



Soneri Bank

First Quarterly Report 2010  
(Un-audited)



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## Directors' Review

It gives me great pleasure to present, on behalf of the Board of Directors, the un-audited financial statements of your Bank for the first quarter ended on 31 March 2010.

	Three months period ended 31, March 2010	Three months period ended 31, March 2009
	Rupees in '000'	
Profit before provisions and taxation	409,191	549,886
Provisions	376,021	193,552
Profit before taxation	33,170	356,334
Taxation	7,210	(90,440)
Profit after taxation	40,380	265,894
Earnings per share (Rs.)	0.07	0.51

In the first quarter, net advances and deposits position of the bank remained stable and increased by 2.6% and 2.2% respectively over December 2009 and 12.1% and 13.3% respectively over the corresponding period last year. Overall results are short of projections due to continued crises in the trade and industry resulting in a tightening of credit and general drying up of liquidity. Investments increased by 3.1% over the December 2009 balance.

The bank has plans to strengthen its market position by providing full range of banking services to its customers through increased network. At present the bank is operating with 154 branches and has plans to add a number of new branches in the year 2010.

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 the strong capacity of the bank for the timely payments of its financial commitments.

I take this opportunity to thank the Ministry of Finance and State Bank of Pakistan for their continued support and guidance. I am 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  
Karachi. 23 April 2010

# Condensed Interim Balance Sheet

AS AT 31 MARCH 2010

Soneri Bank Limited

(Un-audited)

(Audited)

31 March

31 December

2010

2009

Note

(Rupees in '000)

## ASSETS

Cash and balances with treasury banks		6,283,997	6,471,173
Balances with other banks		1,614,369	1,497,193
Lendings to financial and other institutions		2,488,989	2,755,377
Investments-net	6	30,445,898	29,537,179
Advances-net	7	49,971,912	48,727,103
Other assets-net		3,565,312	2,879,927
Operating fixed assets		3,405,451	3,333,891
Deferred tax assets		210,661	108,429
		<u>97,986,589</u>	<u>95,310,272</u>

## LIABILITIES

Bills payable		1,324,941	1,763,401
Borrowings from financial institutions		9,931,688	9,385,522
Deposits and other accounts	8	75,166,785	73,548,226
Sub-ordinated loan	9	1,197,840	1,197,840
Liabilities against assets subject to finance lease		-	-
Other liabilities		1,529,068	1,612,082
Deferred tax liabilities-net		-	-
		<u>89,150,322</u>	<u>87,507,071</u>

## NET ASSETS

8,836,267 7,803,201

## REPRESENTED BY

Share capital		6,023,221	5,019,351
Reserves		2,003,948	2,003,948
Unappropriated profit		216,277	158,278
		<u>8,243,446</u>	<u>7,181,577</u>
Surplus on revaluation of assets - net of tax		592,821	621,624
		<u>8,836,267</u>	<u>7,803,201</u>

## CONTINGENCIES AND COMMITMENTS 10

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements.

Chairman

President and Chief Executive Officer

Director

Director

Condensed Interim Profit and Loss Account (Un-audited)  
FOR THE FIRST QUARTER ENDED 31 MARCH 2010

Soneri Bank Limited

	2010	2009
	(Rupees in '000)	
Mark-up/return/interest earned	2,494,537	2,402,913
Mark-up/return/interest expensed	(1,757,701)	(1,600,582)
Net mark-up/return/interest income	706,836	802,231
Provision / (Reversal of provision) against non-performing loans and advances - net	348,824	209,860
Provision against consumer loans	54	-
Provision for diminution in the value of investments	32,733	96,237
Bad debts written off directly	-	-
	(381,611)	(306,097)
Net mark-up/return/interest income after provisions	325,225	496,134
<b>Non mark-up/ interest income</b>		
Fee, commission and brokerage income	110,004	81,821
Dividend income	24,864	15,625
Income from trading in government securities	-	-
Income from dealing in foreign currencies	35,919	68,303
Other income	122,279	90,907
Total non-markup/ interest income	293,066	256,656
	618,291	752,790
<b>Non mark-up/ interest expenses</b>		
Administrative expenses	580,483	496,870
(Reversal of provision)/Provision against other assets	(516)	(21,064)
(Reversal of provision)/Provision against off-balance sheet obligation	-	(91,481)
Other charges	5,154	12,131
Total non-markup/interest expenses	(585,121)	(396,456)
Extra ordinary / unusual items	-	-
	33,170	356,334
<b>Profit before taxation</b>		
<b>Taxation</b>		
- Current -for the period	89,000	402,000
- Deferred	(96,210)	(311,560)
	7,210	(90,440)
<b>Profit after taxation</b>	40,380	265,894
Un appropriated profit brought forward	158,278	834,650
Transfer from surplus on revaluation of fixed assets- net of tax	17,619	17,618
<b>Profit before appropriations</b>	216,277	1,118,162
<b>Appropriations</b>		
- Transfer to Reserve for issue of interim bonus shares	-	(905,129)
- Transfer from General Reserve	-	42,000
	-	(863,129)
<b>Unappropriated profit carried forward</b>	216,277	255,033
	0.07	0.51

(Rupees)

Earnings per share- Basic and diluted

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements.

Chairman

President and Chief Executive Officer

Director

Director

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

FOR THE FIRST QUARTER ENDED 31 MARCH 2010

Soneri Bank Limited

	2010	2009
	(Rupees in '000)	
Profit after taxation for the period	40,380	265,894
Other comprehensive income	-	-
<b>Total comprehensive income for the period</b>	<b>40,380</b>	<b>265,894</b>

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements.

Chairman

President and Chief Executive Officer

Director

Director

# Condensed Interim Cash Flow Statement (Un-audited)

Soneri Bank Limited

FOR THE FIRST QUARTER ENDED 31 MARCH 2010

	2010	2009
<i>(Figures in '000)</i>		
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	33,170	356,334
Less: Dividend income	(24,864)	(15,625)
	8,306	340,709
Adjustments for non-cash charges		
Depreciation	119,061	102,874
Provision / (Reversal of provision) against non-performing loans and advances	348,878	209,860
Reversal of provision against off-balance sheet obligations	-	(91,481)
Provision against other assets	(516)	(21,064)
(Gain) on sale of operating fixed assets	-	(1,078)
Provision for diminution in the value of Investments	32,733	96,237
	500,156	295,348
	508,462	636,057
(Increase)/ Decrease in operating assets		
Lendings to financial and other institutions	266,388	35,357
Advances	(1,593,687)	2,789,740
Others assets (excluding advance taxation)	(269,775)	(362,044)
	(1,597,074)	2,463,053
Increase/ (Decrease) in operating liabilities		
Bills Payable	(438,460)	(109,545)
Borrowings from financial institutions	546,166	1,383,092
Deposits and other accounts	1,618,559	4,689,287
Other liabilities (excluding current taxation)	(83,015)	409,595
	1,643,250	6,372,429
	554,638	9,471,539
Income tax paid	(502,991)	(103,560)
<i>Net cash flow from operating activities</i>	51,647	9,367,979
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net investments in securities	(958,656)	(7,224,064)
Dividend income	23,762	23,540
Investments in operating fixed assets	(190,623)	(56,709)
Proceeds from disposal of fixed assets	-	1,889
<i>Net cash in/(out) flow on investing activities</i>	(1,125,517)	(7,255,344)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Dividend paid	-	-
Issue of right shares	1,003,870	-
Sub-ordinated loans	-	-
<i>Net cash in/(out) flow on financing activities</i>	1,003,870	-
	(70,000)	2,112,635
<b>(Decrease) / Increase in cash and cash equivalents</b>	7,968,366	9,555,614
Cash and cash equivalents at beginning of the period	7,898,366	11,668,249
Cash and cash equivalents at end of the period	7,898,366	11,668,249
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>		
Cash and balances with treasury banks	6,283,997	5,555,147
Balances with other banks	1,614,369	6,113,102
	7,898,366	11,668,249

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements.

Chairman

President and Chief Executive Officer

Director

Director

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

FOR THE FIRST QUARTER ENDED 31 MARCH 2010

Soneri Bank Limited

	RESERVES						Total
	Share capital	Capital reserves			General reserve	Unappropriated profit	
		Reserve for issue of bonus shares	Share premium	Statutory reserve (a)			
	(Rupees in '000)						
Balance at 01 January 2009	4,114,222	-	1,405	1,409,262	606,210	834,650	6,965,749
Transfer from surplus on revaluation of fixed assets to unappropriated profit-net of tax	-	-	-	-	-	17,618	17,618
Transfer to reserve for issue of interim bonus shares.	-	905,129	-	-	(42,000)	(863,129)	-
Profit after taxation for the three months ended 31 March 2009	-	-	-	-	-	265,894	265,894
Balance as at 31 March 2009	4,114,222	905,129	1,405	1,409,262	564,210	255,033	7,249,261
Loss after taxation for the nine months ended 31 December 2009	-	-	-	-	-	(120,539)	(120,539)
Transfer from surplus on revaluation of fixed assets to unappropriated profit-net of tax	-	-	-	-	-	52,855	52,855
Issue of bonus shares during the period	905,129	(905,129)	-	-	-	-	-
Transfer to statutory reserve	-	-	-	29,071	-	(29,071)	-
Balance as at 31 December 2009	5,019,351	-	1,405	1,438,333	564,210	158,278	7,181,577
Balance as at 01 January 2010	5,019,351	-	1,405	1,438,333	564,210	158,278	7,181,577
Transfer from surplus on revaluation of fixed assets to unappropriated profit-net of tax	-	-	-	-	-	17,619	17,619
Issue of right shares during the period	1,003,870	-	-	-	-	-	1,003,870
Profit after taxation for the three months ended 31 March 2010	-	-	-	-	-	40,380	40,380
Balance as at 31 March 2010	6,023,221	-	1,405	1,438,333	564,210	216,277	8,243,446

(a) This represents reserve created under section 21 (i) (a) of the Banking Companies ordinance, 1962. The annexed notes 1 to 14 form an integral part of these condensed interim financial statements.

Chairman

President and Chief Executive Officer

Director

Director

## 1. STATUS AND NATURE OF BUSINESS

Soneri Bank Limited 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 154 branches including six Islamic banking branches (31 December 2009: 154 branches 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 provisions of the Companies Ordinance, 1984 provisions of and directives issued under the Banking Companies Ordinance, 1962, the requirements of the Companies Ordinance, 1984 and directive issued by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan (SBP). In case requirements differ, the provisions of and directive issued under the Banking Companies Ordinance, 1962, the Companies Ordinance, 1984, and the directives issued by SBP shall prevail.

The State Bank of Pakistan 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 and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.

The disclosures made in these condensed interim financial statements have, however, been limited based on the format prescribed by the State Bank of Pakistan vide BSD Circular No. 2 dated 12 May 2004 and International Accounting Standard 34, (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 2009.

New standards, amendments and interpretations that were mandatory for accounting periods beginning on or after 1 January 2010 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 and are un-audited.

### 3. BASIS OF PRESENTATION

- a) 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.
- b) 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. 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.
- c) The financial results and position of the Islamic Banking branches of the bank have been consolidated in these condensed interim 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 12 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 the same as those applied in the preparation of the annual financial statements of the bank for the year ended 31 December 2009.

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 2009.

### 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 area 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 2009

## Soneri Bank Limited

### 6. INVESTMENTS

#### INVESTMENT BY TYPES

	31 March 2010			31 December 2009		
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
	(Rupees in '000)					
Held-for-trading investments	0.1	-	-	-	-	-
Available-for-sale investments	0.2	28,209,820	1,873,411	26,143,261	34,402,448	25,190,178
Held-to-maturity investments	0.3	4,826,923	-	4,826,923	-	4,826,428
Investment in associates	0.4	-	-	-	-	-
Investment in subsidiaries	0.5	-	-	-	-	-
	29,096,773	1,873,411	30,970,184	29,228,896	787,706	30,016,602
Provision for diminution in the value of investments	(379,580)	-	(379,580)	(351,922)	-	(351,922)
Deficit on revaluation of available for sale investments	(144,305)	(401)	(144,706)	(121,715)	(5,786)	(127,501)
	28,572,888	1,873,010	30,445,898	28,755,259	781,920	29,537,179
<b>6.1 Held-for-trading investments</b>	-	-	-	-	-	-
<b>6.2 Available for sale investments</b>						
Market Treasury Bills	20,097,374	1,873,411	21,970,785	20,425,544	787,706	21,213,250
Pakistan Investment Bonds	2,169,263	-	2,169,263	2,176,194	-	2,176,194
Fully paid-up ordinary shares	215,837	-	215,837	240,713	-	240,713
Fully paid-up preference shares	45,421	-	45,421	45,421	-	45,421
Units of Mutual Funds	1,741,955	-	1,741,955	1,514,596	-	1,514,596
	24,269,850	1,873,411	26,143,261	24,402,468	787,706	25,190,174
<b>6.3 Held-to-maturity securities</b>						
Pakistan Investment Bonds	1,518,180	-	1,518,180	1,521,568	-	1,521,568
Term Finance Certificates	2,533,927	-	2,533,927	2,544,649	-	2,544,649
Sukuk Bonds	774,816	-	774,816	760,211	-	760,211
Certificates of Investment	-	-	-	-	-	-
	4,826,923	-	4,826,923	4,826,428	-	4,826,428
	29,096,773	1,873,411	30,970,184	29,228,896	787,706	30,016,602
<b>6.4 Associates</b>	-	-	-	-	-	-
<b>6.5 Subsidiaries</b>	-	-	-	-	-	-
Less: Provision for diminution in the value of investments	(379,580)	-	(379,580)	(351,922)	-	(351,922)
Deficit on revaluation of available for sale investments	(144,305)	(401)	(144,706)	(121,715)	(5,786)	(127,501)
<b>Investments (Net of Provision)</b>	28,572,888	1,873,010	30,445,898	28,755,259	781,920	29,537,179

#### 6.6 Investments by segment

	31 March 2010	31 December 2009
	(Rupees in '000)	
<b>Federal Government Securities</b>		
Market Treasury Bills	21,970,785	21,213,250
Pakistan Investment Bonds	3,687,443	3,697,762
Ijarah Sukuk	161,276	161,276
	25,819,504	25,072,288
<b>Fully paid-up ordinary shares</b>		
- Listed companies	185,137	210,013
- Un-listed companies	30,700	30,700
	215,837	240,713
<b>Fully paid-up preference shares</b>		
- Listed companies	45,421	45,421
<b>Units of Mutual Funds</b>		
- Closed end	35,814	35,814
- Open ended	1,706,141	1,478,782
	1,741,955	1,514,596
<b>Term Finance Certificates, Debentures, Bonds and Participation Term Certificates</b>		
- Listed Term Finance Certificates	746,652	751,840
- Un-listed Term Finance Certificates	1,787,275	1,792,809
- Sukuk Bonds	613,540	598,935
- Certificates of Investment	-	-
	3,147,467	3,143,584
Provision for diminution in the value of investments	(379,580)	(351,922)
Deficit on revaluation of available for sale investments	(144,706)	(127,501)
<b>Investments (Net of Provision)</b>	30,445,898	29,537,179

## 7. ADVANCES

Loans, cash credits, running finances, etc.

in Pakistan  
Outside Pakistan

Bills discounted and purchased [excluding treasury bills]

Payable in Pakistan

Payable outside Pakistan

Provision against advances

- Specific

- General

31 March  
2010  
31 December  
2009  
(Rupees in '000)

	48,611,276	46,594,828
	48,611,276	46,594,828
	1,273,804	1,280,278
	3,648,048	4,064,335
	4,921,852	5,344,613
	53,533,128	51,939,441
	3,549,162	3,200,338
	12,054	12,000
	(3,561,216)	(3,212,338)
	49,971,912	48,727,103

7.1 Advances include Rs.5,082,286 million (31 December 2009: Rs.5,002,417 million) which have been placed under non-performing status as detailed below:

Category of Classification	Domestic	Overseas	Total	Provision required	Provision Held
OAEM	973	-	973	-	-
Substandard	272,049	-	272,049	30,731	30,731
Doubtful	614,592	-	614,592	227,946	227,946
Loss	4,194,672	-	4,194,672	3,290,485	3,290,485
	<u>5,082,286</u>	<u>-</u>	<u>5,082,286</u>	<u>3,549,162</u>	<u>3,549,162</u>

7.2 The general provision includes a provision amounting to Rs. 12,054 million (31 December 2009: Rs. 12,000 million) against consumer finance portfolio as required by the Prudential Regulations issued by the State Bank of Pakistan.

7.3 The State Bank of Pakistan vide BSD Circular No.2 dated: 27 January, 2009 introduced certain amendments in the Prudential Regulations in respect of maintenance of provisioning requirements against non-performing loans and advances. During the period under review the said amendments were again revised by the State Bank of Pakistan vide BSD Circular No. 10 dated: 20 October 2009 by which the banks have been allowed to avail the benefit of 40% (instead of 30%) of forced sales value of pledged stocks and mortgaged commercial, residential and industrial properties (previously not allowed) held as collateral against all non-performing loans for 3 years from the date of classification for calculating provisioning requirement with effect from 31, March 2010. The additional impact on profitability arising from availing the benefit of forced sales value under the revised guidelines resulted in reduction of specific provisions against non-performing loans and advances of approximately Rs.763.068 million.

However, as per the revised circular the above additional impact on profitability arising from availing the benefit of forced sale value against pledged stocks and mortgage residential, commercial and industrial properties is not available for payment of cash or stock dividend.

Had the provision against non-performing loans and advances been determined in accordance with the previously issued BSD Circular No.2 dated: 27 January 2009, the specific provision against non-performing loans would have been higher and consequently profit before taxation and advances (net of provisions) as at 31, March 2010 would have been lower by approximately Rs 763.068 million. The additional profit arising from availing the benefit of forced sale value (net of tax) at 31, March 2010 which is not available for either cash or stock dividend to shareholders, amounted to approximately Rs 495.994 million.

31 March  
2010

31 December  
2009

(Figures in PKR)

## 8 DEPOSITS AND OTHER ACCOUNTS

## Customers

## Remunerative

Fixed deposits	31,524,094	31,556,518
Savings deposits	28,580,753	27,870,081

## Non-remunerative

Current accounts	12,672,961	12,729,790
Call deposits	171,842	159,388
Margin deposits	898,951	657,183
Special exporter account	-	-
Others	162,231	126,760
	<u>74,010,832</u>	<u>73,099,720</u>

## Financial Institutions

Remunerative savings deposits	417,286	448,228
Remunerative fixed deposits	738,389	-
Non-remunerative current deposits	278	278
	<u>1,155,953</u>	<u>448,506</u>
	<u>75,166,785</u>	<u>73,548,226</u>

## 8.1 Particulars of deposits and other accounts

In local currency	69,706,119	68,453,444
In foreign currencies	5,460,666	5,094,782
	<u>75,166,785</u>	<u>73,548,226</u>

9 SUB-ORDINATED LOANS- UNSECURED  
(NON-PARTICIPATORY)

Listed Term Finance Certificates

1,197,8401,197,840

Liability against Term Finance Certificate is stated at nominal amount. The liability is subordinated 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 State Bank of Pakistan. 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 caps) 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

**10 CONTINGENCIES AND COMMITMENTS**31 March  
201031 December  
2009

(Rupees in '000)

**10.1 Direct Credit Substitutes**

Financial guarantees issued favoring :

- Government

79,099

83,573

- Others

137,736

124,215

216,835

207,788

**10.2 Transaction-related Contingent Liabilities**

Guarantees issued favoring :

- Government

3,225,466

3,779,518

- Financial Institutions

16,583

22,383

- Others

2,041,527

2,021,997

5,283,576

5,823,898

**10.3 Trade-related Contingent Liabilities**

Letters of credit

11,149,133

11,032,838

Acceptances

4,204,358

3,427,639

**10.4 Commitments in respect of forward lending**

Commitments to extend credit

366,000

266,000

**10.5 Commitments in respect of forward exchange contracts****- Purchase**

From other banks

7,097,770

4,182,856

From customers

5,057,245

6,167,722

**- Sale**

To banks

9,984,818

8,715,941

To customers

The maturities of above contracts are spread over a period of one year.

**10.6 Other Contingencies**

For the tax year 2008 the Bank had filed return under self assessment scheme as envisaged in section 120 of the Income Tax Ordinance, 2001. The income tax department have amended the said assessment 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. 222.026 million. The Bank has filed appeal before the Commissioner of Income Tax (Appeals) on these disallowances. The Bank and its tax advisor are of the view that the issues will be decided in Bank's favour as and when the appeal is taken up for hearing by the appellate authority. Therefore no additional provision has been made in these financial statements.

## 11 RELATED PARTY TRANSACTIONS

The related parties comprise related group companies, directors and their close family members, staff retirement funds, executives and major shareholders of the bank holding not less than ten percent of the total shareholding.

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 other than those which have been disclosed else where in these financial statements, are as follows:

	31 March 2010	31 December 2009
	(Rupees in '000)	
Deposits at the end of the period/year:		
- Bank's Chief Executive/ Executives	13,915	14,486
- Directors and their close Family Members	267,758	266,578
- Related group companies	478,531	632,150
- Major Shareholders	232,289	258,904
- Staff Retirement Funds	175,837	232,760
	<u>1,168,330</u>	<u>1,404,878</u>
Loans and advances at the end of the period/year:		
- Key management personnel	51,819	56,730
	<u>51,819</u>	<u>56,730</u>
	Transactions for the three months period ended	
	31 March 2010	31 March 2009
	(Rupees in '000)	
Loans and advances repaid during the period	5,769	2,205
Loans and advances granted during the period	858	2,401
Mark-up received/ accrued on loans and advances	646	300
Profit paid/ accrued on deposits		
- Bank's Chief Executive/ Executives	24	204
- Directors and their close Family Members	3,812	5,108
- Related group companies	9,012	6,308
- Major Shareholders	8,986	7,091
- Staff Retirement Funds	2,816	2,521
	<u>24,650</u>	<u>21,232</u>
Contributions to employees' benefit plan	12,400	10,124
Key management personnel compensation		
- Salaries and benefits	47,800	34,136
- Post retirement benefits	1,468	1,054
	<u>49,268</u>	<u>35,190</u>

## 12 ISLAMIC BANKING BUSINESS

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

	31 March 2010	31 December 2009
	(Rupees in '000)	
Islamic Banking Fund	175,000	175,000
Deposits and other accounts	1,610,655	1,612,164
Investment	362,412	362,412
Financing and receivables	911,982	846,427
Charity Fund	42	21

## 13 DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial statements were authorised for issue on 23 April 2010 by the Board of Directors of the Bank.

## 14 GENERAL

Corresponding figures have been rearranged, wherever necessary for the purpose of comparison.

Chairman

President and Chief Executive Officer

Director

Director