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## Corporate information

### Chairman

Mr. Muhammad Aurangzeb

### Chief Executive Officer

Mr. Shehzad Naqvi

### Directors

Mr. Robert Ralph Davis  
Mr. James Alexander Brown  
Lt. Gen (R) Muhammad Maqbool  
Mr. Shamim Ahmad Khan  
Mr. Shahid Hafiz Kardar

### Audit Committee

Mr. Shamim Ahmad Khan  
*(Chairman)*  
Lt. Gen. (R) Muhammad Maqbool  
*(Member)*  
Mr. Shahid Hafiz Kardar  
*(Member)*  
Mr. James Alexander Brown  
*(Member)*

### Risk Management Committee

Mr. Shehzad Naqvi  
*(Chairman)*  
Mr. Robert Ralph Davis  
*(Member)*  
Mr. James Alexander Brown  
*(Member)*  
Lt. Gen. (R) Muhammad Maqbool  
*(Member)*

### Chief Financial Officer

Mirza Zafar Baig

### Company Secretary

Mian Ejaz Ahmed

### Auditors

Messrs M. Yousuf Adil Saleem & Co.,  
Chartered Accountants  
Cavish Court, A-35, Block 7 & 8, KCHSU,  
Shahrah-e-Faisal, Karachi - Pakistan

### Legal Advisors

Messrs Hassan & Hassan (Advocates)  
7-D, Kashmir/Egerton Road,  
Lahore - Pakistan

### Registrar

Messrs Hameed Majeed Associates (Pvt) Ltd  
H.M. House, 7 - Bank Square, The Mall,  
Lahore - Pakistan

### Principal Office

16, Abdullah Haroon Road,  
Karachi - Pakistan

### Registered / Head Office

77-Y, Phase - III, Commercial Area,  
Defence Housing Authority,  
Lahore - Pakistan

## Directors' report

### Dear members,

On behalf of the Board of Directors of The Royal Bank of Scotland Limited (formerly ABN AMRO Bank (Pakistan) Limited) I am pleased to present the un-audited financial statements of your Bank for the nine months period ended September 30, 2008.

### Economic Overview:

During the third quarter, weak economic conditions contributed to the dwindling of forex reserves, a depreciating Rupee and high inflation. The deteriorating security situation in the country also damaged economic sentiment.

The peaceful transition to a democratically-elected government has helped ease concerns over volatile domestic politics. With the trend of reversal in commodity prices, we expect Pakistan's trade deficit to narrow in the medium term. The government's recent macro structural reforms (fiscal and monetary tightening), coupled with global commodity price deceleration, are expected to ease fiscal and inflationary risks.

The continuous outflow of foreign exchange from the system on account of domestic economic uncertainty, global financial turmoil and seasonal withdrawal of deposits from the banking sector some of which did not return to the banking system lead to the prevailing liquidity crunch. In a recent move, the State Bank of Pakistan (SBP) announced the reduction in the Cash Reserve Requirement (CRR) by 200bps to ease the liquidity for the banking sector. The State Bank of Pakistan considers this to be a temporary measure aimed essentially at alleviating the existing liquidity constraint and not indicative of a change in the regulator's tight monetary stance.

The State Bank of Pakistan has reiterated its stance that it does not envisage any major changes in foreign exchange regime which would have a positive impact on the economy in general and domestic and foreign investors sentiment in particular.

### Performance Review:

During the period under review the deposits of the Bank declined by Rs 3.565 billion from the level in December 07 while advances increased by Rs 5.397 billion, concentrated largely in the Textile, Chemical & Pharmaceuticals and Food & Allied sectors. In the period ended September 30, 2008, inter bank borrowings increased by Rs 3.01 billion over December 31, 2007.

Adequate provisions against advances have been made along the guidelines of the State Bank of Pakistan. Loan losses amounting to Rs 2.786 billion were recognized as against Rs 1.404 billion in the corresponding nine months period ended September 30, 2007. The increase in loan losses was principally owing to the consumer and SME portfolio. During the third quarter, the bank has made recoveries of Rs 95 million from the SME portfolio.

During this period revenue increased by Rs 1.327 billion over the corresponding period last year with the increase in the net interest margin of Rs 87 million. The marginal increase in interest margins is reflective of pressures on spreads resulting from the higher cost of saving deposits (in line with State Bank instructions on the minimum return to holders of saving deposits) as well as the propensity of depositors to shift to longer tenor fixed deposits. Also during the quarter ended September 30, 2008, inter bank borrowing costs rose sharply owing to liquidity tightening. Utilizing the extensive branch network with additional volumes of non-fund based services handled by the bank, non-fund based income fetched additional revenues of Rs 434 million. There was also incremental income of Rs 289 million from derivative transactions.

In line with the normal staff cost increments and impact of inflation on other administration costs, expenses rose by 11% to Rs 470 million over the corresponding period last year.

On behalf of the Board of Directors, I take this opportunity to thank all our valued clients for their patronage and the State Bank of Pakistan for their continuing support. Special appreciation goes out to the Bank's staff for their continued strong commitment and performance.

For and on behalf of the Board

October 27, 2008

**Shehzad Naqvi**  
Chief Executive Officer

## Condensed interim balance sheet

as at September 30, 2008

	Note	(Un-audited) Sep 30, 08	(Audited) Dec 31, 07
(Rupees in '000)			
<b>Assets</b>			
Cash and balances with treasury banks		11,363,896	8,785,788
Balances with other banks		2,717,280	5,364,040
Lendings to financial institutions		5,531,036	6,982,071
Investments	7	13,178,786	16,438,270
Advances	8	69,865,788	64,468,394
Other assets		4,017,339	2,337,709
Operating fixed assets	9	4,759,460	2,778,942
Deferred tax assets		1,005,368	380,349
		112,438,953	107,535,563
<b>Liabilities</b>			
Bills payable		1,826,971	2,084,367
Borrowings from financial institutions		7,849,429	6,068,028
Deposits and other accounts	10	86,724,011	90,288,654
Sub-ordinated loans	11	2,604,040	799,200
Liabilities against assets subject to finance lease		-	-
Other liabilities		6,822,107	3,229,519
Deferred tax liabilities		-	-
		105,826,558	102,469,768
<b>Net assets</b>		6,612,395	5,065,795
<b>Represented by</b>			
Share capital		13,474,364	13,474,364
Reserves		(6,395,647)	(6,395,647)
Accumulated loss		(2,239,055)	(1,989,575)
		4,839,662	5,089,142
Surplus / (Deficit) on revaluation of assets - net of tax	12	1,772,733	(23,347)
		6,612,395	5,065,795
<b>Contingencies and commitments</b>	13		

The annexed notes 1 to 17 form an integral part of these condensed interim financial statements.

President / Chief Executive

Director

## Condensed interim profit and loss account - (Un-audited) for the quarter and nine months period ended September 30, 2008

	Quarter ended Sep 30, 08	Nine months period ended Sep 30, 08	Quarter ended Sep 30, 07	Nine months period ended Sep 30, 07
	(Rupees in '000)			
Mark-up / Return / Interest Earned	3,346,642	9,757,434	3,487,823	9,819,907
Mark-up / Return / Interest Expensed	(1,989,520)	(4,966,583)	(1,868,434)	(5,116,067)
Net Mark-up / Interest Income	1,357,122	4,790,851	1,619,389	4,703,840
Provision against non-performing loans and advances - net	(393,336)	(1,519,650)	(328,175)	(1,019,197)
Provision for diminution in the value of investments	-	(12,495)	(1,887)	(1,887)
Bad debts written off directly	(467,631)	(1,266,564)	(143,001)	(384,741)
	(860,967)	(2,798,709)	(473,063)	(1,405,825)
Net Mark-up / Interest Income after provisions	496,155	1,992,142	1,146,326	3,298,015
<b>NON MARK-UP / INTEREST INCOME</b>				
Fee, commission and brokerage income	501,920	1,500,682	351,469	1,066,541
Dividend income	-	892	(100)	5,805
Gain / (Loss) from trading in government securities	527	(13,140)	(276,478)	(281,330)
Loss from dealing in shares	-	-	-	-
Income from dealing in foreign currencies	162,687	433,885	132,084	381,049
Unrealised gain on revaluation of investments classified as held-for-trading	-	-	454	454
Other income	291,258	850,662	131,759	360,898
Total non-mark-up / interest income	956,392	2,772,981	339,188	1,533,417
	1,452,547	4,765,123	1,485,514	4,831,432
<b>NON MARK-UP / INTEREST EXPENSES</b>				
Administrative expenses	(1,667,788)	(4,642,246)	(1,569,223)	(4,126,084)
Other provisions / write offs	-	(153)	(413)	(19,159)
Other charges	(3,183)	(18,106)	(22,281)	(45,463)
Total non mark-up / interest expenses	(1,670,971)	(4,660,505)	(1,591,917)	(4,190,706)
	(218,424)	104,618	(106,403)	640,726
Extraordinary / unusual items	-	-	-	-
<b>PROFIT BEFORE TAXATION</b>	(218,424)	104,618	(106,403)	640,726
Taxation - Current	(250,128)	(1,036,538)	(260,774)	(668,107)
- Prior years	-	(23,559)	(12,400)	(12,400)
- Deferred	135,900	705,999	167,871	175,763
	(114,228)	(354,098)	(105,303)	(504,744)
<b>(LOSS)/PROFIT AFTER TAXATION</b>	(332,652)	(249,480)	(211,706)	135,982
<b>(LOSS) / EARNINGS PER SHARE - BASIC AND DILUTED (Rupees)</b>	(0.25)	(0.19)	(0.16)	0.10

The annexed notes 1 to 17 form an integral part of this condensed interim financial statements.

Director

Director

**Condensed interim cash flow statement - (Un-audited)**  
for the nine months period ended September 30, 2008

	Sep 30, 08	Sep 30, 07
	(Rupees in '000)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	104,618	640,726
Less Dividend income	(892)	(5,805)
	103,726	634,921
Adjustment for non-cash charges		
Depreciation	352,722	280,884
Amortisation	314	24,809
Provision for diminution in the value of investments	12,495	1,887
Provision against non-performing advances - net	1,519,650	1,019,197
Gain on sale of fixed assets	(3,415)	(1,863)
Loss on sale of securities	13,140	281,330
Gain on revaluation of held for trading securities	-	(454)
Bad debts written off directly	1,266,564	382,804
Other provisions / write offs	153	19,159
	3,161,623	2,007,753
	3,265,349	2,642,674
<b>(Increase) / decrease in operating assets</b>		
Lendings to financial institutions	1,451,035	2,589,176
Held for trading securities	49,326	704,870
Advances	(8,183,608)	2,704,656
Other assets	(1,679,783)	134,882
	(8,363,030)	6,133,584
<b>Increase / (decrease) in operating liabilities</b>		
Bills payable	(257,396)	632,731
Borrowings from financial institutions	1,781,401	(9,624,745)
Deposits and other accounts	(3,564,643)	2,001,142
Other liabilities	3,514,509	653,360
	1,473,871	(6,337,512)
	(3,623,810)	2,438,746
	(982,019)	(386,770)
Income tax paid		
Net cash flow generated from operating activities	(4,605,829)	2,051,976
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net investments in available for sale securities	3,194,840	301,222
Net investments in held to maturity securities	-	2,144,353
Dividend income	892	5,960
Investments in operating fixed assets	(479,669)	(431,668)
Sale proceeds on disposal of operating fixed assets	16,274	13,482
Net cash flow generated from investing activities	2,732,337	2,033,349

President / Chief Executive

Director

	Sep 30, 08	Sep 30, 07
	(Rupees in '000)	
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Remittances made to the Head Office-ABN AMRO Bank N.V Branches	-	(2,034,576)
Dividend paid	-	(139)
Receipt from / (Payment) of subordinated loan	1,804,840	(320)
Net cash flow generated from / (used in) financing activities	1,804,840	(2,035,035)
Effect of exchange rate changes	-	(10,926)
<b>(Decrease) / Increase in cash and cash equivalents</b>	(68,652)	2,039,364
Cash and cash equivalents at beginning of the period	14,149,828	17,489,646
Cash and cash equivalents at end of the period	14,081,176	19,529,010

The annexed notes 1 to 17 form an integral part of these condensed interim financial statements.

Director

Director

### Condensed interim statement of changes in equity - (Un-audited) for the nine months period ended September 30, 2008

	Share capital	Head office capital account	Merger Reserve	Unremitted Profit	Statutory reserve	General Reserve	Unappropriated Profit	Total
	(Rs. in '000')							
Opening balance as at January 1, 2007	2,739,372	2,558,311	-	2,343,309	611,949	28,370	418,096	8,699,407
Profit for the eight months period ended August 31, 2007 of ABN Amro Bank N.V. - Pakistan Branches	-	-	-	842,907	-	-	(842,907)	-
Profit remittance to Head office of ABN Amro Bank N.V. -Pakistan Branches for the year ended December 31, 2006	-	-	-	(2,034,576)	-	-	-	(2,034,576)
Exchange adjustment on revaluation of capital	-	(10,925)	-	-	-	-	-	(10,925)
Shares issued pursuant to amalgamation scheme	10,734,992	(2,547,386)	(7,035,966)	(1,151,640)	-	-	-	-
Profit for the nine months period ended September 30, 2007	-	-	-	-	-	-	135,982	135,982
Closing balance as at September 30, 2007	13,474,364	-	(7,035,966)	-	611,949	28,370	(288,829)	6,789,888
Loss for the three months period ended December 31, 2007	-	-	-	-	-	-	(1,700,746)	(1,700,746)
Closing balance as at December 31, 2007	13,474,364	-	(7,035,966)	-	611,949	28,370	(1,989,575)	5,089,142
Loss for the nine months period ended September 30, 2008 Transferred to Statutory Reserve	-	-	-	-	-	-	(249,480)	(249,480)
Closing balance at at September 30, 2008	13,474,364	-	(7,035,966)	-	611,949	28,370	(2,239,055)	4,839,662

The annexed notes 1 to 17 form an integral part of these condensed interim financial statements.

President / Chief Executive

Director

Director

Director

# Notes to the condensed interim financial statements

for the quarter and nine months period ended September 30, 2008

## 1 Status and nature of business

- 1.1 The Royal Bank of Scotland Limited {formerly ABN AMRO Bank (Pakistan) Limited} (the bank) was incorporated in Pakistan on September 30, 1991 as a public limited company under the Companies Ordinance, 1984 and is listed on all stock exchanges of Pakistan.

The bank currently operates a network of seventy nine Branches in Pakistan and Azad Jammu and Kashmir. The bank operates as a scheduled commercial bank in Pakistan under a license obtained from the State Bank of Pakistan (SBP) and is principally engaged in retail banking, corporate banking and treasury related activities.

- 1.2 The registered office of the bank in Pakistan is situated at 77-Y D.H.A Lahore. The operational Head office of the bank is situated in Karachi at 16-Abdullah Haroon Road Karachi.
- 1.3 Subsequent to period of these financial statements, the name of the Bank has been changed effective from August 1, 2008 as "The Royal Bank of Scotland Limited" as part of global rebranding strategy.

## 2 Basis of preparation

In accordance with the directives of the Federal Government regarding shifting of the Banking system to Islamic modes, the SBP has issued various circulars from time to time. Permissible forms of trade related modes of financing include purchasing 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 utilized and the appropriate portion of mark up thereon.

## 3 Statement of compliance

- 3.1 These condensed interim financial statements have been prepared in accordance with approved accounting standards as applicable to banks in Pakistan and the requirements of the Companies Ordinance, 1984 and the Banking Companies Ordinance, 1962. Approved accounting standards comprise of such International Accounting Standards (IAS) and International Financial Reporting Standards (IFRSs) as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the SBP differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962, or the requirements of the said directives take precedence.
- 3.2 The SBP as per BSD Circular No. 10 dated August 26, 2002 has deferred the applicability of IAS 39, "Financial Instruments: Recognition and Measurement" and IAS 40, "Investment Property" for banking companies till further instructions. Further, the SECP vide SRO 411(I)/2008 dated April 28, 2008 has deferred the applicability of International Financial Reporting Standard (IFRS -7) Financial Instruments; Disclosures till further instructions.

Accordingly, the requirements of these standards have not been considered in the preparation of these condensed interim financial statements. However investments have been classified and valued in accordance with the requirements of various circulars issued by SBP.

- 3.3 The disclosures made in these condensed interim financial statements have been limited based on the format prescribed by the SBP vide BSD Circular Letter No.2, dated May 12, 2004, and IAS 34, "Interim Financial Reporting". Further, they do not include all of the information and disclosures required in the annual financial statements and should be read in conjunction with the financial statements of the bank for the year ended December 31, 2007.

#### **4 Basis of measurement**

These financial statements have been prepared on the historical cost convention except that certain investments, operating fixed assets and derivative contracts are stated at fair value. All amounts are in Pakistan Rupees unless stated otherwise.

As disclosed in the annual financial statements of the bank for the year ended December 31, 2007, the amalgamation of ABN AMRO Bank N.V. - Pakistan Branches and The Royal Bank of Scotland Limited {formerly ABN AMRO Bank (Pakistan) Limited} as at September 1, 2007 was accounted for under "pooling of interest method". This method of accounting requires the net assets of both entities to be consolidated based on their carrying values as at the date of the amalgamation. The financial statement items have been included in these condensed interim financial statements as if the two entities had been combined from the beginning of the earliest period presented.

Consequently, the comparatives in the accompanying profit and loss account, cash flow statement and statement of changes in equity relating to the period ended September 30, 2007 comprise (a) balances of the bank and (b) balances of ABN AMRO Bank N.V. - Pakistan Branches.

#### **5 Summary of significant accounting policies**

The accounting policies and methods of computation followed in the preparation of these financial statements are the same as those applied in the preparation of the annual financial statements of the bank for the year ended December 31, 2007 except for the revaluation of owned land and buildings .

During the year the Bank has changed its accounting policy with respect to the valuation of owned land and buildings. Previously these were carried at cost less any accumulated depreciation and any accumulated impairment losses. These are now carried at revalued amounts, being the fair value of these assets as at the date of the revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. All properties within the asset class have been revalued during the current year and the net increase in the carrying amount as a result of the revaluation has been credited directly to equity under the head 'surplus / (deficit) on revaluation of assets'. The revaluation of the asset class and further additions would be made with sufficient regularity for each property to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date.

The revaluation surplus included in equity in respect of items of property would be transferred directly to retained earnings when the asset is derecognised. This may involve transferring the whole of the surplus when the asset is retired or disposed off.

## 6 Accounting estimates and judgements

The basis for accounting estimates and judgements adopted in the preparation of these financial statements are the same as those applied in the preparation of annual financial statements of the bank for the year ended December 31, 2007.

## 7 Investment

	Note	Held by Bank	Given as Collateral (Rupees in '000)	Total
As at September 30, 2008 (Un-audited)	7.1	11,691,062	1,487,724	13,178,786
As at December 31, 2007 (Audited)	7.1	16,438,270	-	16,438,270

Note	September 30, 2008 (Un-audited)			December 31, 2007 (Audited)		
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
	(Rupees in '000)					

### 7.1 Investments

	Note	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
<b>Held-for-trading securities</b>							
Pakistan investment bonds		-	-	-	49,360	-	49,360
<b>Available-for-sale securities</b>							
Pakistan investment bonds		269,092	-	269,092	224,535	-	224,535
Market treasury bills		10,373,555	1,482,434	11,855,989	15,180,897	-	15,180,897
Term Finance Certificates-Unlisted		12,495	-	12,495	439,580	-	439,580
WAPDA Bonds (10th issue)		-	-	-	500,544	-	500,544
Listed Shares and Income funds		59,630	-	59,630	59,630	-	59,630
Unlisted Shares		23,139	-	23,139	23,139	-	23,139
Pakistan Ijara Sukuk		1,000,000	-	1,000,000	-	-	-
		11,737,911	1,482,434	13,220,345	16,428,325	-	16,428,325
<b>Subsidiary</b>	7.2	81	-	81	81	-	81
<b>Investments at cost</b>		11,737,992	1,482,434	13,220,426	16,477,766	-	16,477,766
Less: Provision for diminution in value of investments		(18,621)	-	(18,621)	(6,126)	-	(6,126)
<b>Investments - net of provisions</b>		11,719,371	1,482,434	13,201,805	16,471,640	-	16,471,640
Deficit on revaluation of held-for-trading securities		-	-	-	(34)	-	(34)
Deficit on revaluation of Available-for-sale securities		(28,309)	5,290	(23,019)	(33,336)	-	(33,336)
<b>Total Investments at market value</b>		11,691,062	1,487,724	13,178,786	16,438,270	-	16,438,270

7.2 Prime Trade Services Limited (PTSL) is a wholly owned non-functional subsidiary since August 2007. The subsidiary is in the process of deregistration by the regulatory authorities of Hong Kong.

		(Un-audited) Sep 30, 08	(Audited) Dec 31, 07
(Rupees in '000)			
<b>8 Advances</b>			
Loans, cash credits, running finances, etc. in Pakistan		73,747,911	66,687,357
Net Investment in finance lease in Pakistan		662,100	889,972
Bills discounted and purchased (excluding Treasury Bills)			
Payable in Pakistan		293,956	331,105
Payable outside Pakistan		605,061	523,710
		899,017	854,815
		75,309,028	68,432,144
Provision against non-performing advances			
Specific	8.1	(4,892,273)	(3,384,750)
General		(550,967)	(579,000)
		(5,443,240)	(3,963,750)
		69,865,788	64,468,394

- 8.1 Advances include Rs 5,683.466 million (December 31, 2007: Rs 4,489.049 million) which have been placed under non-performing status as detailed below:

Category of classification	September 30, 2008 (Un-audited)		
	Classified advances	Provision required	Provision held
(Rupees in '000)			
Special mention	-	213,636	213,636
Substandard	1,133,138	581,790	581,790
Doubtful	831,032	408,003	408,003
Loss	3,719,296	3,688,844	3,688,844
	5,683,466	4,892,273	4,892,273

Category of classification	December 31, 2007 (Audited)		
	Classified advances	Provision required	Provision held
(Rupees in '000)			
Special mention	-	213,636	213,636
Substandard	1,303,568	579,542	579,542
Doubtful	1,133,468	539,559	539,559
Loss	2,052,013	2,052,013	2,052,013
	4,489,049	3,384,750	3,384,750

## 9 Operating fixed assets

During the current period, additions to fixed assets comprise property and equipment, intangibles and capital work in progress aggregating to Rs. 479.669 million (2007: 431.668 million), whereas deletions comprise of vehicles, equipments and computer hardware aggregating to Rs. 19.753 million (2007: 129.257 million)

The bank's properties were revalued by an independent professional valuer as on June 30, 2008, on the basis of current market value. The revaluation has resulted in surplus on revaluation of fixed assets of Rs. 1,866.744 million.

(Un-audited) (Audited)  
Sep 30, 08 Dec 31, 07  
(Rupees in '000)

## 10 Deposits and other accounts

<b>Customers</b>		
Fixed deposits	44,054,886	36,240,632
Savings deposits	23,589,156	32,188,318
Current accounts - non-remunerative	18,006,307	20,858,193
Margin accounts	963,839	649,971
	<u>86,614,188</u>	<u>89,937,114</u>
<b>Financial institutions</b>		
Remunerative deposits	33,316	89,644
Non-remunerative deposits	76,507	261,896
	<u>109,823</u>	<u>351,540</u>
	<u>86,724,011</u>	<u>90,288,654</u>

## 11 Sub-ordinated loans

It includes interest free subordinated bridge loan amounting to Rs. 1,805.160 million obtained from the parent company ABN Amro Bank N.V. It shall be repaid in one installment not later than December 31, 2008, in USD equivalent to Pak Rupee loan amount at the prevalent conversion rate on the payment date, subject to SBP approval. As per the terms of the loan agreement the proceeds of the loan shall be exclusively utilised for the purpose of bridge financing and the Bank is not allowed to use the loan, nor permit it to be used by any other party, for any other purpose without the parent company's prior written consent.

(Un-audited) (Audited)  
Sep 30, 08 Dec 31, 07  
(Rupees in '000)

## 12 Surplus / (deficit) on revaluation of assets-net of tax

Investments	(15,369)	(23,347)
Operating fixed assets	1,788,102	-
	<u>1,772,733</u>	<u>(23,347)</u>

(Un-audited) (Audited)  
 Sep 30, 08 Dec 31, 07  
 (Rupees in '000)

### 13 Contingencies and commitments

#### 13.1 Direct credit substitutes

Including general guarantees of indebtedness, bank acceptance guarantees and standby letters of credit serving as financial guarantees for loans and securities:

Government	-	-
Financial Institutions	-	-
Others	4,347,473	3,435,759
	<u>4,347,473</u>	<u>3,435,759</u>

#### 13.2 Transaction-related contingent liabilities

Including performance bonds, bid bonds, warranties, advance payment guarantees and shipping guarantees related to particular transactions:

Government	187,030	187,030
Financial Institutions	25,681,147	15,124,792
Others	4,970,862	4,199,634
	<u>30,839,039</u>	<u>19,511,456</u>

#### 13.3 Trade-related contingent liabilities

Letters of credit	<u>16,977,815</u>	<u>18,849,973</u>
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#### 13.4 Tax contingencies

13.4.1 The income tax returns of the Bank have been submitted upto the December 31, 2006 while assessments upto the Tax year 2007 have been finalised. In computing the taxable income, the Income Tax Department has disallowed various items including certain provisions against non-performing advances against which the bank has filed an appeal in the Income Tax Appellate Tribunal and the case was decided in favor of the Bank. However in the case of adverse outcome at the High Court level against an appeal filed by the Income Tax Department liability may arise amounting to Rs.1,079 million. Assessments of ABN AMRO Bank N.V.- Pakistan Branches (the branches) have been finalised upto the tax year 2007.

13.4.2 For the tax years 2003 and 2004 the ABN AMRO Bank N.V.- Pakistan Branches (the branches) has filed appeals with the Income Tax Appellate Tribunal (ITAT) which is pending adjudication. For the tax years 2005, 2006 and 2007, order under Section 122 has recently been passed by the taxation authorities wherein certain disallowances were made. Against the disallowances, the Bank has filed appeals before the Commissioner of Income Tax (Appeals) which is pending. The amount of tax involved in respect of the issues that are pending in appeals with ITAT is Rs.130 million for which no provision has been made in the financial statements as the management is confident that the ultimate outcome of the appeals in question will be in favor of the bank.

### 13.5 Commitments in respect of forward lending

The bank makes commitments to extend credit in the normal course of its business but none of these commitments are irrevocable and do not attract any significant penalty or expense if the facility is unilaterally withdrawn.

	(Un-audited) Sep 30, 08	(Audited) Dec 31, 07
	(Rupees in '000)	
13.6 Commitments in respect of forward foreign exchange contracts		
Purchase	56,694,068	66,542,715
Sale	33,567,090	45,225,207
13.7 Commitments for acquisition of operating fixed assets	85,045	29,498
13.8 Other commitments		
Interest Rate Derivatives Contracts (notionals)	84,727,880	111,409,462
Foreign Currency Options (notionals)	2,944,167	5,284,860

## 14 Related party transactions

Related parties comprise the parent company and group companies outside Pakistan, retirement benefit plans, directors and key management personnel of the bank. These transactions were made on substantially the same commercial terms as those prevailing at the same time for comparable transactions with unrelated parties and did not involve more than a normal amount of risk.

(Un-audited)  
Sep 30, 08  
(Rupees in '000)

### Key management personnel

#### Advances

As at January 01, 2008	58,708
New entrants	13,924
Given during the period	29,841
Outgoing	(17,395)
Repaid during the period	(36,748)
As at September 30, 2008	48,330

#### Deposits

As at January 01, 2008	98,185
New entrants	158
Received during the period	1,862,329
Outgoing	(33,030)
Withdrawn during the period	(1,837,786)
As at September 30, 2008	89,856

Mark-up / return / interest earned during the period	2,489
Mark-up / return / interest expensed during the period	827

	(Un-audited) Sep 30, 08	(Audited) Dec 31, 07
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(Rupees in '000)

**Retirement benefit plans**

Deposits with the bank	292,107	202,728
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	(Un-audited) For the nine months period ended Sep 30, 08	(Audited) For the nine months period ended Sep 30, 07
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(Rupees in '000)

Payment to retirement benefit plan	136,019	113,841
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	(Un-audited) Sep 30, 08	(Audited) Dec 31, 07
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(Rupees in '000)

**Parent company and group companies  
outside Pakistan**

Balances as at the period / year end were as follows:

Deposits	27,195	1,342,225
Balances and placements	2,591,915	5,233,396
Borrowings	357,461	-
Guarantees issued favouring related parties or on their behalf	24,343,710	13,843,820
Sub-ordinated loan	1,805,160	-
Other contingencies and commitments	45,414,930	49,036,238
Consultancy charges	-	13,104

The income and expense in respect of related parties included in these condensed interim financial statements are as follows:

	(Un-audited)	
	For the nine months period ended Sep 30, 08	For the nine months period ended Sep 30, 07
	(Rupees in '000)	
Mark-up / return / interest earned during the period	246,184	415,342
Mark-up / return / interest expensed during the period	13,189	7,749

### 15 Credit rating

PACRA has measured the bank's short term credit rating at (A1+) and long term credit rating at (AA).

### 16 Date of authorization

These condensed interim financial statements were authorised for issue on October 27, 2008 by the Board of Directors.

### 17 General

Figures have been rounded off to the nearest thousand rupees.

President / Chief Executive

Director

Director

Director

## Branch network

### Karachi

#### Main Branch

16, Abdullah Haroon Road.  
UAN: (021) 111-11-22-33  
Fax: (021) 568 3432

#### Abdullah Haroon Road

State Life Building No. 11,  
Abdullah Haroon Road.  
Tel: (021) 568 4525, 568 2639 & 568 3981  
Fax: (021) 568 3975

#### I. I. Chundrigar Road

Nadir House, I.I.Chundrigar Road.  
Tel: (021) 241 8487, 241 8300 - 9  
Fax: (021) 241 8485

#### Zamzama

13 - C, 7th Zamzama Commercial Lane,  
Phase V, D.H.A.  
Tel: (021) 587 5323, 587 5401  
Fax: (021) 587 5404

#### Defence

World Business Centre,  
Main Korangi Road, Phase I, D.H.A.  
Tel: (021) 580 5182, 580 5170 - 9  
Fax: (021) 580 5180

#### Shahrah-e-Faisal

Progressive Centre,  
Shahrah - e - Faisal.  
Tel: (021) 438 9573 - 7  
Fax: (021) 453 5170

#### Shaheed-e-Millat Road -

##### Islamic Banking

SNP, A / 6 - A 1, Commercial Area, Karachi  
Cooperative Housing Society Union Ltd.,  
Union Area,  
Shaheed - e - Millat Road.  
Tel: (021) 431 2585, 439 8355 - 7  
Fax: (021) 431 1658

#### Cloth Market

Cloth Market, New Naham Road,  
Off M. A. Jinnah Road.  
Tel: (021) 247 2704, 247 2616 - 9  
Fax: (021) 247 2595

#### Jodia Bazar

NP 12 / 74, Mohammad Shah Street,  
Jodia Bazar.  
Tel: (021) 253 3976, 252 2225 - 9  
Fax: (021) 252 2224

#### Khy-e-Shahbaz

43 - C, Khayaban-e-Shahbaz,  
Phase V, D.H.A.  
Tel: (021) 534 2388, 534 2364 - 8  
Fax: (021) 534 2387

#### North Karachi

Nimra Corner, Sector 12-A,  
Industrial Area, North Karachi.  
Tel: (021) 695 8456, 692 0621 - 5  
Fax: (021) 695 6237

#### Paper Market

Shahrah-e-Liaquat, Paper Market.  
Tel: (021) 221 3940, 221 3946 - 7  
Fax: (021) 221 3941

#### Dhoraji

Sana Pride, 35/244, CP & Berar  
Cooperative Housing Society, Dhoraji.  
Tel: (021) 413 6551, 413 1421 - 3  
Fax: (021) 413 6550

#### S.I.T.E.

Plot No. B / 9 - B - 2,  
Estate Avenue, S.I.T.E.  
Tel: (021) 256 9772, 256 9934 - 43  
Fax: (021) 256 9771

#### North Nazimabad - Block G

Almas Square, Plot No. SD - 5, Block G,  
North Nazimabad.  
Tel: (021) 664 8441, 664 8750 - 1  
Fax: (021) 664 8440

#### Metroville

ST-15, Block-3, Metroville I, S.I.T.E.  
Tel: (021) 666 1300  
Fax: (021) 666 2774

#### Marriot Road

G/5-7, St. No. MR-1, Survey No. 54.  
Tel: (021) 241 4093, 241 2803 - 7  
Fax: (021) 241 4095

#### Gulshan-e-Iqbal - Block 6

FL-2/4, Block 6.

Tel: (021) 481 9741, 481 9572 - 6

Fax: (021) 481 9744

#### Federal B Area

C-25, Block 17.

Tel: (021) 680 0693, 680 0342 - 3

Fax: (021) 680 0344

#### Gulistan-e-Jauher

Billy's Heights, KDA Scheme No.36.

Tel: (021) 402 6833, 402 6826 - 30

Fax: (021) 402 6832

#### Kh-e-Itehad

8-C, Itehad Commercial Lane 9,

Phase VI, D.H.A.

Tel: (021) 535 0274, 535 0268 - 72

Fax: (021) 535 0275

#### Tipu Sultan Road

Plot No.110, Zonal Commercial Area, Bangalore Cooperative Housing Society.

Tel: (021) 430 1181 - 85

Fax: (021) 430 1187

#### Defence

22/C, Lane 2, Shahbaz Commercial, Phase V, D.H.A.

Tel: (021) 585 4460

Fax: (021) 585 5131

UAN: (021) 111-111-338

#### Gulshan-e-Iqbal - KDA Scheme No. 24

SB-25, Block 13/C, KDA Scheme No. 24, University Road.

Tel: (021) 499 2055

Fax: (021) 497 2270

UAN: (021) 111-335-335

#### Shaheed-e-Millat

72-A/Z, Block 7/8,

Al-Riaz Cooperative Housing Society.

Tel: (021) 431 1950

Fax: (021) 431 0749, 438 2583

UAN: (021) 111-321-321

#### North Nazimabad - Block D

D4, Block D, North Nazimabad.

Tel: (021) 672 1601 - 5, 672 1640

Fax: (021) 672 1614

#### Korangi - Islamic Banking

KM Centre, 130, 130/1,

Main Korangi Road, Phase I, D.H.A.

Fax: (021) 531 1441

UAN: (021) 111-11-71-72

### Lahore

#### Main Branch

310, Upper Mall,

Shahrah-e-Quaid-e-Azam.

Fax: (042) 575 1020

UAN: (042) 111-11-22-33

#### Gulberg

61- Main Gulberg.

Tel: (042) 575 7666

Fax: (042) 575 3111

#### Egerton Road

Ground Floor, Building No. 3,

Aiwan-e-Iqbal Complex, Egerton Road.

Tel: (042) 637 1111, 627 8782

Fax: (042) 636 8500

#### Defence

77-Y, Phase III, D.H.A.

Tel: (042) 572 8282, 572 6601

Fax: (042) 572 5767

#### New Garden Town

Awami Complex, Block No. 2,

New Garden Town.

Tel: (042) 586 1111, 594 0191

Fax: (042) 586 9181

#### Allama Iqbal Town

20 Gulshan Block,

Allama Iqbal Town.

Tel: (042) 541 5588, 541 7262

Fax: (042) 541 9394

#### Gulberg Industrial Area

25-B-2 Gulberg III.

Tel: (042) 571 7141-5

Fax: (042) 571 8050

**Township**

894-D, Faisal Town, PECO Road.  
Tel: (042) 517 6051-9, 517 6002  
Fax: (042) 517 6041

**Circular Road**

Outside Shah Alam Gate,  
Main Circular Road.  
Tel: (042) 767 0600, 767 0501  
Fax: (042) 767 0666

**Qurtaba Chowk**

Qurtaba Chowk, 110-A, Lytton Road.  
Tel: (042) 721 0500-4, 790 0268  
Fax: (042) 721 0505

**PIA Town**

188, Block-F, Phase I,  
PIA Employees Housing Society,  
Wapda Chowk.  
Tel: (042) 518 9011 - 6, 518 9020  
Fax: (042) 518 9010

**Baghbanpura**

Bilal Market, Chowk Shalamar Bagh,  
G. T. Road, Baghbanpura.  
Tel: (042) 684 0310 - 5, 684 0318  
Fax: (042) 684 0316

**Badami Bagh**

343-Circular Road, Badami Bagh.  
Tel: (042) 770 8160, 770 8171  
Fax: (042) 770 8170

**Raiwind Road**

131/178, Bohbatein Chowk,  
10 K.M. Raiwind Road.  
Tel: (042) 532 0164, 532 0406  
Fax: (042) 532 0706

**Bilal Gunj**

16, Shahjehan Road, Bilal Gunj.  
Tel: (042) 721 4084 - 8  
Fax: (042) 721 4074

**Gulshan-e-Ravi**

2/B, Civic Centre, Gulshan-e-Ravi.  
Tel: (042) 740 4511-6, 630 1107  
Fax: (042) 740 4517

**Valancia Society**

A-6, H-Block, Commercial Zone,  
Valancia Society.  
Tel: (042) 518 8604 - 5  
Fax: (042) 518- 8606

**T-Block**

CCA-22, T-Block, Phase II, D.H.A.  
Tel: (042) 574 9742, 503 3331 &  
844 5101-3  
Fax: (042) 574 9741

**Shahdara**

Mauza Begum Kot,  
Sheikhupura Road, Shahdara.  
Tel: (042) 790 0260 - 1, 790 0268

**Faisal Town**

594-A Faisal Town.  
Tel: (042) 520 3881 - 4, 520 3892  
Fax: (042) 520 3880

**Cavalry Ground - Islamic Banking**

97 Commercial Area,  
Cavalry Ground.  
Tel: (042) 660 3412 - 17  
Fax: (042) 660 3411

**Cavalry Ground**

4/5, Hassan Plaza,  
Cavalry Ground Cantt.  
Fax: (042) 665 5591  
UAN: (042) 111-321-321

**Islamabad****Main Branch**

15 Markaz, F - 7, Opposite FG College  
for Women, F-7/2.  
Tel: (051) 265 1318  
Fax: (051) 265 1331  
UAN: (051) 111-11-22-33

**Blue Area**

78 - W, Roshan Centre,  
Jinnah Avenue, Blue Area.  
Tel: (051) 227 5252  
Fax: (051) 227 5254

#### F-10 Markaz

7-L, F-10 Markaz.

Tel: (051) 229 3386, 229 1487

Fax: (051) 221 3207

### Peshawar

#### Ashraf Road

New Rampura Gate.

Tel: (091) 259 3364 - 5 , 259 3164

Fax: (091) 259 3165

#### Cantt.

1 Frontier Arcade, Fakhr-e-Alam Road,  
Peshawar Cantt.

Tel: (091) 111 11 22 33

Fax: (091) 527 5503

### Quetta

1-25/14-15, Qandhari Bazar.

Tel: (081) 282 0916, 283 7890

Fax: (081) 282 0915

### Rawalpindi

#### Mall Road

Century Tower, 6-The Mall.

Tel: (051) 570 1054-6, 570 1060

Fax: (051) 556 7016

#### Gunj Mandi

Raja Bazar.

Tel: (051) 553 9115, 553 3315 & 553 5988

#### Meo Road

CL / 55 - A, Civil Lines, Meo Road.

Tel: (051) 579 5105

Fax: (051) 556 7955

UAN: (051) 111-321-321

### Faisalabad

#### Liaquat Road

P-3, Liaquat Road.

Tel: (041) 264 7161, 263 6341

Fax: (041) 261 2064

#### Bilal Road

P - 17/1, Bilal Road, Civil Lines.

Tel: (041) 260 6138

Fax: (041) 260 6001-2

UAN: (041) 111-11-22-33

### Multan

#### Abdali Road

80 - Abdali Road.

Tel: (061) 458 1905-6, 457 1768

Fax: (061) 458 1904

#### Nusrat Road

01-Nusrat Road, Multan Cantt.

Tel: (061) 478 1054

Fax: (061) 478 0126 - 7

UAN: (061) 111-11-22-33

### Sialkot

#### Paris Road

Sialkot Chamber of Commerce & Industry  
Building, Paris Road.

Tel: (052) 426 5216

Fax: (052) 426 7030

#### Daska Road

Pul Aik, Daska Road.

Tel: (052) 324 0203-4, 324 0200

Fax: (052) 324 0205

### Hyderabad

CB 474, Opposite Cantt.

Police Station, Saddar.

Tel: (022) 278 1604, 278 1077 - 8

Fax: (022) 278 0879

### Gujrat

2-Prince Fan Colony, G. T. Road.

Tel: (053) 353 3143, 353 5931

Fax: (053) 353 3145

### Mirpur (Azad Kashmir)

Akbar Plaza Plot No. 2A/2 Sector A-2

UAN: (058610) 111-11 22 33

Fax: (058610) 37 260 & 42 812

## **Sargodha**

Khayyam Chowk, Railway Road.  
Tel: (048) 372 6646 - 8  
Fax: (048) 372 6649

## **Gujranwala**

Al-Majeed Centre, G.T. Road.  
Tel: (055) 373 5531 - 5, 373 5337  
Fax: (055) 373 5536

## **Vehari**

94-B, Iqbal Road,  
Behind Grain Market.  
Tel: (067) 336 6582, 336 6481  
Fax: (067) 336 6584

## **Jhelum**

Old G. T. Road, Jhelum Cantt.  
Tel: (0544) 62 1122  
Fax: (0544) 625 648, 620 404

## **Turbat**

Main Bazar.  
Tel: (0852) 41 3816  
Fax: (0852) 41- 2673

## **Dera Ghazi Khan**

Pakistan Plaza, Jampur Road.  
Tel: (0642) 47 4182, 47 4175 - 7  
Fax: (0642) 47 4178

## **Sukkur**

Shaheed Gunj.  
Tel: (071) 562 8967  
Fax: (071) 562 8968

## **Mardan**

Main Bazar, Bank Road.  
Tel: (0937) 87 1761 - 2  
Fax: (0937) 87 0546, 87 0902

## **Gujar Khan**

Plot No. 204-A, G. T. Road.  
Tel: (051) 351 6425, 351 6324  
Fax: (051) 351 6325

## **Kharian**

G. T. Road.  
Tel: (053) 753 6249

## **Bhalwal**

131-A, Liaquat Shaheed Road,  
Chak No. 8, Tehsil Bhalwal,  
District Sargodha.  
Tel: (048) 664 3671, 664 2405 & 664 2408  
Fax: (048) 664 3545

## **Bahawalpur**

V/912, Circular Road.  
Tel: (062) 273 1112, 273 1115 - 8  
Fax: (062) 287- 4503