



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



First Quarterly
Financial Statements
March 2011

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VISION & MISSION STATEMENTS

Vision

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

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. Ghulam Ali Shah Pasha 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. Ghulam Ali Shah Pasha Mr. Wazir Ali Khoja Mr. S.A. Wahab Mehdi	Chairman Member Member
Chief Operating Officer	Mr. Naim Farooqui	
Chief Financial Officer	Mr. Latif Khawar	
Company Secretary	Mr. Shamsuddin Khan	
Auditors	KPMG Taseer Hadi & Co. Chartered Accountants	
Legal Advisors	Mohsin Tayebaly & Co.	
Head Office	3rd, Floor Federation House Abdullah Shah Ghazi Road Clifton, Karachi - 75600 UAN: +92-21-111-333-225 Fax: +92-21-35870543	
Branches	Naudero Branch Tel: +92-074-4047528 Fax: +92-074-4047526 I.I. Chundrigar Road Branch, Karachi Tel : +92-21-32463744-7 Fax: +92-21-32463757 Hyderabad Branch Tel: +92-0222-730052 Fax: +92-0222-730046	
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 Limited (SBL) is pleased to present its report of the Bank along-with first financial statements for the period October 29, 2010, till March 31, 2011.

Incorporation

SBL was incorporated on October 29, 2010 as a public limited un-listed company and got certificate of commencement of business from SECP on December 14, 2010. Banking license was issued by the State bank of Pakistan (SBP) to SBL on December 02, 2010. SBP issued certificate of commencement of banking business to SBL on December 24, 2010 with simultaneous declaration of SBL as a scheduled commercial bank. Government of Sindh (GoS) (through its Finance Division) the 100% owner of SBL, has injected Rs. 10 billion towards the equity of SBL. Therefore, SBL is now in compliance of the MCR prescribed by SBP to be met by commercial banks by December 2013.

The first Directors of the Bank were notified by the Government of Sindh which include three representatives of Government of Sindh, three non-executive independent directors from private sector and the President / CEO of the Bank. The Directors will hold their position till first AGM of the Bank when the election of new directors will become due. To-date six meetings of the Board of Directors have taken place.

Progress

Following the approval by the State Bank of Pakistan for setting up the Bank on December 2, 2010, the Bank was launched on December 26, 2010 by His Excellency, Mr. Asif Ali Zardari, President of Islamic Republic of Pakistan by inaugurating Sindh Bank's first branch at Naudero, District Larkana. Since then the State Bank of Pakistan has granted four more licenses to open new branches i.e. 3 in Karachi and 1 in Hyderabad.

The Karachi branch at I.I. Chundrigar Road was inaugurated by Honorable Chief Minister of Sindh, Syed Qaim Ali Shah on February 19, 2011. The branch at Hyderabad has been fully staffed to commence operations.

The lease agreements for two other branches in Karachi were executed in the month of March 2011, one at the Federation House and the other at Court Road opposite Sindh Assembly. Renovation / construction work has commenced at these locations and the branches are expected to be operational within April 2011.

The Head Office of the Bank is located at the Federation House, Clifton, Karachi.

Financial Highlights

(Rupees in '000)

Balance Sheet	As of March 31, 2011
Paid up Capital	10,000,000
Equity	10,250,596
Deposits	11,569,533
Investments	11,854,697

Profit and Loss Account	Period Ending March 31, 2011
Revenue-net	451,240
Non markup expenses	68,767
Operating profit	382,473
Provisions	- .
Profit before tax	382,473
Profit after tax	251,912
Earnings per share - Rupees	0.31

IN SHARAH OF SHAHID MUHAMMAD BAKSH BHUTTO

05 SINDH BANK
POWER TO THE PEOPLE

DIRECTORS' REPORT TO THE MEMBERS

You would see that the Bank was able to post a pre-tax profit of Rs 382.47 million during the four months period December 2010 to March 2011, as the major portion of the equity of the Bank was received in last week of November 2010. The placements transactions have been structured in such a manner that yields higher returns than the cost of deposits of the Bank, with matching maturities. The Bank has also been able to mobilize deposits to the tune of Rs 11.57 billion, although major portion was received from various departments of Government of Sindh. Administrative expenses are rising commensurate with the recruitment of staff. Key positions at head office have been filled-in to remain compliant with SBP requirements. Some element of one time initial set-up costs are included in admin expenses which, of-course, will not re-occur in future period, and once the initial branch opening phase is completed the admin expenses will taper off to a smooth and even trend on month-on-month basis. The EPS for the period ending March 31, 2011, taking weighted average outstanding number of shares, was Rs 0.31; reflecting an annualized EPS of Rs 0.86.

SBP and SECP has granted special permission to the Bank for preparing its first annual financial statements for the period exceeding twelve months i.e. for the period from October 29, 2010 (incorporation date) to December 31, 2011.

Staffing

The Bank is now staffed with 118 employees (a mix of 87 males and 31 females i.e. a ratio of 64:36, respectively). We would achieve a 40% ratio of female employees as desired by His Excellency, Mr. Asif Ali Zardari, President of Islamic Republic of Pakistan in due course of time.

All Key Executives have been recruited and are in place. They have diversified Banking experience with suitable qualifications.

Core Banking System

SBL plan to acquire a state of the art core banking software. For that purpose 'Request for proposal' has already been advertised in local as well as international newspapers, in collaboration with a local consultant. The process is expected to be completed by June 15, 2011. Meanwhile, a locally developed banking software already being used by various banks is in place for the operations of the Bank.

Ratings

JCR-VIS, a premier rating agency has accorded long term entity rating of the Bank as AA-, (Double A Minus) with a stable outlook, and a short term rating of A-1 (A-One). The assigned long term rating denotes high credit quality while the short term rating denotes high certainty of payments supported by good fundamental protection factors. A high rating at the very outset augurs well for the Bank's business prospect and the Management would endeavor to further improve the ratings in the times ahead by turning in satisfactory results.

DIRECTORS' REPORT TO THE MEMBERS

Change of Directors

During the period under review the Finance Secretary, Government of Sindh, Mr. Mohammad Siddique Memon was replaced by Mr. Naveed Kamran Baloch. Accordingly, Mr. Memon resigned from the Board of the Bank. The Government of Sindh has nominated the incumbent Finance Secretary Mr. Baloch in place of Mr. Memon. The Board wishes to place on record appreciation for the contributions of the outgoing Director and welcomes Mr. Baloch on the Board.

Future Prospects

After having received licences for opening 5 branches as stated above, the Bank plans to set up additional 45 branches totaling 50 branches within the calendar year 2011. These would include one branch in each district of Sindh, two in each divisional headquarters, two in each provincial capital other than Sindh while remaining branches would be in the trade and business areas of major cities. The Management has already approached the State Bank of Pakistan for issuing the licenses for meeting this goal.

The Bank would endeavor to open 110 branches within 3 years of its operations.

With a full network of proposed 50 branches in the current year the Bank would achieve its operating profit target exceeding Rs. 1.5 billion by making advances to the Corporate Sector as syndicate members led by major commercial banks, agriculture loans and loans to small farmers, small and medium enterprises and women entrepreneurs as envisaged in our business plan. It would continue to place its surplus funds in the money market and in newly introduced margin trading system through its Treasury Division on a profitable but prudent basis.

Acknowledgement

The Board would like to place on record its sincere appreciation for the support of Government of Sindh and Government of Pakistan and the patronage, support and guidance by the State Bank of Pakistan in the Bank's formative stage. Last but not the least, the Board would like to greet and thank all staff on their continuous hard work and dedication.

On behalf of the Board.



Muhammad Bilal Sheikh
President / CEO

Karachi, April 6, 2011


CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UN-AUDITED) AS AT MARCH 31, 2011


	Note	(Rupees in '000)
ASSETS		
Cash and balances with treasury banks	6	575,317
Balances with other banks	7	14,176,741
Lendings to financial institutions	8	800,000
Investments	9	11,854,697
Advances	10	20,291
Operating fixed assets	11	69,005
Other assets	12	302,211
		27,798,262
LIABILITIES		
Bills payable		532
Borrowings from financial institutions	13	5,715,610
Deposits and other accounts	14	11,569,533
Sub-ordinated loans		-
Liabilities against assets subject to finance lease		-
Deferred tax liability		-
Other liabilities	15	261,991
		17,547,666
NET ASSETS		10,250,596
REPRESENTED BY		
Share capital	16	10,000,000
Reserves		50,382
Unappropriated profit		201,530
		10,251,912
Deficit on revaluation of investments		(1,316)
		10,250,596
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The annexed notes 1 to 26 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 MARCH 31, 2011


	Note	(Rupees in '000)
Mark-up / return / interest earned	18	571,256
Mark-up / return / interest expensed	19	120,431
Net mark-up / interest income		450,825
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		450,825
Non mark-up / interest income		
Fee, commission and brokerage income		-
Dividend income		-
Income from dealing in foreign currencies		-
Gain on sale / redemption of securities		261
Unrealised gain on revaluation of investments classified as held-for-trading		-
Other income		154
Total non mark-up / interest income		415
		451,240
Non mark-up / interest expense		
Administrative expenses	20	68,767
Other provisions / write offs		-
Other charges		-
Total non mark-up / interest expenses		68,767
		382,473
Extraordinary / unusual items		-
Profit before taxation		382,473
Taxation - Current		130,561
- Prior years		-
- Deferred		-
		130,561
Profit after taxation		251,912
		251,912
		Rupees
Basic and diluted earnings per share	21	0.31

The annexed notes 1 to 26 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 MARCH 31, 2011

(Rupees in '000)

Profit after taxation	251,912
Other comprehensive income / (loss)	-
Total comprehensive income / (loss) for the period transferred to equity	<u>251,912</u>
Components of comprehensive income not reflected in equity	
Deficit on revaluation of Investments	(1,316)
Total Comprehensive income for the period	<u><u>250,596</u></u>

The annexed notes 1 to 26 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 MARCH 31, 2011

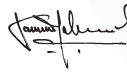
	Note	(Rupees in '000)
Cash flow from operating activities		
Profit before taxation		382,473
Dividend income		-
		382,473
Adjustments		
Depreciation		3,873
Amortisation		-
Provision against non-performing advances		-
Provision for diminution in value of investments		-
Other provisions / write offs - (reversal)		-
(Gain) / Loss on disposal of fixed assets		-
		3,873
		386,346
(Increase) / decrease in operating assets		
Lendings to financial institutions		(800,000)
Held-for-trading securities		-
Advances		(20,291)
Other assets (excluding advance taxation)		(302,211)
		(1,122,502)
Increase / (Decrease) in operating liabilities		
Bills payable		532
Borrowings from financial institutions		5,715,610
Deposits and other accounts		11,569,533
Other liabilities		206,812
		17,492,487
		16,756,331
Income tax paid		(75,382)
Net cash flows from operating activities		16,680,949
Cash flow from investing activities		
Net investment in available-for-sale securities		(11,856,013)
Dividend income received		-
Investment in operating fixed assets		(72,878)
Sale proceeds from disposal of operating fixed assets		-
Net cash flows from investing activities		(11,928,891)
Cash flow from financing activities		
Proceeds from issuance of shares		10,000,000
		14,752,058
(Decrease) / increase in cash and cash equivalents		
Cash and cash equivalents at beginning of the period		-
Cash and cash equivalents at end of the period	22	14,752,058

The annexed notes 1 to 26 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 MARCH 31, 2011


	Issued, subscribed and paid up capital	Capital Reserves		Total
		Statutory reserve *	Unappropriated Profit	
----- (Rupees in '000) -----				
Transaction with owners recognised directly in equity				-
Issue of Ordinary Share Capital				
- initial capital on incorporation	10,000	-	-	10,000
- right shares	9,990,000	-	-	9,990,000
Total Comprehensive income for the period:				
Profit for the period	-	-	251,912	251,912
Transfer to statutory reserve	-	50,382	(50,382)	-
Balance as at March 31, 2011	10,000,000	50,382	201,530	10,251,912

* This represents 20% reserve created under section 21 (i)(a) of the Banking Companies Ordinance 1962.

The annexed notes 1 to 26 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 MARCH 31, 2011

1. STATUS AND NATURE OF BUSINESS

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

The Bank was operating through three branches as at March 31, 2011. The Bank's registered office is located at 1st floor, 64-C, Jami Commercial Street No. 7. Phase 7, DHA, Karachi.

- 1.2 The Bank is 100% owned by the Government of Sindh, through its Finance Division.
- 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.

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 August 26, 2002 has deferred the applicability of International Accounting Standard 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard 40, 'Investment Property' for Banking Companies till further instructions. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD FROM OCTOBER 29, 2010 TO MARCH 31, 2011

4. BASIS OF MEASUREMENT

4.1 Accounting convention

These financial statements have been prepared under the historical cost convention except that certain trading and available for sale investments measured at fair value.

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 & provisioning against investments (notes 5.4 and 9).
- ii) classification & provisioning against advances (notes 5.5 and 10).
- iii) income taxes (notes 5.8)

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 These are the first published financial statements of the Bank for the period from October 29, 2010 (incorporation date) to March 31, 2011. SECP and SBP have respectively granted special permission vide letter No. K-0073917/Com/S-89/2010/12595 dated February 15, 2011 and letter No.BSD/BRP-4/548/2011/3710 dated March 26, 2011 in respect of preparation of first annual accounts of the bank for the period exceeding 12 months i.e. from October 29, 2010 to December 31, 2011. The principal accounting policies adopted by the Bank and applied in the preparation of the financial statements are set out below. These policies will consistently be applied to all future periods, unless a change is approved by the Board of Directors of the Bank.

5.2 Cash and cash equivalents

For the preparation of cash flow statements, 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 MARCH 31, 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 market 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.

Unrealized surplus / deficit arising on revaluation of quoted securities classified as 'available for sale' is kept in a separate account shown in the balance sheet below equity. The 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 MARCH 31, 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 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 take 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

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

Depreciation on fixed asset 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 on fixed assets 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 of fixed assets, if any, are recognized in the profit and loss account currently.

(b) Tangible assets - leased

Assets held under finance lease are stated at the lower of fair value of assets or present value of minimum lease payments at inception less accumulated depreciation and accumulated impairment losses, if any. The outstanding obligations under the lease agreements are shown as a liability net of finance charges allocable to future periods.

The finance charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of charge on the outstanding liability.

Depreciation on fixed assets held under finance lease is charged in a manner consistent with that for depreciable assets which are owned by the bank.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD FROM OCTOBER 29, 2010 TO MARCH 31, 2011

(c) 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.

(d) 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 is reviewed and adjusted, if appropriate, at each balance sheet date.

Intangible assets having an indefinite useful life are stated at acquisition cost less accumulated impairment. Gains and losses on disposals, if any, are taken to the profit and loss account.

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 taxable income for the year using tax rates substantively enacted at the date of statement of financial position and, any adjustment to tax payable relating to prior years.

Deferred

Deferred tax is recognized using the balance sheet liability method on all major temporary differences between the amounts attributed to assets and liabilities for financial reporting purposes and amounts used for taxation purposes. Deferred tax is calculated at the rates that are expected to apply to the periods when the differences will reverse, based on tax rates that have been enacted or substantively enacted at the date of statement of financial statements.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD FROM OCTOBER 29, 2010 TO MARCH 31, 2011

5.9 Staff retirement and other benefits

(a) Defined contribution plan

The bank operates a 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.

(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.

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 year in which they are approved / transfers are made.

5.13 Share issue cost

Cost directly attributable to issuance of shares is charged to profit and loss account.

5.14 Revenue recognition

- Mark-up / interest on advances and returns on investments are recognized on a time proportion basis using the effective interest method, except that mark-up / interest / return on non-performing advances and investments is recognized on a receipt basis in accordance with the requirements of the Prudential Regulations issued by the State Bank of Pakistan.
- Dividend income from investments is recognized when the bank's right to receive the dividend is established.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD FROM OCTOBER 29, 2010 TO MARCH 31, 2011

- 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.

5.15 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 Pakistani Rupee at the rates of exchange prevailing at the reporting date. Translation gains and losses are included in the profit and loss account.

5.16 Acceptances

Acceptances comprise undertakings by the bank to pay bills of exchange drawn on customers. The bank expects most acceptances to be simultaneously settled with the reimbursement from the customers. Acceptances are accounted for as off balance sheet transactions and are disclosed as contingent liabilities and commitments.

5.17 Financial instruments

Derivative financial instruments

Derivative financial instruments are initially measured at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. The gain and loss on remeasurement of fair value is recognised in the profit and loss account.

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.

5.18 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 Pakistani Rupees, which is the bank's functional and presentation currency.

5.19 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.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD FROM OCTOBER 29, 2010 TO MARCH 31, 2011

	Note	March 31, 2011 (Un-Audited) (Rupees in '000)
6. CASH AND BALANCES WITH TREASURY BANKS		
In hand		
- local currency		2,218
- foreign currency		-
		2,218
With State Bank of Pakistan in		
- Local currency current account	6.1	22,257
With National Bank of Pakistan in		
- Local currency PLS account		2,422
- Local currency term deposit account	6.2	548,420
		550,842
		575,317
6.1 This represents 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 This represents term deposit carrying profit at the rate of 12.20% per annum.		
7. BALANCES WITH OTHER BANKS		
In Pakistan		
On current account		8,672,719
On saving accounts	7.1	4,022
On deposit accounts	7.2	5,500,000
		14,176,741
7.1 This represents saving deposits with a commercial bank carrying profit at the rate of 11.60% per annum.		
7.2 This represents term deposits with commercial banks carrying profit at the rate ranging from 12.00% to 13.85% per annum.		
8. LENDINGS TO FINANCIAL INSTITUTIONS		
Call money Lending		-
Clean lendings	8.1	800,000
Repurchase agreement lendings		-
		800,000
8.1 These represent lendings to various DFI's in the interbank money market. These lendings carry mark-up at the rates ranging from 13.75% to 13.85% per annum.		

**NOTES TO AND FORMING PART OF THE
CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD FROM OCTOBER 29, 2010 TO
MARCH 31, 2011**

	March 31, 2011 (Un-Audited)		
	Held by Bank	Given as collateral	Total
	------(Rupees in '000)-----		
9. INVESTMENTS			
INVESTMENTS BY TYPES			
Available-for-sale securities			
Market Treasury Bills	5,323,383	5,732,630	11,056,013
Held-to-maturity securities			
Certificates of Investment	800,000	-	800,000
Total Investments at cost	<u>6,123,383</u>	<u>5,732,630</u>	<u>11,856,013</u>
Less: Provision for Diminution in value of Investments	-	-	-
Investments (net of provisions)	6,123,383	5,732,630	11,856,013
Less: Deficit on available-for-sale securities	(641)	(675)	(1,316)
Total investments	<u><u>6,122,742</u></u>	<u><u>5,731,955</u></u>	<u><u>11,854,697</u></u>
		Note	March 31, 2011 (Un-Audited) (Rupees in '000)
10. ADVANCES			
Loans, cash credits, running finances etc. In Pakistan		10.1	<u>20,291</u>
10.1 This represents various staff loans provided under the employment terms of respective employees.			
11 OPERATING FIXED ASSETS			
Capital work-in-progress		11.1	7,432
Property and equipment		11.2	<u>61,573</u>
			<u>69,005</u>
11.1 Capital work-in-progress			
Advances to suppliers of vehicles			<u>7,432</u>

**NOTES TO AND FORMING PART OF THE
CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD FROM OCTOBER 29, 2010 TO
MARCH 31, 2011**

11.2 Property and equipment - own use	<u>As at March 31, 2011</u>						
	Cost / Revaluation			Accumulated Depreciation / Amortization			Book Value
	As at October 1, 2010	Additions/ (deletions)	As at March 31, 2011	As at October 1, 2010	Charge / (disposal)	As at March 31, 2011	As at March 31, 2011
	(Rupees in '000)						
Lease hold land	-	-	-	-	-	-	-
Lease hold improvements	-	5,551	5,551	-	56	56	5,495
Furniture & fixtures	-	2,512	2,512	-	49	49	2,463
Computer & other equipments	-	10,596	10,596	-	551	551	10,045
Vehicles	-	46,787	46,787	-	3,217	3,217	43,570
Total	-	65,446	65,446	-	3,873	3,873	61,573

	Note	March 31, 2011 (Un-Audited) (Rupees in '000)
12. OTHER ASSETS		
Accrued income on bank account, COI's, placements and advances		244,093
Advances, deposits, advance rent and other prepayments		56,871
Stationery & stamps on hand		41
Federal Excise Duty Recoverable		1,181
Other Receivables		25
		<u>302,211</u>
13. BORROWINGS FROM FINANCIAL INSTITUTIONS		
Secured		
Repurchase agreement borrowings		
- SBP		4,614,596
- Commercial Banks		1,101,014
		<u>5,715,610</u>
14. DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits		2,889,000
Savings deposits		8,676,663
Current accounts - non-remunerative		3,870
		<u>11,569,533</u>
14.1 Particulars of deposits		
In local currency		11,569,533
In foreign currency		-
		<u>11,569,533</u>

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD FROM OCTOBER 29, 2010 TO MARCH 31, 2011

14.2 The above includes deposits amounting to Rs. 11,561 million received from various departments of the Government of Sindh.

	Note	March 31, 2011 (Un-Audited) (Rupees in '000)
15. OTHER LIABILITIES		
Accrued Mark-up payable on deposits and repurchase agreements		91,796
Payable to Staff Provident Fund		2,410
Payable to Staff Gratuity Fund		1,240
Accrued expenses		1,858
Payable to Government of Sindh	15.1	100,000
Provision for taxation-net		55,179
With holding Tax Payable		11
Others		9,497
		261,991

15.1 This represent funds provided by the Government of Sindh to meet the operating expenses during initial set-up phase of the bank, and will be repaid on their request.

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

10,000	Ordinary shares of Rs. 10/- each fully paid in cash	100
<u>999,990,000</u>	Ordinary shares of Rs. 10/- each issued as right shares	<u>9,999,900</u>
<u>1,000,000,000</u>		<u>10,000,000</u>

16.3 Out of the above, Government of Sindh, through its Finance Division, owns 999,999,993 ordinary shares of the Bank.

CONTINGENCIES AND COMMITMENTS

Presently the bank has no contingent liabilities.

17.1 Commitment in respect of repo transactions

- repurchase	<u>5,733,471</u>
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17.2 Commitment for Capital expenditure

- Civil work for branches	3,535
- Acquisition of fixed assets	<u>545</u>
	<u>4,080</u>

**NOTES TO AND FORMING PART OF THE
CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD FROM OCTOBER 29, 2010 TO
MARCH 31, 2011**

	Note	Period from October 29, 2010 to March 31, 2011 (Un-Audited) (Rupees in '000)
18. MARK-UP / RETURN / INTEREST EARNED		
On loans and advances to Customers		142
On investments in:		
Available-for-sale securities		205,536
Held-to-maturity securities		20,662
On deposits with financial institutions		313,196
On securities purchased under resale agreements		2,125
On call / clean lendings		29,595
		571,256
19. MARK-UP / RETURN / INTEREST EXPENSED		
Deposits		73,935
Securities sold under repurchase agreements		46,380
Other short term borrowings		116
		120,431
20. ADMINISTRATIVE EXPENSES		
Salaries, allowances and benefits		33,067
Contribution to defined contribution plan		1,206
Non Executive Director's Fee		2,200
Rent, taxes, insurance, electricity, etc.		4,257
Legal and professional charges		173
Communications		709
Repairs and maintenance		1,070
Stationery and printing		1,304
Security service charges		391
Advertisement and publicity	20.1	9,573
Donation		-
Depreciation on operating fixed assets		3,873
Auditor's remuneration		500
Travelling and Conveyance		1,371
Brokerage and commission		513
Fees and subscription	20.2	7,268
Entertainment		1,169
Miscellaneous expense		123
		68,767

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.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD FROM OCTOBER 29, 2010 TO MARCH 31, 2011

	Period from October 29, 2010 to March 31, 2011 (Un-Audited) (Rupees in '000)
21. BASIC and DILUTE EARNINGS PER SHARES	
Profit after tax for the period	251,912
Weighted average number of ordinary shares	823,376,623
Basic and Dilute earning per share	0.31

	March 31, 2011 (Un-Audited) (Rupees in '000)
22. CASH AND CASH EQUIVALENTS	
Cash and balances with treasury banks	575,317
Balances with other banks	14,176,741
	14,752,058

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	13,092	-	-	-
Repaid during the period	(286)	-	-	-
At March 31, 2011	12,806	-	-	-
Deposits				
Placements during the period	-	-	-	-
Withdrawals during the period	-	-	-	-
At March 31, 2011	-	-	-	-
Mark-up receivable	6	-	-	-
Mark-up / interest / return earned	112	-	-	-
Remuneration paid	19,723	-	-	-
Contribution to provident fund	844	-	-	-
Provision for gratuity	831	-	-	-
Directors' meeting fee	-	2,000	-	-
Others	-	-	-	1,380

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD FROM OCTOBER 29, 2010 TO MARCH 31, 2011

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 exchanges, 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.

Since the Bank is still going through its setup phase. Although key positions have been filled-in, but sub-ordinate staff is being hired to complete the respective departments. Further, the bank has yet not commenced lending activities. Paid-up capital of the bank and deposits mobilized are only being deployed in treasury activities. Therefore, presenting segment information may not be meaningful at this stage. Once the setup phase is significantly completed and clearly identified and defined business segments commence respective commercial activities, segment information on prescribed format will be presented.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD FROM OCTOBER 29, 2010 TO MARCH 31, 2011

25. GENERAL

- 25.1 Figures have been rounded off to the nearest thousand rupee.
- 25.2 The bank was incorporated on October 29, 2010. These financial statements covers the period since incorporation till March 31, 2011, therefore no comparative figures have been presented in these financial statements.
- 25.3 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.


26. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue by the Board of Directors on April 6, 2011.


President & Chief Executive Officer


Director


Director


Director



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IN MEMORY OF SHAHEED MOHTARMA BENAZIR BHUTTO



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