala Branch

Survey No. 1397/88
Ward B, Gulshan Fahim Colony
Distt. Mitari, Hala
Tel: +92-22-3331115-6

Cantt Branch Peshawar

Shop No.4, Ground Floor, Jasmine
Arcade, 1-Bashir Lane, Fakhr-e-Alam
Road, Peshawar.
Tel: +92-91-5250601-2



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