



Soneri Bank

Second Quarterly Report 2009  
(Un-audited)



# Directors' Review

We are pleased to present the un-audited financial statements of your Bank for the half year ended on 30 June 2009.

	Six months period ended 30 June 2009	Six months period ended 30 June 2008
	(Rupees in '000)	
Profit before provisions and taxation	961,369	972,851
Provisions	(914,916)	(334,802)
Profit before taxation	46,453	638,049
Taxation	7,805	(173,495)
Profit after taxation	38,648	464,554
Earnings per share (Rs.)	0.08	0.93

Deposits position remained stable and increased by 7.84% over December 2008 and 2.68% over the corresponding period last year. Overall results are short of projections due to continued crises in the trade and industry as well as in the financial sector evident from the radical decline in profit after taxation of 91.68% from the corresponding period of last year. Investments increased by 55% over the December 2008 balance.

The bank is determined to augment its market presence and provide full range of banking services to its customers. At present the bank is operating with 118 branches and has plans to add a number of new branches in the year 2009.

The Pakistan Credit Rating Agency Limited (PACRA) has maintained bank's credit rating at "AA-" for the long term and "A1+" for the short term and "A+" for the Term Finance Certificates reflecting bank's well maintained risk profile with preserved sound asset quality.

We take this opportunity to thank the Ministry of Finance and State Bank of Pakistan for their continued support and guidance.

We are also grateful to our valued customers for their continued patronage. The executives and staff members also deserve appreciation for their hard work and dedication.

**ALAUDDIN FEERASTA**

Chairman

Lahore: 19 August 2009

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

### *Introduction*

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

### *Scope of Review*

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

### *Conclusion*

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

The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarters ended 30 June 2009 and 2008 have not been reviewed, as we are required to review only the cumulative figures for the half year ended 30 June 2009.

The financial statements of the Bank for the half year ended 30 June 2008 and for the year ended 31 December 2008 were reviewed and audited by another firm of chartered accountants whose reports dated 19 August 2008 and 2 March 2009, expressed an unqualified conclusion and opinion thereon respectively.

Chartered Accountants  
Karachi : 19 August 2009

# Condensed Interim Balance Sheet (Un-Audited)

As at 30 June 2009

Soneri Bank Limited

		Un-audited 30 June 2009	Audited 31 December 2008
	<i>Note</i>		
<b>ASSETS</b>			
(Rupees in '000)			
Cash and balances with treasury banks		5,335,385	5,646,755
Balances with other banks		1,552,502	3,908,859
Lendings to financial and other institutions		6,328,694	3,990,269
Investments - net	6	21,792,974	14,053,177
Advances - net	7	45,857,094	47,575,364
Operating fixed assets	8	3,213,466	3,126,857
Deferred tax assets - net		163,068	125,843
Other assets - net		3,085,478	2,550,130
		87,328,661	80,977,254
<b>LIABILITIES</b>			
Bills payable		1,546,815	1,254,496
Borrowings	9	9,447,007	8,441,454
Deposits and other accounts	10	66,464,143	61,634,491
Sub-ordinated loans	11	1,198,080	1,198,320
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities		1,084,307	1,335,446
		79,740,352	73,864,207
<b>NET ASSETS</b>		<b>7,588,309</b>	<b>7,113,047</b>
<b>REPRESENTED BY:</b>			
Share capital		5,019,351	4,114,222
Reserves		1,974,877	2,016,877
Unappropriated profit		45,405	834,650
		7,039,633	6,965,749
Surplus on revaluation of assets - net of tax		548,676	147,298
		7,588,309	7,113,047
<b>CONTINGENCIES AND COMMITMENTS</b>			
	12		

The State Bank of Pakistan vide its BSD circular No. 4 dated 13 February 2009 has given an option to banking companies to show the impairment loss, if any recognised as on 31 December 2008 due to revaluation of listed equity investments held as Available for sale to quoted market prices as of 31 December 2008, which may be shown under the caption "Surplus / deficit on revaluation of assets" on the balance sheet date. Consequently 25% of the amount so shown shall be taken to profit and loss account on quarterly basis during the calendar year ending on 31 December 2009 after accounting for any adjustment for price movement during the quarter of calendar year 2009. Therefore the Bank has recognised 50% of such deficit as impairment loss in the profit and loss account. Had the remaining 50% of such deficit been charged to profit and loss account as impairment loss, this would have resulted in a decrease in the above deficit (net of tax) by Rs. 114,356 million with a corresponding decrease of Rs. 114,356 million in the profit after taxation for the period and the earning per share for the period would have been lower by Rs. 0.23 per share.

## Statement under section 241(2) of the Companies Ordinance, 1984.

The President / Chief Executive of the Bank is presently out of the country, therefore, these condensed interim financial statements have been signed by four Directors of the Bank duly authorised by the Board of Directors.

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

CHAIRMAN

DIRECTOR

•DIRECTOR

DIRECTOR

# Condensed Interim Profit and Loss Account (Un-Audited)

Soneri Bank Limited

For the half year and quarter ended 30 June 2009

Note	For the half year ended		For the quarter ended	
	30 June 2009	30 June 2008	30 June 2009	30 June 2008
	----- (Rupees in '000) -----			
Mark-up / return / interest earned	4,723,810	3,442,297	2,320,997	1,796,445
Mark-up / return / interest expensed	(3,329,121)	(2,315,033)	(1,728,539)	(1,208,701)
Net mark-up / return / interest income	1,394,689	1,127,264	592,458	587,744
Specific provision against non - performing loans and advances - net	841,502	339,142	631,642	277,481
(Reversal) / provision against consumer loans - general	(5,000)	1,335	(5,000)	526
Provision for diminution in the value of investments	178,414	-	82,177	-
Bad debts written off directly	-	196	-	196
Net mark-up / return / interest income after provisions	1,014,916	(340,673)	(708,819)	(278,203)
	379,773	786,591	(116,361)	309,541
<b>Non mark-up / interest income</b>				
Fee, commission and brokerage income	157,526	204,895	75,705	92,050
Dividend income	70,041	171,046	54,416	97,963
Income from trading in government securities	18,000	-	18,000	-
Income from dealing in foreign currencies	198,634	111,427	130,331	63,994
Other income	159,745	144,433	68,838	47,216
Total non mark-up / interest income	603,946	631,801	347,290	301,223
	983,719	1,418,392	230,929	610,764
<b>Non mark-up / interest expenses</b>				
Administrative expenses	1,013,529	773,370	516,659	411,769
Provision / (reversal of provision) against other assets - net	14,500	(5,871)	35,564	-
Reversal of provision against off - balance sheet obligation	(100,000)	-	(8,519)	-
Other charges	9,237	12,844	(2,894)	12,573
Total non mark-up / interest expenses	937,266	780,343	540,810	424,342
<b>Profit / (loss) before taxation</b>	46,453	638,049	(309,881)	186,422
<b>Taxation</b> - Current	198,000	182,000	(204,000)	44,000
- Prior	82,132	(437)	82,132	-
- Deferred	(272,327)	(8,068)	39,233	(3,353)
	(7,805)	(173,495)	82,635	(40,647)
<b>Profit / (loss) after taxation</b>	38,648	464,554	(227,246)	145,775
	----- (Rupees) -----			
<b>Earnings / (Loss) per share - Basic and diluted</b>	0.08	0.93	(0.45)	0.29

The State Bank of Pakistan vide its BSD circular No. 4 dated 13 February 2009 has given an option to banking companies to show the impairment loss, if any recognised as on 31 December 2008 due to revaluation of listed equity investments held as Available for sale to quoted market prices as of 31 December 2008, which may be shown under the caption "Surplus / deficit on revaluation of assets" on the balance sheet date. Consequently 25% of the amount so shown shall be taken to profit and loss account on quarterly basis during the calendar year ending on 31 December 2009 after accounting for any adjustment for price movement during the quarter of calendar year 2009. Therefore the Bank has recognised 50% of such deficit as impairment loss in the profit and loss account. Had the remaining 50% of such deficit been charged to profit and loss account as impairment loss, this would have resulted in a decrease in the above deficit (net of tax) by Rs. 114.356 million with a corresponding decrease of Rs. 114.356 million in the profit after taxation for the period and the earning per share for the period would have been lower by Rs. 0.23 per share.

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

CHAIRMAN

DIRECTOR

DIRECTOR

DIRECTOR



# Condensed Interim Statement of Comprehensive Income (Un-Audited)

Soneri Bank Limited

For the half year and quarter ended 30 June 2009

	For the half year ended		For the quarter ended	
	30 June 2009	30 June 2008	30 June 2009	30 June 2008
----- (Rupees in '000) -----				
Profit / (loss) after taxation for the period	38,648	464,554	(227,246)	145,775
<b>Other comprehensive income</b>	-	-	-	-
<b>Comprehensive income / (loss) transferred to equity</b>	<b>38,648</b>	<b>464,554</b>	<b>(227,246)</b>	<b>145,775</b>
<b>Components of comprehensive income not transferred to equity</b>				
Surplus / (deficit) on revaluation of investments - available for sale	634,032	(279,980)	223,283	(292,355)
Deferred tax on revaluation of investments - available for sale	(221,911)	97,993	(78,149)	102,324
	412,121	(181,987)	145,134	(190,031)
<b>Total comprehensive income / (loss) for the period</b>	<b>450,769</b>	<b>282,567</b>	<b>(82,112)</b>	<b>(44,256)</b>

## Statement under section 241(2) of the Companies Ordinance, 1984.

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# Condensed Interim Cash Flow Statement (Un-Audited)

For the half year ended 30 June 2009

Soneri Bank Limited

	For the half year ended	
	30 June 2009	30 June 2008
	(Rupees in '000)	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	46,453	638,049
Less: Dividend income	70,041	171,046
	<u>(23,588)</u>	<u>467,003</u>
Adjustments		
Depreciation / amortisation	218,255	116,626
Provision against non-performing advances	841,502	339,142
(Reversal) / provision against consumer loans - general	(5,000)	1,335
Provision / (reversal of provision) against other assets	14,500	(5,871)
Other charges - Workers Welfare Fund	9,000	12,761
Reversal of provision against off - balance sheet obligations	(100,000)	-
Provision for diminution in the value of investments	178,414	-
Gain on sale of fixed assets	(3,687)	(3,871)
Bad debts written off directly	-	196
	<u>1,152,984</u>	<u>460,318</u>
	<u>1,129,396</u>	<u>927,321</u>
(Increase) / decrease in operating assets:		
Lendings to financial and other institutions	(2,338,425)	(2,539,391)
Advances - net	881,768	(6,015,783)
Others assets (excluding advance taxation)	(10,478)	103,779
	<u>(1,467,135)</u>	<u>(8,451,395)</u>
Increase / (decrease) in operating liabilities		
Bills payable	292,319	(472,717)
Borrowings	1,005,553	316,484
Deposits and other accounts	4,829,652	4,579,692
Other liabilities	(160,139)	147,062
	<u>5,967,385</u>	<u>4,570,521</u>
	<u>5,629,646</u>	<u>(2,953,553)</u>
Income tax paid	(806,411)	(215,917)
<b>Net cash inflow / (outflow) from operating activities</b>	<u>4,823,235</u>	<u>(3,169,470)</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net investments in securities	(7,284,179)	3,944,336
Dividend income	63,939	166,268
Investment in operating fixed assets	(276,572)	(289,285)
Proceeds from disposal of fixed assets	6,090	4,845
<b>Net cash (outflow) / inflow from investing activities</b>	<u>(7,490,722)</u>	<u>3,826,164</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Sub-ordinated loan	(240)	(240)
<b>Net cash outflow from financing activities</b>	<u>(240)</u>	<u>(240)</u>
<b>(Decrease) / increase in cash and cash equivalents</b>	<u>(2,667,727)</u>	<u>656,454</u>
Cash and cash equivalents at the beginning of the period	9,555,614	10,210,878
Cash and cash equivalents at the end of the period	<u>6,887,887</u>	<u>10,867,332</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		
Cash and balances with treasury banks	5,335,385	7,066,908
Balances with other banks	1,552,502	3,800,424
	<u>6,887,887</u>	<u>10,867,332</u>

## Statement under section 241 (2) of the Companies Ordinance, 1984.

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CHAIRMAN

DIRECTOR

DIRECTOR

DIRECTOR

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

FOR THE HALF YEAR ENDED 30 JUNE 2009

Soneri Bank Limited

	Reserves			General Reserve	Un-appropriated profit	Total	
	Share Capital	Capital Reserves					
	Reserve for issue of bonus shares	Share Premium	Statutory Reserve (a)				
----- (Rupees in '000) -----							
Balance as at 31 December 2007	4,114,222	-	1,405	1,269,054	606,210	238,775	6,229,666
Transfer to reserve for issue of bonus shares	-	-	-	-	-	-	-
Issue of bonus shares	-	-	-	-	-	-	-
Profit after tax for the half year ended 30 June 2008	-	-	-	-	-	464,554	464,554
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	17,521	17,521
Balance as at 30 June 2008	4,114,222	-	1,405	1,269,054	606,210	720,850	6,711,741
Transfer to reserve for issue of interim bonus shares	-	-	-	-	-	-	-
Issue of bonus shares	-	-	-	-	-	-	-
Profit after tax for the half year ended 31 December 2008	-	-	-	-	-	236,487	236,487
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	17,521	17,521
Transfer to statutory reserve	-	-	-	140,208	-	(140,208)	-
Balance as at 31 December 2008	4,114,222	-	1,405	1,409,262	606,210	834,650	6,965,749
Profit after tax for the half year ended 30 June 2009	-	-	-	-	-	38,648	38,648
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	35,236	35,236
Transfer to reserve for issue of bonus shares	-	905,129	-	-	(42,000)	(863,129)	-
Issue of bonus shares	905,129	(905,129)	-	-	-	-	-
Balance as at 30 June 2009	5,019,351	-	1,405	1,409,262	564,210	45,405	7,039,633

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

## Statement under section 241(2) of the Companies Ordinance, 1984.

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CHAIRMAN

DIRECTOR

DIRECTOR

DIRECTOR



# Notes to and Forming Part of the Condensed Interim Financial Statements (Un-Audited)

For the half year ended 30 June 2009

## 1. STATUS AND NATURE OF BUSINESS

Soneri Bank Limited ("the Bank") was incorporated in Pakistan on 28 September 1991 as a public limited company under the Companies Ordinance, 1984 with registered office in Lahore, Punjab. Its shares are quoted on all the stock exchanges in Pakistan. The Bank is engaged in banking services as described in the Banking Companies Ordinance, 1962 and operates 118 branches including six Islamic Banking branches (31 December 2008: 117 including six Islamic Banking branches) in Pakistan.

## 2. STATEMENT OF COMPLIANCE

These condensed interim financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Banking Companies Ordinance, 1962, the requirements of the Companies Ordinance, 1984 and directives issued by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan (SBP). In case requirements differ, the provisions of and directives issued under the Banking Companies Ordinance, 1962, the Companies Ordinance, 1984, and the directives issued by SBP shall prevail.

SBP has deferred the applicability of International Accounting Standard 39, (IAS 39) 'Financial Instruments: Recognition and Measurement' and International Accounting Standard 40, (IAS 40) 'Investment Property' for Banking Companies through BSD Circular No. 10 dated 26 August 2002. Accordingly, the requirements of these standards have not been considered in the preparation of these condensed interim financial statements. However, investments have been classified in accordance with the requirements prescribed by SBP through various circulars.

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

During the current period, International Accounting Standard 1 (Revised), (IAS 1) became effective from 1 January 2009, the application of this standard has resulted in certain increased disclosures only.

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

These condensed interim financial statements are being submitted to the shareholders in accordance with the requirements of section 245 of the Companies Ordinance, 1984. These are un-audited but subject to limited scope review by the auditors.

## 3. BASIS OF PRESENTATION

The condensed interim financial statements have been prepared under the historical cost convention, except that certain fixed assets are stated at revalued amounts, certain investments, commitments in respect of certain forward exchange contracts and derivative financial instruments have been marked to market and are carried at fair value, and staff retirement benefits are carried at present value.

In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, SBP has issued various circulars from time to time. One permissible form of trade related mode of financing includes purchase of goods by the Bank from its 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 condensed interim financial statements as such but are restricted to the amount of facility actually utilised and the appropriate portion of mark-up thereon.

The financial results and position of the Islamic Banking branch of the Bank has been consolidated in these financial statements for reporting purposes, after eliminating material intra bank transactions / balances. The key financial figures of the Islamic Banking branches are disclosed in note 16 to these condensed interim financial statements.

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

#### 5. ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of condensed interim financial statements is in conformity with approved accounting standards which requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Bank's accounting policies. The areas involving higher degree of judgement or complexity, or areas where assumptions and estimates are significant to these condensed interim financial statements are the same as those disclosed in the financial statements for the year ended 31 December 2008, except for the following:

The Finance Act, 2009 has made significant amendments in the Seventh Schedule to Income Tax Ordinance, 2001. The deduction for provisions for doubtful and loss categories of advances and off balance sheet items is allowed upto a maximum of 1% of total advances. The amount of bad debts classified as Other Assets Especially Mentioned (OAEM) in agriculture and Substandard under the Prudential Regulations issued by SBP would not be allowed as an expense. Provisioning in excess of 1% of total advances would be allowed to be carried over to succeeding years. Therefore, the management has carried out an exercise at period end and concluded that they would be able to get deduction of provision in excess of 1% of total advances (provided for half year) and have recognised deferred tax asset on such provision amounting to Rs. 238.198 million.

The amendments introduced in the Seventh Schedule do not provide for any transitional mechanism i.e. how and when the provision for bad debts disallowed upto 31 December 2008 would be allowed as a deduction. The Institute of Chartered Accountants of Pakistan (ICAP) and Pakistan Banking Association (PBA) has taken up this matter with the Federal Board of Revenue (FBR). However, pending the final resolution of the matter, ICAP considers that reversal of deferred tax assets in relation thereto may not be made until the end of the financial year by which time the matter is expected to be decided by FBR as proposed by ICAP and PBA. Accordingly, the deferred tax asset recognized through 31 December 2008 relating to provisions for advances and off balance sheet items amounting to Rs. 516.393 million has been carried forward.

6 INVESTMENTS

6.1 Investment by Types

	Note	30 June 2009			31 December 2008		
		Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
(Rupees in '000)							
Available-for-sale investments	6.2	16,754,051	2,134,129	18,888,180	11,401,754	-	11,401,754
Held-to-maturity investments	6.3	3,407,845	-	3,407,845	3,610,092	-	3,610,092
<b>Investments at cost</b>		<b>20,161,896</b>	<b>2,134,129</b>	<b>22,296,025</b>	<b>15,011,846</b>	<b>-</b>	<b>15,011,846</b>
Provision for diminution in the value of investments		(209,114)	-	(209,114)	(30,700)	-	(30,700)
(Deficit) / Surplus on revaluation of available for sale investments		(300,058)	6,121	(293,937)	(927,969)	-	(927,969)
Investments - net of provisions		<u>19,652,724</u>	<u>2,140,250</u>	<u>21,792,974</u>	<u>14,053,177</u>	<u>-</u>	<u>14,053,177</u>

6.2 Available-for-sale investments

Market Treasury Bills	11,921,816	2,134,129	14,055,945	7,029,831	-	7,029,831
Pakistan Investment Bonds	2,190,095	-	2,190,095	2,203,260	-	2,203,260
Fully paid-up ordinary shares	535,153	-	535,153	533,337	-	533,337
Units of Mutual Funds	961,566	-	961,566	1,583,330	-	1,583,330
Sukuk Bonds	1,100,000	-	1,100,000	-	-	-
Fully paid-up preference shares	45,421	-	45,421	45,421	-	45,421
Shares received against settlement of CFS lending	-	-	-	6,575	-	6,575
	<u>16,754,051</u>	<u>2,134,129</u>	<u>18,888,180</u>	<u>11,401,754</u>	<u>-</u>	<u>11,401,754</u>

6.3 Held-to-maturity investments

Pakistan Investment Bonds	1,528,479	-	1,528,479	1,736,025	-	1,736,025
Term Finance Certificates	1,135,565	-	1,135,565	1,106,767	-	1,106,767
Sukuk Bonds	693,801	-	693,801	542,300	-	542,300
Certificates of Investment	50,000	-	50,000	225,000	-	225,000
	<u>3,407,845</u>	<u>-</u>	<u>3,407,845</u>	<u>3,610,092</u>	<u>-</u>	<u>3,610,092</u>
Investments at cost	20,161,896	2,134,129	22,296,025	15,011,846	-	15,011,846
Provision for diminution in the value of investments	(209,114)	-	(209,114)	(30,700)	-	(30,700)
(Deficit) / Surplus on revaluation of available for sale investments	(300,058)	6,121	(293,937)	(927,969)	-	(927,969)
Investments - net of provisions	<u>19,652,724</u>	<u>2,140,250</u>	<u>21,792,974</u>	<u>14,053,177</u>	<u>-</u>	<u>14,053,177</u>

6.4 Investments by segment

Federal Government Securities

-Market Treasury Bills	14,055,945	7,029,831
-Pakistan Investment Bonds	3,718,574	3,939,285
-Government of Pakistan Ijara Sukuk Bonds	1,261,500	60,000
	<u>19,036,019</u>	<u>11,029,116</u>

Fully paid-up ordinary shares of Rs. 10/- each

-Listed companies	504,453	502,637
-Un-listed companies	30,700	30,700
	<u>535,153</u>	<u>533,337</u>

Fully paid-up preference shares of Rs. 10/- each

-Listed companies	45,421	45,421
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Units of mutual funds

-Closed end	35,814	35,814
-Open ended	925,752	1,547,516
	<u>961,566</u>	<u>1,583,330</u>

Term Finance Certificates, Debentures, Bonds,

Participation Term Certificates and Certificates of Investment

-Listed Term Finance Certificates of Rs. 5,000 each	649,317	726,732
-Un-listed Term Finance Certificates of Rs. 5,000 each	486,248	380,035
-Sukuk Bonds (5,000 bonds of Rs. 5,000 each)	532,301	482,300
-Certificates of Investment	50,000	225,000
	<u>1,717,866</u>	<u>1,814,067</u>
	-	6,575

Shares received against settlement of CFS lendings

Investments at cost	22,296,025	15,011,846
Provision for diminution in the value of investments	(209,144)	(30,700)
Deficit on revaluation of investments	(293,937)	(927,969)
<b>Investments (Net of Provisions)</b>	<u>21,792,974</u>	<u>14,053,177</u>

## 7. ADVANCES

	30 June 2009	31 December 2008
	(Rupees in '000)	
Loans, cash credits, running finances, etc.		
- In Pakistan	43,003,016	45,197,476
- Outside Pakistan	-	-
	<u>43,003,016</u>	<u>45,197,476</u>
Bills discounted and purchased (excluding treasury bills)		
- In Pakistan	1,153,410	826,376
- Outside Pakistan	4,457,389	3,441,110
	<u>5,610,799</u>	<u>4,267,486</u>
	<u>48,613,815</u>	<u>49,464,962</u>
Provision against advances		
- Specific	7.1 2,741,721	1,869,598
- General	7.2 15,000	20,000
	<u>2,756,721</u>	<u>1,889,598</u>
	<u>45,857,094</u>	<u>47,575,364</u>

- 7.1 Advances include Rs. 4,836.955 million (31 December 2008: Rs. 3,190.077 million) which have been placed under non-performing status as detailed below:

## As at 30 June 2009

Category of classification	Domestic	Overseas	Total	Provision required	Provision held
	(Rupees in '000)				
Other Assets Especially Mentioned (OAEM)	1,251	-	1,251	-	-
Substandard	1,199,248	-	1,199,248	277,744	277,744
Doubtful	1,763,762	-	1,763,762	669,552	669,552
Loss	1,872,694	-	1,872,694	1,794,425	1,794,425
	<u>4,836,955</u>	<u>-</u>	<u>4,836,955</u>	<u>2,741,721</u>	<u>2,741,721</u>

## As at 31 December 2008

Category of classification	Domestic	Overseas	Total	Provision required	Provision held
	(Rupees in '000)				
Other Assets Especially Mentioned (OAEM)	2,103	-	2,103	-	-
Substandard	691,694	-	691,694	117,954	117,954
Doubtful	1,166,242	-	1,166,242	425,607	425,607
Loss	1,330,038	-	1,330,038	1,326,037	1,326,037
	<u>3,190,077</u>	<u>-</u>	<u>3,190,077</u>	<u>1,869,598</u>	<u>1,869,598</u>

- 7.2 General provision includes a provision amounting to Rs. 15 million (31 December 2008: Rs. 20 million) against consumer finance portfolio as required by the Prudential Regulations issued by SBP.

## 8. OPERATING FIXED ASSETS

	Notes	30 June 2009	31 December 2008
(Rupees in '000)			
Capital work-in-progress		152,906	184,004
Property and equipment	8.1 & 8.2	3,043,316	2,921,940
Intangible assets		17,244	20,913
		<u>3,213,466</u>	<u>3,126,857</u>

8.1 The following additions were made at cost during the period:

	For the half year ended	
	30 June 2009	30 June 2008
(Rupees in '000)		
- Property & leasehold improvements	91,208	86,759
- Furniture, fixtures, equipment and computers	151,992	108,884
- Vehicles	32,068	22,619
- Intangibles	1,304	9,233
	<u>276,572</u>	<u>227,495</u>

8.2 The written down value of fixed assets disposed of / deleted during the period were as follows:

	For the half year ended	
	30 June 2009	30 June 2008
(Rupees in '000)		
- Furniture, fixtures and equipments	1,256	169
- Vehicles	1,147	805
	<u>2,403</u>	<u>974</u>

## 9. BORROWINGS

**Secured**

	30 June 2009	31 December 2008
(Rupees in '000)		
Borrowings from the State Bank of Pakistan	6,341,794	5,138,047
- under Export Re-finance scheme (ERF)		
- under Long Term Financing Facility (LTFF) for plant and machinery	147,246	66,875
- under Long Term Financing - Export Oriented Projects (LTF - EOP)	829,588	843,608
	7,318,628	6,048,530
Repurchase agreement borrowings	2,127,808	-
	<u>9,446,436</u>	<u>6,048,530</u>

**Unsecured**

Call borrowings	-	-
Overdrawn nostro accounts	571	2,392,924
	571	2,392,924
	<u>9,447,007</u>	<u>8,441,454</u>



## 10. DEPOSITS AND OTHER ACCOUNTS

	30 June 2009	31 December 2008
(Rupees in '000)		
<b>Customers</b>		
<i>Remunerative</i>		
Fixed deposits	25,042,294	26,276,181
Savings deposits	26,912,720	22,703,260
<i>Non-remunerative</i>		
Current accounts	13,042,415	11,181,272
Call deposits	162,532	131,130
Margin deposits	686,217	818,956
Others	158,437	198,246
	<u>66,004,615</u>	<u>61,309,045</u>
<b>Financial Institutions</b>		
Remunerative - savings deposits	297,990	325,168
- fixed deposits	161,260	-
Non-remunerative current deposits	278	278
	<u>459,528</u>	<u>325,446</u>
	<u>66,464,143</u>	<u>61,634,491</u>

## 10.1 Particulars of deposit and other accounts

	30 June 2009	31 December 2008
(Rupees in '000)		
In local currency	61,969,228	57,621,877
In foreign currencies	4,494,915	4,012,614
	<u>66,464,143</u>	<u>61,634,491</u>

11. SUB-ORDINATED LOANS - UNSECURED  
(NON - PARTICIPATORY)

Listed Term Finance Certificates	<u>1,198,080</u>	<u>1,198,320</u>
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Liability against Term Finance Certificates is stated at nominal amount. The liability is sub-ordinated as to payment of principal and profit to all other indebtedness of the Bank (including deposits) and is not redeemable before maturity without prior approval of the SBP. Rate of mark-up on the liability is based on the floating rate of six months KIBOR prevailing immediately preceding the date before the start of each six month period for the profit due at the end of the semi-annual period plus 1.6% (subject to no floor and cap) per annum payable semi-annually.

The major redemption will commence from 78th month of the issue in the following manner:-

MONTH	REDEMPTION
- November 2011	25% of the issue amount
- May 2012	25% of the issue amount
- November 2012	25% of the issue amount
- May 2013	25% of the issue amount

## 12. CONTINGENCIES AND COMMITMENTS

## 12.1 Direct credit substitutes

	30 June 2009	31 December 2008
(Rupees in '000)		
<b>Financial guarantees issued favouring:</b>		
- Government	15,625	46,055
- Others	87,995	79,753
	<u>103,620</u>	<u>125,808</u>

## 12.2 Transaction-related contingent liabilities

<b>Guarantees issued favouring:</b>		
- Government	3,303,980	2,761,630
- Financial Institutions	67,949	73,292
- Others	1,572,997	1,546,577
	<u>4,944,926</u>	<u>4,381,499</u>

	30 June 2009	31 December 2008
	(Rupees in '000)	
<b>12.3 Trade-related contingent liabilities</b>		
Letters of credit	11,007,302	9,085,086
Acceptances	3,611,328	3,296,707
<b>12.4 Commitments in respect of forward lending</b>		
Commitments to extend credit	545,000	400,000
<b>12.5 Commitments in respect of forward exchange contracts</b>		
<b>Purchase</b>		
- From other banks	5,089,563	1,851,850
- From customers	5,708,595	5,059,871
<b>Sale</b>		
- To banks	10,204,543	5,896,217
- To customers	-	7,115
<b>12.6 Tax contingency</b>		

The Bank had filed returns under self assessment scheme as envisaged in the section 120 of the Income Tax Ordinance, 2001. The income tax department have amended the assessment of tax year 2008 under section 122(5A) of the Income Tax Ordinance, 2001. The amended assessment order has been passed by adding / disallowing certain expenses / deductions resulting in additional tax liability of Rs. 120.847 million. The Bank and the Bank's tax advisor are of the view that the issues will be decided in the Bank's favour as and when these are taken up by the appellate authorities.

### 13. BASIC AND DILUTED EARNINGS / (LOSS) PER SHARE

	For the half year ended		For the quarter ended	
	30 June 2009	30 June 2008	30 June 2009	30 June 2008
	(Rupees in '000)			
Profit / (loss) after taxation	38,648	464,554	(227,246)	145,775
	----- (Number of shares in thousands) -----			
Weighted average number of ordinary shares	501,935	501,935	501,935	501,935
Basic and diluted earnings / (loss) per share (Rupees)	0.08	0.93	(0.45)	0.29

### 14. RELATED PARTY TRANSACTIONS

The related parties comprise of related group companies, directors and their close family members, staff retirement funds, major shareholders of the Bank holding not less than 10% of the total shareholding and key management personnel.

Usual transactions with related parties other than executives include deposits, advances, acceptances and provision of other banking services. Transactions with executives are undertaken at terms in accordance with employment agreements and service rules and include provision of advances on terms softer than those offered to the customers of the Bank.

The details of transactions with related parties during the period / year are as follows:

	30 June 2009	31 December 2008
	(Rupees in '000)	
Deposits at the end of the period / year :		
- Bank's Chief Executive / Executives	15,725	14,026
- Directors and their close family members	209,610	225,612
- Related group companies	482,862	285,141
- Major shareholders	209,887	304,385
- Staff retirement funds	152,836	88,013
	<u>1,070,920</u>	<u>917,177</u>
Loans and advances at the end of the period / year :		
- Key management personnel	<u>38,798</u>	<u>28,334</u>
	Transactions for the half year ended	
	30 June 2009	30 June 2008
	(Rupees in '000)	
Loans and advances repaid during the period	<u>8,118</u>	<u>12,975</u>
Loans and advances granted during the period	<u>18,582</u>	<u>6,518</u>
Mark-up received / accrued on loans and advances	<u>819</u>	<u>230</u>
Profit paid / accrued on deposits		
- Bank's Chief Executive / Executives	294	194
- Directors and their close family members	13,749	11,388
- Related group companies	25,086	16,294
- Major shareholders	17,827	9,863
- Staff retirement funds	7,734	7,149
	<u>64,690</u>	<u>44,888</u>
Contributions to employees' benefit plans	<u>23,887</u>	<u>17,655</u>
Key management personnel compensation		
- Salaries and benefits	85,758	62,321
- Post retirement benefits	2,718	2,694
	<u>88,476</u>	<u>65,015</u>

## 15 CONCENTRATION OF CREDIT AND DEPOSITS

### 15.1 Credit risk and concentration of credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Bank attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counter-parties and continually assessing the credit worthiness of counter-parties. It also obtains security where appropriate.

Concentration of credit risk arises when a number of counter-parties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicates the relative sensitivity of the Bank's performance to developments, affecting a particular industry or geographical location. The Bank seeks to manage its credit risk exposure through diversification of lending activities to avoid undue concentration of risks with individuals or groups of customers in specific locations or business.

## 15.2 Segment by class of business

As at 30 June 2009

	Gross advances		Deposits		Contingencies	
	(Rupees in '000)	(Percent)	(Rupees in '000)	(Percent)	(Rupees in '000)	(Percent)
Textile and synthetic	17,620,316	36.25%	-	-	3,790,597	19.27%
Food and Allied	6,032,773	12.41%	-	-	-	-
Financial Services	-	-	8,407,626	12.65%	-	-
Individuals	-	-	22,127,054	33.29%	-	-
Others - note 15.2.1	24,960,726	51.34%	35,929,463	54.06%	15,876,577	80.73%
	<b>48,613,815</b>	<b>100.00%</b>	<b>66,464,143</b>	<b>100.00%</b>	<b>19,667,174</b>	<b>100.00%</b>

As at 31 December 2008

	Gross advances		Deposits		Contingencies	
	(Rupees in '000)	(Percent)	(Rupees in '000)	(Percent)	(Rupees in '000)	(Percent)
Textile and synthetic	17,229,849	34.83%	1,541,861	2.50%	4,086,842	24.20%
Food and Allied	-	-	-	-	-	-
Financial Services	-	-	9,004,210	14.61%	-	-
Individuals	-	-	19,093,029	30.98%	-	-
Others - note 15.2.1	32,235,113	65.17%	31,995,391	51.91%	12,802,258	75.80%
	<b>49,464,962</b>	<b>100.00%</b>	<b>61,634,491</b>	<b>100.00%</b>	<b>16,889,100</b>	<b>100.00%</b>

15.2.1 All other business class are less than ten percent of the total exposure.

## 15.2.1 Segment by sector

As at 30 June 2009

	Gross advances		Deposits		Contingencies	
	(Rupees in '000)	(Percent)	(Rupees in '000)	(Percent)	(Rupees in '000)	(Percent)
Public / Government	-	-	6,034,696	9.08%	797,392	4.05%
Private	48,613,815	100.00%	60,429,447	90.92%	18,869,784	95.95%
	<b>48,613,815</b>	<b>100.00%</b>	<b>66,464,143</b>	<b>100.00%</b>	<b>19,667,176</b>	<b>100.00%</b>

As at 31 December 2008

	Gross advances		Deposits		Contingencies	
	(Rupees in '000)	(Percent)	(Rupees in '000)	(Percent)	(Rupees in '000)	(Percent)
Public / Government	-	-	8,403,828	13.63%	654,265	3.87%
Private	49,464,962	100.00%	53,230,663	86.37%	16,234,835	96.13%
	<b>49,464,962</b>	<b>100.00%</b>	<b>61,634,491</b>	<b>100.00%</b>	<b>16,889,100</b>	<b>100.00%</b>

**16. ISLAMIC BANKING BUSINESS**

The bank is operating six Islamic Banking branches at the end of reporting period (31 December 2008: six). The key financial figures of Islamic Banking branches at period / year end are as follows:

	30 June 2009	31 December 2008
	(Rupees in '000)	
Islamic Banking Fund	125,000	125,000
Deposits and other accounts	1,349,287	1,108,652
Investments	348,800	85,000
Financing and receivables	815,493	918,042
Charity Fund	7	100

**17. DATE OF AUTHORISATION FOR ISSUE**

These condensed interim financial statements were authorised for issue on 19 August 2009 by the Board of Directors of the Bank.

**18. GENERAL**

Corresponding figures have been re-arranged, wherever necessary for the purpose of comparison.

**Statement under section 241(2) of the Companies Ordinance, 1984.**

The President / Chief Executive of the Bank is presently out of the country, therefore, these condensed interim financial statements have been signed by four Directors of the Bank duly authorised by the Board of Directors.