

STROKE OF THE HUMAN ELEMENT

HALF YEARLY
REPORT
JUNE 2019
(UN-AUDITED)



Soneri Bank
Roshan Har Qadam

**Half Yearly Report
June 2019
(Un-audited)**



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CORPORATE INFORMATION

CHAIRMAN

MR. ALAUDDIN FEERASTA

CHIEF EXECUTIVE OFFICER

MR. MOHAMMAD AFTAB MANZOOR

DIRECTORS

MR. NOORUDDIN FEERASTA

MR. AMIN A. FEERASTA (EXECUTIVE DIRECTOR)

MR. MUHAMMAD RASHID ZAHIR

MR. MANZOOR AHMED (NIT NOMINEE)

MR. INAM ELAHI

MR. JAMIL HASSAN HAMDANI

CHIEF FINANCIAL OFFICER

MR. MIRZA ZAFAR BAIG

COMPANY SECRETARY

MR. MUHAMMAD ALTAH BUTT

AUDITORS

KPMG TASEER HADI & CO.

CHARTERED ACCOUNTANTS

SHARI'AH BOARD

MUFTI EHSAN WAQUAR AHMAD (CHAIRMAN)

MUFTI MUHAMMAD ZAHID (RESIDENT MEMBER)

MUFTI BILAL AHMED QAZI (MEMBER)

LEGAL ADVISORS

MANAN ASSOCIATES, ADVOCATES

REGISTERED OFFICE

RUPALI HOUSE 241-242,

UPPER MALL SCHEME,

ANAND ROAD, LAHORE - 54000

CENTRAL OFFICE

10TH FLOOR, PNSC BUILDING,

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DIRECTORS' REVIEW

On behalf of the Board of Directors, we are pleased to present the Directors' Review of Soneri Bank Limited ("the Bank"), along with the un-audited condensed interim financial statements for the half year ended 30 June 2019.

Economy

Over the course of FY19, the country's economy remained under significant stress, with twin deficits remaining high, depleting foreign exchange reserves, rising inflation and Rupee devaluation all being critical factors. The overall fiscal and primary deficits in FY19 were affected by a substantial shortfall in revenue collection, higher than budgeted interest payments and security related expenditures. Revenue collection fell behind targets despite a generally positive response to the recent tax amnesty scheme. The FY20 budget presented by the government seeks to reverse this trend of fiscal deterioration, by addressing long-standing weaknesses in the taxation system. Ambitious targets for tax collection have been set, and with stringent controls over expenditures, the budget envisages a sizable reduction in primary deficit.

External conditions indicate slow albeit steady improvement with an overall reduction in the current account deficit which fell by 29.3 percent to US\$ 12.7 billion in Jul-May FY19 as compared to US\$ 17.9 billion during the same period last year. This improvement was primarily driven by a healthy growth in workers' remittances and imports compression. Export volumes have been growing even though export values have remained subdued due to a fall in unit prices. As a result, the trade balance has decreased by 11 percent over FY18.

The SBP's Foreign exchange reserves rose to about US\$8 billion in July 2019 with the disbursement of the first tranche of the IMF's Extended Fund Facility (EFF). Reserves are expected to rise further in FY20 on account of additional financial inflows from other international creditors and targeted improvement in the current account deficit.

Inflation rose to 7.3 percent in FY19, with high levels of government borrowing from SBP, lagged impact of exchange rate depreciation, hike in domestic fuel prices and rising food prices. Amidst tightening of monetary and fiscal policies, CPI inflation was 8.9 percent in June 2019 and is expected to rise in the near term. With upside inflationary pressures arising from exchange rate depreciation and recent adjustments in utility prices and other measures in the FY20 budget, and downside inflationary pressures from softening demand indicators, average FY20 inflation projections have gone up to 11-12 percent. At the same time, the government has also committed to cease borrowing from the State Bank that would qualitatively improve the inflation outlook.

Momentum in the real estate sector has slowed down, with cyclical weakening of aggregate demand. GDP growth fell to a nine-year low of 3.3% in FY19, lower than the earlier expected levels. This slowdown in economic activity is expected to turn around in the course of the year on the back of improved market sentiments in the context of IMF supported program, a rebound in the agriculture sector and the gradual impact of government incentives for export-oriented industries.

In its recent monetary policy statement in July 2019, the SBP increased the policy rate by a further 100bps to 13.25 percent, bringing the cumulative rate hike to 750bps since January 2018. Amidst the continued policy tightening measures, private credit offtake has remained subdued, increasing only by 2 percent during the first six months of 2019 compared to a growth of 10% for the same period last year. Banking sector advances grew by only 3 percent over 31 December 2018 level, while deposits increased by 8 percent.

The equity market, which has been on a downward trend since the start of FY18, remains bearish, as uncertainty about the overall economic environment continues to loom at large, thereby dampening investor sentiment and confidence. On an overall basis, the KSE 100 is down by 36 percent since its peak in May 2017.

Most of the prior actions required under the IMF's program have substantially been undertaken, including the move towards a more market determined exchange rate, stricter monetary measures and budgetary requirements incorporating a series of fiscal steps including tariff phase-outs and rationalization of energy prices. There are plans envisaged for the management of State Owned Enterprises (SOEs), actions for circular debt reduction, and strategies in place to strengthen the effectiveness of the AML/CFT framework to support Pakistan's exit from the FATF grey list. International oil and commodity prices are expected to play a vital role in the upcoming months, in terms of guiding the inflation and monetary policy outlook.

The Bank remains optimistic that the gradual increase to the policy rate would lead to improvement in core revenues. However, a sound risk-based and cautious approach is required towards business and lending, since effective ALM measures would be needed in order to tap revenues whilst curtailing costs.

The Bank's Performance and Operating Results

The summarized financial position and operating results of the Bank for the half year ended 30 June 2019 are as follows:

FINANCIAL POSITION

Advances – net
Investments – net
Total Assets
Total Deposits
Shareholders' Equity

As at 30 June 2019	As at 31 Dec 2018
(Rupees in '000)	
200,557,037	186,475,183
107,691,908	146,645,533
365,360,752	382,497,788
287,770,687	262,378,761
17,810,820	17,988,874

FINANCIAL PERFORMANCE

Net Interest Income
Non Markup Income
Total Income
Non-Markup Expenses
(Reversals) / Provisions
Profit before tax
Profit after tax
Earnings per share (Rupees)

Period ended 30 June 2019	Period ended 30 June 2018
(Rupees in '000)	
3,895,737	3,298,659
1,092,490	1,650,941
4,988,227	4,949,600
4,024,194	3,558,951
(668,663)	(233,616)
1,632,696	1,624,265
974,999	975,982
0.8844	0.8853

DIRECTORS' REVIEW

The Bank posted Profit before tax (PBT) of Rs. 1,633 million and Profit after tax (PAT) of Rs. 975 million for the half year ended 30 June 2019, as compared to Rs. 1,624 million and Rs. 976 million respectively in the same period of the previous year. EPS for the period was reported at 0.8844 as against Rs. 0.8853 for the same period last year.

Net mark-up income increased by Rs. 597,078 million or 18.1 percent to Rs. 3,896 million during the half year ended 30 June 2019. Major part of the increase came from the upward revision of the policy rate by SBP as well as volumetric growth in advances. Core Fee and Commission income improved by 16.3 percent and foreign exchange earnings improved by 12.2 percent year on year. However, owing to a continuously declining trend at the Pakistan Stock Exchange, capital losses of Rs. 355,240 million (net of dividend income) were booked during the half year ended 30 June 2019, as against net gain of Rs. 388,170 million realized during the corresponding period of the prior year. This caused a big dent in non-mark-up income which fell to Rs. 1,092 million from Rs. 1,651 million year on year. The total income registered a marginal increase to Rs. 4,988 million from Rs. 4,450 million year on year. During the period under consideration, non mark-up expenses went up by 13.1 percent to Rs. 4,024 million. Key factors which contributed to the increase include Branch expansion and staff related costs, additional premium under SBP's Depositor Protection Scheme, and additional amortization costs of Core Banking system.

The Bank's net advances portfolio grew by Rs. 14,082 million or 7.6 percent from the year end 2018 position and amounted to Rs. 200,557 million on 30 June 2019. During the period under review, fresh credit for the corporate sector was approved after thorough risk appraisal. Strict monitoring of the Advances portfolio led to a decrease of 5.51% in Non-performing loans, which amounted to Rs. 10,731 million on 30 June 2019. The Bank's gross infection ratio stood at 5.2 percent and specific provision coverage at 70 percent on 30 June 2019 (31 December 2018: 73 percent).

As regards to Net Investments, in view of the tight monetary policy of SBP, the Bank decided to reduce its borrowings and opted for shorter term securities for investment. Borrowings decreased by Rs. 45,849 million or 55.9 percent during the half year ended 30 June 2019, net investments declined by 26.6 percent and were reported at Rs. 107,691 million on 30 June 2019.

The Bank's deposit portfolio registered a growth of Rs. 25,391 million or 9.7 percent from the amount recorded on 31 December 2018 and amounted to Rs. 287,770 million on 30 June 2019. As focus remained on the increase in current deposits, out of this increase, Rs. 13,515 million, i.e. 53 percent represents an increase in current account balances. In terms of average volumes, deposits grew by Rs. 31,895 million (13.9 percent) to Rs. 260,942 million, as compared to 31 December 2018.

Following intense recovery efforts, the Bank achieved reversals against its non performing portfolio amounting to Rs. 1,354 million as compared to Rs. 675 million in the corresponding period of the previous year. Overall net provision-reversals reflect an improvement of Rs. 435 million year on year, thereby improving the bottom line.

At 30 June 2019, the Bank's CAR stood at 14.50 percent (December 2018: 14.70 percent), while LCR and NSFR ratios were 107.4 percent and 115.2 percent respectively.

Continuing with our growth momentum, the Board is confident that the Bank would continue to achieve its desired KPIs and meet the expectations of our shareholders. The Board is cognizant of the fact that the operating environment would remain challenging in the medium term. Our strategies would therefore have a strong focus on sustainable revenue generation options and a stringent cost control discipline. We will continue to monitor our exposures cautiously, as proactive decision making would be critical in order to maximize returns.

Credit Rating

The Pakistan Credit Rating Agency (PACRA) has maintained the Bank's credit rating of AA- for long term and A1+ for short term with stable outlook. PACRA has also maintained the credit rating of unsecured, subordinated and listed Term Finance Certificates (TFC – 2) issue of worth PKR 3,000 million at A+ (Single A plus) with Stable Outlook, and the rating of the Bank's unsecured, subordinated, rated, listed, perpetual, non-cumulative and contingent convertible Term Finance Certificates (ADT – 1) issue of worth PKR 4,000 million at A (Single A) with Stable Outlook. These ratings were last re-affirmed in June 2019, and continue to reflect the Bank's sustained and stable position in the market with strong risk profiling and lending capacity.

Acknowledgment

On behalf of the Board of Directors of the Bank, we would like to thank all our stakeholders including our regulators, The State Bank of Pakistan and The Securities and Exchange Commission of Pakistan for their continued guidance and support. We remain indebted to our valued customers for their patronage, and appreciate our employees for their passion, hard work and dedication.

On behalf of the Board of Directors,

MOHAMMAD AFTAB MANZOOR
President & Chief Executive Officer

ALAUDDIN FEERASTA
Chairman

Karachi: 28 August 2019

بینک نے 30 جون 2019 کو ختم ہونے والی ششماہی کے دوران قلم ازگیس 1,633 ملین روپے منافع کمایا اور بعد ازگیس 975 ملین روپے منافع کمایا، جو کہ گزشتہ سال اسی مدت کے دوران بالترتیب 1,624 ملین روپے اور 976 ملین روپے تھا۔ آمدنی فی شخص (EPS) گزشتہ سال اسی مدت کے دوران 0.8853 روپے کے مقابلے میں 0.8844 روپے پر رکھے گئے۔

مالی سال 30 جون 2019 کو ختم ہونے والی ششماہی کے دوران نیٹ مارک اپ آمدن 18.1 فیصد اضافے کے ساتھ 597,078 ملین روپے رہی جو کہ گزشتہ سال اسی مدت کے دوران 3,896 ملین روپے تھی۔ اس اضافے کا بڑا حصہ اسٹیٹ بینک آف پاکستان کی جانب سے پالیسی ریٹ میں اوپر کی جانب کئے گئے رد و بدل میں اضافے کے ساتھ ساتھ ایڈوائسز کی رقم میں ہونے والی ترقی سے ہوا۔ بنیادی فیس اور کمیشن کی آمدن 16.3 فیصد اور غیر ملکی زرمبادلہ کی آمدن سال بہ سال 12.2 فیصد سے بڑھی۔ تاہم، پاکستان اسٹاک ایکسچینج میں مسلسل مندی کے رجحان کے باعث مالی سال 30 جون 2019 کو ختم ہونے والی ششماہی کے دوران سرمایہ کاریوں کی فروخت پر 355,240 ملین روپے (ڈیویڈنڈ انکم کا نیٹ) کا نقصان اٹھانا پڑا۔ جو کہ گزشتہ سال اسی مدت کے دوران 388,170 ملین روپے کا منافع تھا۔ اس کی وجہ سے نان مارک اپ انکم گزشتہ سال حاصل ہونے والی انکم 1,651 ملین روپے کے مقابلے میں 1,092 ملین روپے پر آ گئی ہے۔ جبکہ مجموعی آمدنی گزشتہ سال کے 4,450 ملین روپے کے مقابلے میں معمولی اضافے کے ساتھ 4,988 ملین روپے ہو گئی ہے۔ زیر جائزہ مدت کے دوران، نان مارک اپ اخراجات 13.1 فیصد اضافے سے 4,024 ملین روپے رہے۔ اہم عناصر میں شامل، شاخوں میں توسیع اور اضافے سے متعلق اخراجات، اسٹیٹ بینک آف پاکستان کی ڈپازٹ پر ویکیشن اسکیم کے تحت اضافی پرمییم اور بینکاری کے بنیادی نظام کے اضافی اخراجات ہیں جن سے انتظامی اخراجات میں اضافہ ہوا۔

بینک کے خالص ایڈوائسز پورٹ فولیو 14,082 ملین روپے سے 7.6 فیصد بڑھ کر مالی سال 2018 کے مقابلے میں 30 جون 2019 کو 200,557 ملین روپے رہے۔ زیر جائزہ مدت کے دوران، کارپوریٹ بیلنسر کے لیے رسک کے عمل جائزے کے بعد تاثر قرضوں کی منظوری دی گئی ہے۔ ایڈوائس پورٹ فولیو کی ختم گمرانی کے باعث غیر فعال قرضے 5.51 فیصد کی کے ساتھ 30 جون 2019 کو 10,731 ملین روپے رہے۔ بینک کا مجموعی انٹیلیجنس تناسب 5.2 فیصد رہا اور بینک کی تین کوریج 30 جون 2019 کو 70 فیصد پر رہی۔ (31 دسمبر 2018: 73 فیصد)

خالص انویسٹمنٹ کے حوالے سے اسٹیٹ بینک آف پاکستان کی سخت مالیاتی پالیسی کے پیش نظر، بینک نے اپنے قرضوں کو کم کرنے کا فیصلہ کیا اور انویسٹمنٹ کے لیے مختصر مدت کی بیلنسر کا انتخاب کیا۔ جس کے بعد 30 جون 2019 کو ختم ہونے والی ششماہی کے دوران قرضہ جات میں 45,849 ملین روپے یا 55.9 فیصد کی کمی ریکارڈ ہوئی جبکہ نیٹ انویسٹمنٹس میں بھی 26.6 فیصد کی کمی کے ساتھ 107,691 ملین روپے کی نشاندہی کی گئی۔

بینک کے ڈپازٹس پورٹ فولیو نے 31 دسمبر 2018 کے مقابلے میں 25,391 ملین روپے یا 9.7 فیصد کی ترقی ظاہر کی جس کے بعد 30 جون 2019 کو ڈپازٹس پورٹ فولیو 287,770 ملین روپے ہو گیا۔ موجودہ جائزہ میں اضافے پر توجہ مرکوز ہونے کے ساتھ ساتھ، اس اضافے سے، کرنٹ اکاؤنٹ ہیلنسر میں 53 فیصد اضافے کے ساتھ 13,547 ملین روپے کی بڑھتی دیکھی گئی۔ اوسط حجم کے لحاظ سے، 31 دسمبر 2018 کے مقابلے میں ڈپازٹس 31,895 ملین روپے یا 13.9 فیصد اضافے کے ساتھ 260,942 روپے ہو گئے۔

بحالی کی شدید کوششوں کے بعد، بینک نے غیر فعال پورٹ فولیو کی واپسی اضافے کے ساتھ 1,354 ملین روپے رہی جو کہ گزشتہ سال اسی مدت کے دوران 675 ملین روپے تھی۔ مجموعی نیٹ تھوین - تنفیخ نے 435 ملین روپے کی بہتری ظاہر کی ہے۔ جو کہ منافع کی سطح کو بہتر بنانے میں کردار ادا کرتی ہے۔

30 جون 2019 کو، بینک کا CAR 14.50 فیصد پر موجود ہے (دسمبر 2018: 14.70 فیصد) جبکہ LCR اور NSFR کا تناسب بالترتیب 107.4 فیصد اور 115.2 فیصد ہے۔

بینک کے بورڈ آف ڈائریکٹرز کو مکمل مطمئن ہے کہ بینک تمام تک مشکل حالات اور رکاوٹوں کے باوجود بہترین کارکردگی دکھانے کا سلسلہ جاری رکھتے ہوئے اپنے KPIs حاصل کرے گا اور اسٹیک ہولڈرز کی توقعات پر پورا اترے گا۔ بورڈ اس حقیقت سے واقف ہے کہ درمیانی مدت میں آپریشن کی صورت حال میں مشکلات درپیش ہو سکتی ہیں۔ اس لیے ہمارے اسٹریٹجی ہموار محصولات کی بازیابی اور لاگت پر قابو پانے کے سخت اصولوں پر مرکوز ہوگی۔ ہم محتاط انداز میں اپنے حریفوں کی گمرانی جاری رکھیں گے کیونکہ زیادہ سے زیادہ منافع حاصل کرنے کے لیے عملی فیصلہ سازی کرنا نہایت ضروری ہے۔

ساکھ کی درجہ بندی (کریڈٹ ریٹنگ)

پاکستان کریڈٹ ریٹنگ ایجنسی (PACRA) نے بینک کی طویل المدت کریڈٹ ریٹنگ-AA (ڈبل اے مائنس) اور مختصر المدت کریڈٹ ریٹنگ-A1+ (اے وان پلس) کو مستحکم منظر نامے کے ساتھ برقرار رکھا ہے۔ PACRA نے غیر محفوظ، ڈبلیو اور لٹل ڈرم فنانس سرٹیفیکیٹس (TFC-2) کے 3,000 ملین روپے مالیت کے اجراء کی کریڈٹ ریٹنگ بھی A+ (واحد اے پلس) پر مستحکم منظر نامے کے ساتھ برقرار رکھی ہے، اور بینک کے غیر محفوظ، ڈبلیو، درجہ بند، لٹل، دائمی، غیر مجموعی اور حسب ضرورت قابل منتقلی قرض فنانس سرٹیفیکیٹس (ADT-1) کے 4,000 ملین روپے مالیت کے اجراء کی درجہ بندی بھی اپنے جون 2019 کے اعلان سے ذریعے (A) واحد A پر مستحکم منظر نامے کے ساتھ کی ہے۔

اعتمادی رفتار

ہم بورڈ کی جانب سے اپنے تمام اسٹیک ہولڈرز بشمول ہمارے تمام ریگولیٹرز، اسٹیٹ بینک آف پاکستان اور سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے تہدول سے منگور ہیں کہ انہوں نے ہمیں مکمل حمایت اور رہنمائی سے نوازا۔ ہم اپنے معزز کسٹمرز کا بھی شکریہ ادا کرتے ہیں جو ہماری اصل طاقت ہیں، یقیناً ان کی انتخابی سختی کی بدولت بینک سالہا سال سے ترقی کی منازل طے کر رہا ہے۔

علاء الدین فرانس
چیرمین

محمد قیام منظور
پریذیڈنٹ اینڈ چیف ایگزیکٹو آفیسر
کراچی، 28 اگست 2019

نہایت مسرت کے ساتھ بورڈ آف ڈائریکٹرز کی جانب سے سویری بیگ لیٹلڈ (دی بینک) کے 30 جون 2019 کو ختم ہونے والے نصف سال کے لیے ڈائریکٹرز کا جائزہ بعد غیر پرنٹال شدہ عبوری مالیاتی گوشوارے پیش کر رہے ہیں۔

اقتصادیات

مالی سال 2019 کے دوران، ملک کی معیشت بڑھتے ہوئے دو برسے خسارے، کم ہوتے زرمبادلہ کے ذخائر، بڑھتی ہوئی افراط زر اور پاکستانی روپے کی قدر میں مسلسل کمی جیسے عوامل کے باعث خاصی دباؤ کا شکار رہی۔ مالی سال 2019 میں مجموعی مالی اور بنیادی خسارے، محصولات کی وصولی کی خاطر خواہی، بجٹ سے زیادہ سود کی ادائیگی، سیکوریٹی سے متعلق اخراجات کی وجہ سے متاثر ہوتے رہے۔ جبکہ حالیہ ٹیکس انشعنائی اسکیم پر عام طور پر شہریت رجمل کے باوجود محصولات کی وصولی بھی اہداف سے پیچھے رہی۔ حکومت کی جانب سے پیش کردہ مالی سال 2020 کے بجٹ میں ٹیکس کے نظام میں دیرینہ کمزوریوں کو دور کر کے مالی زوال کے رجحان کو کم کرنے کی کوشش کی گئی ہے۔ ٹیکس وصولی کے حوالے سے اخراجات پر سخت کنٹرول اور بجٹ میں بنیادی خسارے میں کافی حد تک کمی کے امکان کے ساتھ اہداف طے کئے گئے ہیں۔

بیرونی حافزے کرنٹ اکاؤنٹ خسارے میں مجموعی کمی کے ساتھ بتدریج معقول بہتری کی نشاندہی کی ہے اسی طرح مالی سال 2019 کے مئی تا جولائی میں 29.3 فیصد کمی کے بعد 12.7 بلین امریکی ڈالر رہ گیا ہے۔ جبکہ گزشتہ سال اسی مدت کے دوران خسارے 17.9 بلین امریکی ڈالر تھے۔ یہ بہتری بنیادی طور پر کارکنوں کے ترسیلات زر میں ترقی اور درآمدات میں کمی کے ذریعہ کیے گئے ہیں۔ جبکہ برآمدی ٹیم میں بھی اضافہ ہو رہا ہے حالانکہ یونٹ کی قیمتوں میں کمی کے باعث برآمدی قیمتوں میں بھی کمی دیکھی گئی ہے۔ نتیجتاً، مالی سال 2018 کے مقابلے میں تجارتی توازن میں 11 فیصد کمی واقع ہوئی۔

اسٹیٹ بینک آف پاکستان کے زرمبادلہ کے ذخائر آئی ایم ایف کے توسیعی فنڈ سہولت (EFF) کی پہلی قسط کی فراہمی کے ساتھ جولائی 2019 میں 8 بلین امریکی ڈالر تک پہنچ گئے ہیں۔ جس کے بعد توقع کی جارہی ہے کہ دیگر بین الاقوامی قرض دہندگان کی اضافی مالی آمد اور کرنٹ اکاؤنٹ خسارے میں اہداف کو بہتر بنانے کی صورت میں مالی سال 2020 کے ذخائر میں مزید اضافہ ہو سکتا ہے۔

مالی سال 2019 میں افراط زر کی شرح میں 7.3 فیصد اضافہ ہوا، جس کی وجہ SBP سے حکومت کا بڑے پیمانے پر قرض لینا، زرمبادلہ کی شرح میں کمی، تیل اور کھانے کی قیمتوں میں زبردست اضافہ ہے۔ مالیاتی اور مالی پالیسیوں کو سخت کرنے کے درمیان، جون 2019 میں CPI افراط زر کی شرح 8.9 فیصد تھی جس کی توقع مدت میں مزید بڑھنے کی توقع ہے۔ زرمبادلہ کی شرح میں کمی سے پیدا ہونے والے افراط زر پر دباؤ، پینکٹی قیمتوں میں حالیہ ایڈجسٹمنٹ اور مالی سال 2020 کے بجٹ کے دیگر اقدامات اور طلب کو کم کرنے سے افراط زر میں کمی کے ساتھ مالی سال 2020 میں اوسط افراط زر کا تخمینہ 11-12 فیصد تک جانچا ہے۔ اسی دوران حکومت نے اسٹیٹ بینک آف پاکستان سے قرض نہ لینے کا عہد بھی کیا ہے جو کہ افراط زر کے متعلق نظروں میں رکھ کر طے کیا جائے گا۔

مجموعی طلب میں مسلسل کمی کے باعث رئیل اسٹیٹ سیکٹر میں ترقی کی رفتار میں کمی واقع ہوئی۔ مالی سال 2019 میں مجموعی ملکی پیداوار کی شرح 3.3 فیصد ہو گئی، جو کہ نو سال کی کم ترین سطح پر آ گئی ہے اور ابتدائی متوقع سطح سے بھی کم ہے۔ توقع کی جارہی ہے کہ سست روی کا شکار ان اقتصادی سرگرمیوں کو سال بھر میں بہتر کیا جاسکے گا، جس کا دار و مدار آئی ایم ایف سپورٹ پروگرام کے تناظر میں مارکیٹ کے بہتر رجول، زراعت کے شعبے میں ترقی اور برآمدی صنعتوں کے لیے حکومتی مراعات کے بتدریج اثرات پر ہوگا۔

جولائی 2019 میں جاری ہونے والی حالیہ مانیٹری پالیسی میں SBP نے پالیسی ریٹ میں مزید 100 بیس پوائنٹس کا اضافہ کر کے 13.25 فیصد کر دیا ہے۔ جہاں جنوری 2018 سے اب تک مجموعی شرح میں 750 بیس پوائنٹس کا اضافہ کیا گیا ہے۔ پالیسی پر جاری سخت اقدامات کے ساتھ قرضوں کی واپسی سست روی کا شکار رہی، جہاں پچھلے سال کی اسی مدت کے دوران ہونے والی 10 فیصد ترقی کے مقابلے میں 2019 کے پہلے چھ مہینوں میں صرف 3 فیصد کا معمولی اضافہ دیکھنے میں آیا۔ بینکنگ سیکٹر کے لیے وائسز میں 31 دسمبر 2018 کی سطح کے مقابلے میں صرف 3 فیصد اضافہ ہوا جبکہ ڈپازٹس میں 8 فیصد کا اضافہ دیکھا گیا ہے۔

ایکٹیو مارکیٹ، جو مالی سال 2018 کے آغاز سے مندی کا شکار ہے، جو کہ تباہ حال جاری ہے، چونکہ مجموعی اقتصادی صورت حال پر غیر یقینی بڑے پیمانے پر بڑھتی جارہی ہے جو کہ سرمایہ کاروں کے جذبے اور اعتماد کو نقصان پہنچا رہی ہے۔ مجموعی طور پر، اس کے باوجود 100 ایکس مئی 2018 میں اپنے عروج کے بعد سے 36 فیصد کم ہوا ہے۔ آئی ایم ایف پروگرام کے تحت مطلوب بہت سے پیشگی اقدامات اٹھائے گئے ہیں، جن میں زیادہ سے زیادہ مارکیٹ میں طے شدہ زرمبادلہ کی شرح میں بڑھوتی، سخت مالیاتی اقدامات اور بجٹ کی ضروریات میں تیرہ مہینوں کے خاتمے اور توانائی کی قیمتوں پر نظام سازی سیٹ مالی اقدامات کا سلسلہ شامل ہے۔ اس کے ساتھ، ریاستی ملکیت سے چلنے والے کاروباری اداروں (SOEs) کے انتظام، گردش قرضوں میں کمی کے اقدامات اور پاکستان FATF گرے لسٹ سے اخراج کے لیے AML/CFT فریم ورک کو اپرٹھانے کے لیے حکومت عملی منصوبہ پلانز پر غور شروع کر دیا گیا ہے۔ بینکنگ اور مانیٹری پالیسی کے پیش نظر توقع ہے کہ بین الاقوامی تیل اور اجناس کی قیمتیں آئے دن والوں میں بھی اہم کردار ادا کریں گی۔

بینک پر امید ہے کہ پالیسی ریٹ میں بتدریج اضافہ بنیادی محصولات میں بہتری کا باعث بنے گا۔ تاہم، بینک کا رو بار کرنے اور قرض کے لیے رسک پر مبنی محتاط حکمت عملی اپنانے کا، چونکہ اخراجات کو کم کرنے کے ساتھ ساتھ محصولات وصول کرنے کے لیے M.A.L.M اقدامات کی ضرورت پیش آئے گی۔

بینک کی کارکردگی اور کاروباری جائزہ:

بینک کی 30 جون 2019 کو ختم ہونے والے نصف سال کے لیے مالیاتی صورت حال اور کلیدی مالیاتی اشاروں کے ساتھ مندرجہ ذیل میں پیش کیے جا رہے ہیں۔

مالیاتی کیفیت	
30 جون 2019	31 دسمبر 2018
----- روپے '000 میں -----	
خالص بینکنگ ادائیگیاں	200,557,037
خالص سرمایہ کاری	186,475,183
مجموعی اثاثے	146,645,533
مجموعی ڈپازٹس	382,497,788
حصص یافتگان کی ایکویٹی	262,378,761
	17,988,874
	17,810,820
مالیاتی کارکردگی	
30 جون 2019	30 جون 2018
----- روپے '000 میں -----	
خالص انٹرسٹ آمدنی	3,895,737
ٹرانزیکشن آمدنی	3,298,659
کل آمدنی	1,650,941
ٹرانزیکشن اخراجات	4,949,600
(تینج) (مجموعی)	3,558,951
منافع قبل از ٹیکس	(233,616)
منافع بعد از ٹیکس	1,624,265
فی حصص آمدنی - روپیہ	975,982
	0.8853
	0.8844

INDEPENDENT AUDITORS' REVIEW REPORT

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Soneri Bank Limited ("the Bank") as at 30 June 2019 and the related condensed interim profit or loss account, the statement of comprehensive income, condensed interim statement of changes in equity, condensed interim cash flow statement and notes to the financial statements for the six-months period then ended (herein-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these interim financial statements 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 statements 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 statements are not prepared, in all material respects, in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting.

Other Matters

The figures for the quarter ended 30 June 2019 in the condensed interim profit and loss account and condensed interim statement of comprehensive income have not been reviewed and we do not express a conclusion on them.

The financial statements of the Bank for the period ended 30 June 2018 were reviewed by another firm of chartered accountants who had expressed an unmodified conclusion thereon dated 28 August 2018.

The engagement partner on the engagement resulting in this independent auditor's review report is **Amyr Malik**.

KPMG Taseer Hadi & Co.

Chartered Accountants

Karachi: 28th August 2019

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019

		(Un-audited) 30 June 2019	(Audited) 31 December 2018
	Note		
----- (Rupees in '000) -----			
ASSETS			
Cash and balances with treasury banks	6	30,105,850	26,019,679
Balances with other banks	7	2,241,460	1,179,612
Lendings to financial and other institutions	8	101,151	3,921,270
Investments	9	107,691,908	146,645,533
Advances	10	200,557,037	186,475,183
Fixed assets	11	8,283,703	6,238,673
Intangible assets	12	408,036	454,536
Deferred tax assets		-	-
Other assets	13	15,971,607	11,563,302
		365,360,752	382,497,788
LIABILITIES			
Bills payable	15	4,280,641	3,993,525
Borrowings	16	36,113,727	81,962,917
Deposits and other accounts	17	287,770,687	262,378,761
Liabilities against assets subject to finance lease		-	-
Subordinated debt	18	6,995,200	6,996,400
Deferred tax liabilities	19	74,319	120,054
Other liabilities	20	12,315,358	9,057,257
		347,549,932	364,508,914
NET ASSETS		17,810,820	17,988,874
REPRESENTED BY			
Share capital		11,024,636	11,024,636
Reserves		2,304,227	2,109,227
Surplus on revaluation of assets	21	452,272	542,637
Unappropriated profit		4,029,685	4,312,374
		17,810,820	17,988,874
CONTINGENCIES AND COMMITMENTS	22		

The annexed notes 1 to 42 form an integral part of these condensed interim financial statements.

Mirza Zafar Baig Chief Financial Officer	Alauddin Feerasta Chairman	Mohammad Aftab Manzoor President & Chief Executive Officer	Nooruddin Feerasta Director	Muhammad Rashid Zahir Director
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**CONDENSED INTERIM
PROFIT AND LOSS ACCOUNT (UN-AUDITED)**
FOR THE QUARTER AND HALF YEAR ENDED 30 JUNE 2019

		For the quarter ended		For the half year ended	
	Note	30 June 2019	30 June 2018 (Restated)	30 June 2019	30 June 2018 (Restated)
		----- (Rupees in '000) -----			
Mark-up / return / interest earned	23	7,959,288	4,814,456	15,454,386	9,471,968
Mark-up / return / interest expensed	24	6,123,777	3,197,772	11,558,649	6,173,309
Net mark-up / interest income		1,835,511	1,616,684	3,895,737	3,298,659
Non mark-up / interest income					
Fee and commission income	25	450,136	368,105	905,424	778,561
Dividend income		83,874	43,863	139,367	91,060
Foreign exchange income		375,005	250,005	525,938	468,956
(Loss) / gain on securities - net	26	(490,066)	52,757	(494,607)	297,110
Other income	27	8,273	6,572	16,368	15,254
Total non-markup / interest Income		427,222	721,302	1,092,490	1,650,941
Total income		2,262,733	2,337,986	4,988,227	4,949,600
Non mark-up / interest expenses					
Operating expenses	28	2,015,245	1,721,211	4,087,847	3,504,898
Workers' welfare fund	28.3	(148,519)	14,704	(123,004)	37,509
Other charges	29	55,660	16,544	59,351	16,544
Total non mark-up / interest expenses		1,922,386	1,752,459	4,024,194	3,558,951
Profit before provisions		340,347	585,527	964,033	1,390,649
(Reversals) / provisions and write offs - net	30	(91,309)	(22,935)	(668,663)	(233,616)
Extraordinary / unusual items		-	-	-	-
Profit before taxation		431,656	608,462	1,632,696	1,624,265
Taxation	31	179,964	292,492	657,697	648,283
Profit after taxation		251,692	315,970	974,999	975,982
----- (Rupee) -----					
Basic earnings per share	32	0.2283	0.2866	0.8844	0.8853
Diluted earnings per share	33	0.2283	0.2866	0.8844	0.8853

The annexed notes 1 to 42 form an integral part of these condensed interim financial statements.

Mirza Zafar Baig
Chief Financial Officer

Alauddin Feerasta
Chairman

Mohammad Aftab Manzoor
President & Chief Executive Officer

Nooruddin Feerasta
Director

Muhammad Rashid Zahir
Director

**CONDENSED INTERIM
STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)**
FOR THE QUARTER AND HALF YEAR ENDED 30 JUNE 2019

	For the quarter ended		For the half year ended	
	30 June	30 June	30 June	30 June
	2019	2018	2019	2018
	------(Rupees in '000)-----			
Profit after taxation for the period	251,692	315,970	974,999	975,982
Other comprehensive income				
Items that may be reclassified to profit and loss account in subsequent periods:				
Movement in (deficit) on revaluation of investments - net of tax	(215,830)	(347,703)	(50,590)	(454,243)
Items that will not be reclassified to profit and loss account in subsequent periods:				
Remeasurement gain on defined benefit obligations - net of tax	-	3,261	-	3,261
Total comprehensive income / (loss)	35,862	(28,472)	924,409	525,000

The annexed notes 1 to 42 form an integral part of these condensed interim financial statements.

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED) FOR THE HALF YEAR ENDED 30 JUNE 2019

Share capital	Statutory reserve (a)	Surplus / (deficit) on revaluation of		Unappropriated profit (b)	Total
		Investments	Fixed assets		

(Rupees in '000)

Balance as at 01 January 2018 11,024,636 1,752,494 142,972 1,952,127 3,632,370 18,504,599

Comprehensive income for the period

Profit after taxation for the half year ended 30 June 2018

-	-	-	-	975,982	975,982
-	-	(454,243)	-	-	(454,243)
-	-	-	-	3,261	3,261
-	-	(454,243)	-	979,243	525,000

Other comprehensive income / (loss)

Movement in deficit on revaluation of investments - net of tax
Remeasurement gain on defined benefit obligations - net of tax

Transfer to statutory reserve

- 195,196 - - (195,196) -

Transfer from surplus on revaluation of assets to unappropriated profit - net of tax

- - - (31,880) 31,880 -

Transactions with owners recorded directly in equity

Final cash dividend for the year ended 31 December 2017 at Re. 0.75 per share

- - - - (826,848) (826,848)

Balance as at 30 June 2018

11,024,636 1,947,690 (311,271) 1,920,247 3,621,449 18,202,751

Comprehensive income for the period

Profit after taxation for the half year ended 31 December 2018

-	-	-	-	807,682	807,682
-	-	(1,035,465)	-	-	(1,035,465)
-	-	-	-	13,906	13,906
-	-	(1,035,465)	-	821,588	(213,877)

Other comprehensive income / (loss)

Movement in deficit on revaluation of investments - net of tax
Remeasurement gain on defined benefit obligations - net of tax

Transfer to statutory reserve

- 161,537 - - (161,537) -

Transfer from surplus on revaluation of assets to unappropriated profit - net of tax

- - - (30,874) 30,874 -

Balance as at 01 January 2019

11,024,636 2,109,227 (1,346,736) 1,889,373 4,312,374 17,988,874

Comprehensive income for the period

Profit after taxation for the half year ended 30 June 2019

-	-	-	-	974,999	974,999
-	-	(50,590)	-	-	(50,590)
-	-	(50,590)	-	974,999	924,409

Other comprehensive income / (loss)

Movement in deficit on revaluation of investments - net of tax

Transfer to statutory reserve

- 195,000 - - (195,000) -

Transfer from surplus on revaluation of assets to unappropriated profit - net of tax

- - - (39,775) 39,775 -

Transactions with owners recorded directly in equity

Final cash dividend for the year ended 31 December 2018 at Rs. 1.00 per share

- - - - (1,102,463) (1,102,463)

Balance as at 30 June 2019

11,024,636 2,304,227 (1,397,326) 1,849,598 4,029,685 17,810,820

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

(b) As explained in note 10.3.3 to these condensed financial statements, unappropriated profit includes an amount of Rs. 1,348,742 million net of tax as at 30 June 2019 (31 December 2018: Rs. 1,107.124 million) representing additional profit arising from availing forced sales value benefit for determining provisioning requirement which is not available for distribution either as cash or stock dividend to shareholders and bonus to employees.

The annexed notes 1 to 42 form an integral part of these condensed interim financial statements.

Mirza Zafar Baig
Chief Financial Officer

Alauddin Feerasta
Chairman

Mohammad Aftab Manzoor
President & Chief Executive Officer

Nooruddin Feerasta
Director

Muhammad Rashid Zahir
Director

**CONDENSED INTERIM
CASH FLOW STATEMENT (UN-AUDITED)**
FOR THE HALF YEAR ENDED 30 JUNE 2019

	Note	30 June 2019 ------(Rupees in '000)-----	30 June 2018 -----
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		1,632,696	1,624,265
Less: dividend income		139,367	91,060
		1,493,329	1,533,205
Adjustments:			
Depreciation on fixed assets		258,223	237,495
Depreciation on ijarah assets		54,965	53,779
Depreciation on right-of-use assets		142,115	-
Amortisation		73,960	49,554
Interest expensed on lease liability against right-of-use assets		131,479	-
(Reversals) / provisions and write offs - net	30	(668,663)	(233,616)
Gain on sale of fixed assets - net	27	(6,179)	(6,395)
Workers' welfare fund		(123,004)	37,509
Unrealised loss on revaluation of investments classified as held-for-trading	26	7,416	1,568
		(129,688)	139,894
		1,363,641	1,673,099
(Increase) / decrease in operating assets			
Lendings to financial and other institutions		3,820,119	(1,005,848)
Held-for-trading securities		(5,609,345)	2,345,432
Advances		(13,385,191)	(3,746,081)
Others assets (excluding advance taxation)		(4,751,327)	468,915
		(19,925,744)	(1,937,582)
Increase / (decrease) in operating liabilities			
Bills payable		287,116	(430,097)
Borrowings from financial institutions		(45,831,657)	34,348,483
Deposits		25,391,926	16,068,759
Other liabilities		1,275,645	838,167
		(18,876,970)	50,825,312
Income tax paid		(525,709)	(918,566)
Net cash flow (used in) / generated from operating activities		(37,964,782)	49,642,263
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investments in available-for-sale securities		50,947,296	(43,495,641)
Net investments in held-to-maturity securities		(6,471,454)	390,941
Dividends received		147,067	112,021
Investments in operating fixed assets		(401,262)	(320,675)
Proceeds from sale of fixed assets		12,350	7,922
Net cash flow generated from / (used in) investing activities		44,233,997	(43,305,432)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of subordinated debt		(1,200)	(600)
Dividend paid		(1,102,463)	(826,848)
Net cash flow (used in) financing activities		(1,103,663)	(827,448)
Increase in cash and cash equivalents		5,165,552	5,509,383
Cash and cash equivalents at beginning of the period		26,911,493	20,305,022
Cash and cash equivalents at end of the period		32,077,045	25,814,405
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD			
Cash and balances with treasury banks	6	30,105,850	24,301,878
Balances with other banks	7	2,241,460	1,572,405
Overdrawn nostro accounts	16	(270,265)	(59,878)
		32,077,045	25,814,405

The annexed notes 1 to 42 form an integral part of these condensed interim financial statements.

Mirza Zafar Baig Chief Financial Officer	Alauddin Feerasta Chairman	Mohammad Aftab Manzoor President & Chief Executive Officer	Nooruddin Feerasta Director	Muhammad Rashid Zahir Director
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NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE HALF YEAR ENDED 30 JUNE 2019

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 repealed Companies Ordinance, 1984 (now Companies Act, 2017). Its registered office is situated at Rupali House 241-242, Upper Mall Scheme, Anand Road, Lahore, Punjab and its shares are quoted on Pakistan Stock Exchange Limited. The Bank is engaged in banking services as described in the Banking Companies Ordinance, 1962 and operates with 295 branches including 21 Islamic banking branches (31 December 2018: 295 branches including 21 Islamic banking branches) in Pakistan. The credit rating of the Bank is disclosed in note 34 of these condensed interim financial statements.

2 BASIS OF PRESENTATION

2.1 These condensed interim financial statements have been prepared in conformity with the format of financial statements prescribed by the State Bank of Pakistan (SBP) vide BPRD Circular No. 5 dated 22 March 2019.

2.2 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. Permissible forms of trade-related modes of financing includes purchase of goods by banks from customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchase and resale arising under these arrangements are not reflected in these condensed interim financial statements as such, but are restricted to the amount of facility actually utilized and the appropriate portion of mark - up thereon. However, the Islamic Banking branches of the Bank have complied with the requirements set out under the Islamic Financial Accounting Standards (IFAS), issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the provisions of Companies Act, 2017.

2.3 The financial results of all Islamic banking branches of the Bank have been consolidated in these condensed interim financial statements for reporting purposes, after eliminating material intra branch transactions / balances. The financial results of all Islamic banking branches are disclosed in note 39 to these condensed interim financial statements.

3 STATEMENT OF COMPLIANCE

3.1 These condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Act, 2017;
- Provisions of and directives issued under the Banking Companies Ordinance, 1962 and the Companies Act, 2017; and
- Directives issued by the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP).

Whenever the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 or the directives issued by the SBP and the SECP differ with the requirements of IFRS or IFAS, the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives prevail.

3.2 The SBP vide BSD Circular letter No. 10, dated 26 August 2002 has deferred the applicability of International Accounting Standard 39, Financial Instruments: Recognition and Measurement and International Accounting Standard 40, Investment Property for banking companies till further instructions. Moreover, SBP vide BPRD circular no. 4, dated 25 February 2015 has deferred the applicability of Islamic Financial Accounting Standards (IFAS) 3, Profit and Loss Sharing on Deposits. Further, according to the notification of the SECP issued vide SRO 411(I)/2008 dated 28 April 2008, International Financial Reporting Standard (IFRS) 7, Financial Instruments: Disclosures has not been made applicable for banks. 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 the State Bank of Pakistan.

3.3 The SECP vide its notification SRO 633 (I)/2014 dated 10 July 2014, adopted IFRS 10 effective from the periods starting from 30 June 2014. However, vide its notification SRO 56 (I)/2016 dated 28 January 2016, it has been notified that the requirements of IFRS 10 and section 228 of the Companies Act, 2017 will not be applicable with respect to the investment in mutual funds established under trust structure.

3.4 The disclosures made in these condensed interim financial statements have been limited based on a format prescribed by the SBP vide BPRD Circular Letter No. 5 dated 22 March 2019 and IAS 34, Interim Financial Reporting. They do not include all the disclosures required for 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 2018.

3.5 Standards, interpretations and amendments to published accounting and reporting standards that are effective in the current period:

IFRS 16, the accounting standard for leases, became effective for annual reporting periods commencing on or after 1 January 2019. The impact of the adoption of IFRS 16 on the Bank's condensed interim financial statements is disclosed in note 4.1.2 of these financial statements.

In addition, there are certain other new standards and interpretations of and amendments to existing accounting standards that have become applicable to the Bank for accounting periods beginning on or after 1 January 2019. These are considered either to not be relevant or not to have any significant impact on the Bank's financial statements.

3.6 Standards, interpretations and amendments to published accounting and reporting standards that are not yet effective in the current period

The following new standards and amendments to existing accounting standards will be effective from the dates mentioned below against the respective standard or amendment:

	Effective date (annual periods beginning on or after)
- IFRS 3, Business Combinations (Amendments)	1 January 2020
- IAS 1, Presentation of Financial Statements (Amendments)	1 January 2020
- IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors (Amendments)	1 January 2020
	Effective date (periods ending on or after)
- IFRS 9, Financial Instruments	30 June 2019

IFRS 9 'Financial Instruments' and amendment — Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 July 2018 and 1 January 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Securities and Exchange Commission of Pakistan vide its notification dated 14 February 2019 modified the effective date for implementation of IFRS 9 as 'reporting period / year ending on or after 30 June 2019 (earlier application is permitted)'. SBP has also informed the Bank that keeping in view the implementation challenges of IFRS 9 and representations by the banking industry, it has been decided that IFRS 9 is not applicable on financials of period ending 30 June 2019 for banks / DFIs / MFBs.

The Bank expects that adoption of the remaining amendments will not affect its financial statements in the period of initial application.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 The significant accounting policies and the methods of computation used 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 2018 except for the following:

4.1.1 The State Bank of Pakistan (SBP) through its BPRD Circular No. 5 dated 22 March 2019 has amended the format of quarterly and half yearly financial statements of banks. All banks are directed to prepare their quarterly financial statements on the revised format effective from accounting year starting from 1 January 2019. Accordingly, the Bank has prepared these condensed interim financial statements on the new format prescribed by the State Bank of Pakistan.

- Condensed Interim Profit and loss Account

As a result of adoption of the revised format, the figures for the quarter and half year ended 30 June 2018 in the condensed interim profit and loss account have been reclassified and reflected based on the requirements of the revised format.

- **Condensed Interim Statement of Comprehensive Income**

As a result of adoption of the revised format, the figures for the quarter and half year ended 30 June 2018 in the condensed interim statement of comprehensive income have been restated to incorporate the effect of movement in surplus on revaluation of fixed assets and non banking assets.

4.1.2

In the period, 'IFRS 16 - Leases' became applicable to the Banks. IFRS 16 replaces existing guidance on accounting for leases, including 'IAS 17, Leases', 'IFRIC 4, Determining whether an Arrangement contains a Lease', 'SIC-15, Operating Leases - Incentive', and 'SIC-27, Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces single lease accounting model and requires a lessee to recognise assets and liabilities of all leases with a term of more than twelve months unless the underlying assets are of low value. A lessee recognizes a right-of-use asset representing its right of using the underlying asset and a corresponding lease liability representing its obligations to make lease payments. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as either finance or operating leases.

The Bank adopted IFRS 16 using the modified retrospective approach with the date of initial application of 01 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard being recognised at the date of initial application. The Bank has elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Bank also elected to use the recognition exemptions for lease contracts that, at the commencement date, having a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets'). The Bank has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and adjustments arising from the initial application of the standard are therefore recognized in the Statement of Financial Position as on 01 January 2019.

On adoption of IFRS 16, the Bank has recognised liabilities in respect of leases which had previously been classified as operating leases under IAS 17. These liabilities were initially measured as the present value of the remaining lease payments, discounted using the Bank's incremental weighted average borrowing rate of 15.03% per annum at 1 January 2019. The lease liability is subsequently measured at amortised cost using the effective interest rate method.

	As at 30 June 2019 (Un-audited) (Rupees in '000)	As at 01 January 2019 (Un-audited) (Rupees in '000)
Lease liability recognised	1,935,411	1,834,549

On adoption of IFRS 16, the associated right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of prepaid lease payments recognised in the statement of financial position immediately before the date of initial application.

The right-of-use assets recognised subsequent to the adoption are measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred. The right-of-use assets are depreciated on a straight line basis over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The right-of-use assets are reduced by impairment losses, if any, and adjusted for certain remeasurements of lease liability.

	As at 30 June 2019 (Un-audited) (Rupees in '000)	As at 01 January 2019 (Un-audited) (Rupees in '000)
The recognised right-of-use assets relate to the following types of assets: Right of Use Asset - Property	1,935,623	1,944,125
The effect of the change in accounting policy is as follows:		
Impact on Statement of Financial Position		
Increase in fixed assets - RoU assets	1,935,623	1,944,125
Decrease in other assets - advances, deposits and prepayments	(103,757)	(109,576)
Increase in other assets - advance taxation	36,241	-
	1,868,107	1,834,549
Increase in other liabilities - lease liability in respect of RoU assets	(1,935,411)	(1,834,549)
(Decrease) / increase in net assets	(67,304)	-

For the half
year ended
30 June 2019

(Un-audited)

(Rupees in
'000)

Impact on Profit and Loss Account

Increase in mark-up expense - lease liability against RoU asset	(131,479)
(Increase) / decrease in administrative expenses:	
- Depreciation of RoU assets	(142,115)
- Rent expense	170,049
Decrease in profit before tax	(103,545)
Decrease in taxation	36,241
Decrease in profit after tax	(67,304)

Earnings per share for the six months period ended 30 June 2019 are Rs. 0.0611 per share lower as a result of the adoption of IFRS 16.

While implementing IFRS 16, the Bank has used a single discount rate methodology for a portfolio of leases with similar characteristics. The Bank has opted not to recognise right-of-use assets for leases of low value. The payments associated with such leases are recognised as an expense on a straight line basis over the lease term.

5 BASIS OF MEASUREMENT AND FINANCIAL RISK MANAGEMENT

5.1 These condensed interim financial statements have been prepared under the historical cost convention except that certain operating fixed assets / non-banking assets acquired in satisfaction of claims have been stated at revalued amounts, certain investments and derivative financial instruments have been stated at fair value and net obligations in respect of defined benefit schemes and lease liability under IFRS 16 are carried at their present values.

5.2 Judgments and estimates

The preparation of these condensed interim financial statements in conformity with accounting and reporting standards requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and income and expenses. It also requires management to exercise judgment in the application of its accounting policies. The estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

The significant judgments made by management in applying its accounting policies and the key sources of estimation uncertainty were the same as those applied to the financial statements of the Bank for the year ended 31 December 2018.

5.3 Financial risk management

The financial risk management objectives and policies adopted by the Bank are consistent with those disclosed in the financial statements for the year ended 31 December 2018.

6 CASH AND BALANCES WITH TREASURY BANKS

(Un-audited) (Audited)
30 June 31 December
2019 2018
----- (Rupees in '000) -----

In hand		
Local currency	6,306,572	4,801,197
Foreign currencies	3,892,336	3,897,197
	10,198,908	8,698,394
With State Bank of Pakistan in		
Local currency current accounts	11,021,066	11,253,545
Foreign currency current accounts	839,476	990,087
Foreign currency deposit accounts against foreign currency deposits mobilised	2,522,137	2,877,854
	14,382,679	15,121,486
With National Bank of Pakistan in		
Local currency current accounts	2,490,193	2,185,378
Prize bonds	3,034,070	14,421
	30,105,850	26,019,679

7 BALANCES WITH OTHER BANKS

In Pakistan		
In current accounts	12,026	12,022
In deposit accounts	322,527	184,908
	334,553	196,930
Outside Pakistan		
In current account	1,906,907	982,682
	2,241,460	1,179,612

8 LENDINGS TO FINANCIAL AND OTHER INSTITUTIONS

Repurchase agreement lendings (reverse repo)	-	3,921,270
Margin trading system	101,151	-
	101,151	3,921,270

9 INVESTMENTS

9.1 Investments by type:

	(Un-audited) 30 June 2019				(Audited) 31 December 2018			
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
----- (Rupees in '000) -----								
Held-for-trading securities								
Federal Government securities	12,753,395	-	(5,969)	12,747,426	7,225,664	-	21	7,225,685
Shares	81,635	-	(1,447)	80,188	-	-	-	-
	12,835,030	-	(7,416)	12,827,614	7,225,664	-	21	7,225,685
Available-for-sale securities								
Federal Government securities	79,368,639	-	(1,441,595)	77,927,044	130,337,353	-	(1,574,373)	128,762,980
Shares	4,254,842	33,384	(677,505)	3,543,953	4,471,440	31,503	(565,970)	3,873,967
Non-Government debt securities	3,249,475	-	33,492	3,282,967	3,011,459	-	117,559	3,129,018
Units of mutual funds	259,267	-	(64,125)	195,142	259,267	-	(49,118)	210,149
	87,132,223	33,384	(2,149,733)	84,949,106	138,079,519	31,503	(2,071,902)	135,976,114
Held-to-maturity securities								
Federal Government securities	9,821,671	-	-	9,821,671	3,306,438	-	-	3,306,438
Non Government debt securities	179,611	86,094	-	93,517	223,390	86,094	-	137,296
	10,001,282	86,094	-	9,915,188	3,529,828	86,094	-	3,443,734
Total investments	109,968,535	119,478	(2,157,149)	107,691,908	148,835,011	117,597	(2,071,881)	146,645,533

9.2 Investments by segments:

	(Un-audited)				(Audited)			
	30 June 2019				31 December 2018			
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
----- (Rupees in '000) -----								
Federal Government Securities:								
Market Treasury Bills	57,152,800	-	(24,319)	57,128,481	96,248,954	-	(5,889)	96,243,065
Pakistan Investment Bonds	42,200,116	-	(1,408,229)	40,791,887	42,145,713	-	(1,561,303)	40,584,410
Bai Muajjal from Government of Pakistan (GoP)	2,205,789	-	-	2,205,789	2,074,788	-	-	2,074,788
Ijarah sukuks	385,000	-	(15,016)	369,984	400,000	-	(7,160)	392,840
	101,943,705	-	(1,447,564)	100,496,141	140,869,455	-	(1,574,352)	139,295,103
Units of mutual funds	259,267	-	(64,125)	195,142	259,267	-	(49,118)	210,149
Shares:								
Listed companies	4,319,677	27,684	(678,952)	3,613,041	4,454,640	25,803	(565,970)	3,862,867
Un-listed companies	16,800	5,700	-	11,100	16,800	5,700	-	11,100
	4,336,477	33,384	(678,952)	3,624,141	4,471,440	31,503	(565,970)	3,873,967
Non-Government debt securities								
Listed	509,762	16,269	2,034	495,527	422,794	16,269	4,096	410,621
Unlisted	2,919,324	69,825	31,458	2,880,957	2,812,055	69,825	113,463	2,855,693
	3,429,086	86,094	33,492	3,376,484	3,234,849	86,094	117,559	3,266,314
Total investments	109,968,535	119,478	(2,157,149)	107,691,908	148,835,011	117,597	(2,071,881)	146,645,533

9.2.1 Investments given as collateral - market value

Market Treasury Bills
Pakistan Investment Bonds

(Un-audited)	(Audited)
30 June 2019	31 December 2018
----- (Rupees in '000) -----	

6,892,592	48,850,834
9,321,167	11,518,661
16,213,759	60,369,495

9.3 Bai Muajjal with Government of Pakistan

Bai Muajjal investment
less: deferred income
Bai Muajjal investment - net

2,855,000	2,855,000
(649,211)	(780,212)
2,205,789	2,074,788

9.4 Provision for diminution in the value of investments

Opening balance
Charge for the period/year
Closing balance

117,597	117,452
1,881	145
119,478	117,597

9.5 Particulars of provision against debt securities

Category of classification	(Un-audited)		(Audited)	
	30 June 2019		31 December 2018	
	Non-Performing Investments	Provision	Non-Performing Investments	Provision
----- (Rupees in '000) -----				
Loss	86,094	86,094	86,094	86,094
Total	86,094	86,094	86,094	86,094

9.6 The market value of securities classified as held-to-maturity as at 30 June 2019 amounted to Rs. 9,465.241 million (31 December 2018 : Rs. 3,189.450 million).

9.7 Federal Government Securities include Pakistan Investment Bonds having book value of Rs. 30,700 million (31 December 2018: Rs. 30,700 million) pledged with the State Bank of Pakistan and National Bank of Pakistan to facilitate T. T. discounting facility for the branches of the Bank. Market Treasury Bills and Pakistan Investment Bonds under Federal Government Securities, are eligible for discounting with the State Bank of Pakistan.

10 ADVANCES

	Performing		Non-performing		Total	
	30 June 2019	31 December 2018	30 June 2019	31 December 2018	30 June 2019	31 December 2018
(Rupees in '000)						
Loans, cash credits, running finances, etc.	181,150,869	170,877,658	10,555,316	11,278,991	191,706,185	182,156,649
Islamic financing and related assets	9,858,533	8,008,498	71,121	69,059	9,929,654	8,077,557
Bills discounted and purchased	6,351,744	4,587,917	104,727	9,082	6,456,471	4,596,999
Advances - gross	197,361,146	183,474,073	10,731,164	11,357,132	208,092,310	194,831,205
Provision against advances						
- Specific	-	-	(7,493,735)	(8,314,484)	(7,493,735)	(8,314,484)
- General	(41,538)	(41,538)	-	-	(41,538)	(41,538)
	(41,538)	(41,538)	(7,493,735)	(8,314,484)	(7,535,273)	(8,356,022)
Advances - net of provision	197,319,608	183,432,535	3,237,429	3,042,648	200,557,037	186,475,183

10.1 Particulars of advances (Gross)

	(Un-audited) 30 June 2019	(Audited) 31 December 2018
(Rupees in '000)		
In local currency	203,141,191	191,180,048
In foreign currencies	4,951,119	3,651,157
	208,092,310	194,831,205

10.2 Advances include Rs.10,731.164 million (31 December 2018 Rs. 11,357.132 million) which have been placed under non-performing status as detailed below:

Category of Classification	Note	(Un-audited)		(Audited)	
		30 June 2019		31 December 2018	
		Non-performing loans	Provision	Non-performing loans	Provision
		------(Rupees in '000)-----			
Other Assets Especially Mentioned		44,008	798	45,674	1,418
Substandard		298,175	17,279	550,195	27,568
Doubtful	10.2.2	1,702,782	355,419	1,672,610	436,068
Loss		8,686,199	7,120,239	9,088,653	7,849,430
		10,731,164	7,493,735	11,357,132	8,314,484

10.2.1 Exposure amounting to Rs. 11,362 million (31 December 2018: Rs. 11,380 million) relating to certain facilities of Power Holding (Private) Limited, which is a government guaranteed loan, has not been classified as non-performing, pursuant to a relaxation given by SBP in this respect. The relaxation is valid upto 30 June 2019.

10.2.2 This includes an exposure against a borrower classified as doubtful. The State Bank of Pakistan has allowed the bank to keep further downgrading and subjective provisioning amounting to Rs 305.59 million in abeyance till 30 June 2019.

10.3 Particulars of provision against advances

	(Un-audited)			(Audited)		
	30 June 2019			31 December 2018		
	Specific	General	Total	Specific	General	Total
	----- (Rupees in '000) -----					
Opening balance	8,314,484	41,538	8,356,022	8,440,840	38,675	8,479,515
Charge for the period / year	601,837	-	601,837	899,550	2,863	902,413
Reversals	(1,353,858)	-	(1,353,858)	(988,162)	-	(988,162)
	(752,021)	-	(752,021)	(88,612)	2,863	(85,749)
Amounts written off	(68,728)	-	(68,728)	(37,744)	-	(37,744)
Transfers	-	-	-	-	-	-
Closing balance	7,493,735	41,538	7,535,273	8,314,484	41,538	8,356,022

10.3.1 The general provision against consumer financing is required to be maintained at varying percentages based on the non-performing loan ratio present in the portfolio. These percentages range from 1% to 2.5% for secured and 4% to 7% for unsecured portfolio.

10.3.2 The Bank has maintained general provision against housing finance portfolio at the rate of 0.50% of the performing portfolio. The State Bank of Pakistan vide its circular no. 9 of 2017 dated 22 December 2017 abolished the requirement of maintaining general reserve of 1% against secured Small Enterprise (SE) portfolio, while general reserve to be maintained against unsecured SE portfolio has been reduced from 2% to 1%. Currently, the Bank does not have any unsecured SE portfolio.

10.3.3 The Bank has availed the benefit of forced sales value of pledged stocks, mortgaged residential and commercial properties held as collateral against non-performing advances as allowed under the Prudential Regulations issued by the State Bank of Pakistan. Had the benefit not been taken by the Bank, the specific provision against non-performing advances would have been higher by Rs. 2,074.988 million (31 December 2018: Rs. 1,703.268 million). The additional profit arising from availing this benefit - net of the tax amounts to Rs. 1,348.742 million (31 December 2018: Rs. 1,107.124 million). The FSV benefit is not available for distribution either as cash or stock dividend to shareholders and bonus to employees.

10.3.4 The SBP has granted relaxation in provisioning requirements in respect of exposures in Dewan Mushtaq Group (DMG). Had this relaxation not been available, provision against loans and advances would have been higher by Rs 44.930 million (31 December 2018: Rs 44.930 million).

	Note	(Un-audited)	(Audited)
		30 June 2019	31 December 2018
		----- (Rupees in '000) -----	
11 FIXED ASSETS			
Capital work-in-progress	11.1	209,005	155,841
Property and equipment		6,139,075	6,082,832
Right-of-use assets	4.1.2	1,935,623	-
		<u>8,283,703</u>	<u>6,238,673</u>
11.1 Capital work-in-progress			
Civil works		118,298	87,397
Advances to suppliers and contractors		87,437	63,782
Consultant's fee and other charges		3,270	4,662
		<u>209,005</u>	<u>155,841</u>

11.2 Additions to Fixed Assets

The following additions have been made to fixed assets during the period:

	(Un-audited) 30 June 2019 ----- (Rupees in '000) -----	(Un-audited) 30 June 2018 ----- (Rupees in '000) -----
Capital work-in-progress	53,164	112,875
Buidling on freehold land	46	-
Buidling on leasehold land	35,037	2,946
Leasehold improvements	40,115	35,136
Furniture and fixture	12,263	9,405
Electrical office and computer equipment	222,799	150,185
Right-of-use assets	133,613	-
Vehicles	10,379	19,265
	454,252	216,937
Total	507,416	329,812

11.3 Disposal of fixed assets

The net book value of operating fixed assets disposed off during the period is as follows:

Leasehold land Improvement	4,771	514
Furniture and fixture	561	70
Electrical office and computer equipment	743	943
Vehicles	96	-
Total	6,171	1,527

12 INTANGIBLE ASSETS

	(Un-audited) 30 June 2019 ----- (Rupees in '000) -----	(Audited) 31 December 2018 ----- (Rupees in '000) -----
Computer Software	407,697	454,129
Trademark	339	407
	408,036	454,536

12.1 Additions to intangible assets

The following additions have been made to intangible assets during the period:

Directly purchased	27,459	275,205
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There were no disposals in intangible assets during the current and prior period.

13	OTHER ASSETS	Note	(Un-audited) 30 June 2019	(Audited) 31 December 2018
			----- (Rupees in '000) -----	
			6,017,933	4,239,379
			1,767	1,629
			-	7,700
			340,215	369,791
			1,259,950	1,410,432
		13.1	781,142	76,027
			25,677	9,548
			1,419,349	335,045
			41,137	38,945
			218,018	194,330
			50,000	50,000
			240,000	125,000
			5,418,414	4,489,160
		13.2	395,165	372,393
			16,208,767	11,719,379
		13.2 & 13.4	(237,160)	(156,077)
			15,971,607	11,563,302

13.1 Market value of non-banking assets acquired in satisfaction of claims 13.1.1 707,104 76,989

13.1.1 The non-banking assets acquired in satisfaction of claims by the Bank have been valued by independent professional valuers as at 03 May 2018. The valuation was carried out by F.K.S Building Services, Harvester Services (Pvt) Limited and Arch-e-Decon on the basis of professional assessment of present market values.

13.1.2	Non-banking assets acquired in satisfaction of claims	Note	(Un-audited) 30 June 2019	(Audited) 31 December 2018
			----- (Rupees in '000) -----	

Opening balance			76,027	-
Acquired during the period / year	13.3		707,104	76,989
Depreciation			(1,989)	(962)
Closing balance			<u>781,142</u>	<u>76,027</u>

13.2 This includes an amount of Rs. 143.443 million (31 December 2018 : Rs.143.443 million) in respect of fraud and forgery claims relating to cash embezzlement made in the Bank. The Bank has initiated legal proceedings against the alleged and has also taken necessary steps to further strengthen its internal control system.

13.3 This includes a property of Rs. 700 million acquired in the current period, under a debt swap arrangement entered with a delinquent borrower. The benefit of the forced sales value of the property has also been utilized while calculating provision for non performing exposure of the said borrower in prior years.

	(Un-audited) 30 June 2019 ------(Rupees in '000)-----	(Audited) 31 December 2018
13.4 Provision held against other assets		
Provision held against receivable against fraud & forgeries	143,443	143,443
Others	93,717	12,634
	<u>237,160</u>	<u>156,077</u>
13.4.1 Movement in provision held against other assets		
Opening balance	156,077	156,077
Charge for the period / year	81,083	-
Closing balance	<u>237,160</u>	<u>156,077</u>
14 CONTINGENT ASSETS		
There were no contingent assets as at the balance sheet date.		
15 BILLS PAYABLE		
In Pakistan	4,280,641	3,993,525
16 BORROWINGS		
Secured		
Borrowings from State Bank of Pakistan		
- Under export refinance scheme	11,041,329	11,322,048
- Long term financing facility for plant and machinery	1,528,999	1,139,389
- Modernisation of SME-Rice Husking	11,529	15,810
- Financing facility for storage of agriculture produce	130,000	-
- Repurchase agreement borrowings	-	44,865,048
	<u>12,711,857</u>	<u>57,342,295</u>
Repurchase agreement borrowings - other banks	8,373,520	3,931,220
Borrowings from other financial institutions - local	8,157,766	11,860,880
Borrowings from other financial institutions - foreign	5,601,824	7,519,499
Total secured	<u>34,844,967</u>	<u>80,653,894</u>
Unsecured		
Call borrowings	998,495	1,021,225
Overdrawn nostro accounts	270,265	287,798
Total unsecured	<u>1,268,760</u>	<u>1,309,023</u>
	<u>36,113,727</u>	<u>81,962,917</u>
16.1 Particulars of borrowings with respect to currencies		
In local currency	30,241,638	74,155,620
In foreign currencies	5,872,089	7,807,297
	<u>36,113,727</u>	<u>81,962,917</u>

17 DEPOSITS AND OTHER ACCOUNTS

	(Un-audited)			(Audited)		
	30 June 2019			31 December 2018		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
------(Rupees in '000)-----						
Customers						
Current deposits	65,958,458	7,463,631	73,422,089	54,008,141	5,908,167	59,916,308
Savings deposits	82,727,842	6,559,509	89,287,351	73,435,215	6,325,280	79,760,495
Term deposits	90,804,321	1,837,160	92,641,481	89,046,247	1,183,916	90,230,163
Others	5,126,519	-	5,126,519	5,158,255	-	5,158,255
	244,617,140	15,860,300	260,477,440	221,647,858	13,417,363	235,065,221
Financial Institutions						
Current deposits	680,511	488,709	1,169,220	854,351	274,092	1,128,443
Savings deposits	17,960,977	-	17,960,977	13,440,369	-	13,440,369
Term deposits	8,163,050	-	8,163,050	12,744,728	-	12,744,728
	26,804,538	488,709	27,293,247	27,039,448	274,092	27,313,540
	271,421,678	16,349,009	287,770,687	248,687,306	13,691,455	262,378,761

17.1 Deposits eligible under Insurance arrangements

This includes deposits eligible to be covered under the State Bank of Pakistan's Depositor Protection Scheme. The amount of eligible deposits worked out based on the Audited Financial position of the Bank as at 31 December 2018 amounts to Rs. 106,280 million.

	Note	(Un-audited) 30 June 2019	(Audited) 31 December 2018
		------(Rupees in '000)-----	
18 SUBORDINATED DEBT - UNSECURED			
Listed Term Finance Certificates - Additional Tier I	18.1	4,000,000	4,000,000
Listed Term Finance Certificates - Tier II	18.2	2,995,200	2,996,400
		<u>6,995,200</u>	<u>6,996,400</u>

18.1 Listed Term Finance Certificates - Additional Tier I

This denotes rated, listed and unsecured Term Finance Certificates (TFCs) issued as instrument of redeemable capital of Rs. 4,000 Million issued under Section 66 of the Companies Act, 2017. The funds raised by the Bank through the issuance of these TFCs have contributed towards the Bank's Additional Tier 1 Capital for meeting capital adequacy requirements as per Basel III Guidelines set by SBP under BPRD Circular Number 6 dated 15 August 2013. The instrument is sub-ordinated as to the payment of principal and profit to all other indebtedness of the Bank (including the listed term finance certificates - Tier II previously issued by the Bank) and is not redeemable before maturity without prior approval of SBP. Furthermore, these funds are intended to be utilized for the Bank's ongoing business operations in accordance with the Bank's Memorandum and Articles of Association. The key features of the issue are as follows:

Issue amount	Rs. 4,000 million
Issue date	06 December 2018
Maturity date	Perpetual
Rating (Note 34)	"A" by PACRA on 19 June 2019
Security	Unsecured
Profit payment frequency	Semi-annually

Redemption	No fixed or final redemption date
Mark-up	6 Months KIBOR + 2.00% per annum
Call option (if any)	The Bank may call the TFCs (either partially or in full), after five (5) years from the date of issuance with the prior approval of SBP. Moreover, and as per Clause iv(b) of Annexure 2 of the Basel III Circular, the Issuer shall not exercise a call option unless the called instrument is replaced with capital of same or better quality. The Call must be subject to a prior notice of not less than 60 days given by SNBL to the investors. The Call Option once announced will not be revocable.
Lock-in-clause (if any)	The TFCs contain a lock-in clause which stipulates that no profit payments would be made if such payments result in a shortfall in the Bank's Minimum Capital Requirement (MCR) or Capital Adequacy Requirement (CAR) or increase any existing shortfalls in MCR and / or CAR.
Loss absorbency clause	The TFCs are also subject to loss absorbency and / or any other requirements under SBP's Basel III Capital Rules. Upon the occurrence of a Point of Non-Viability event as defined by SBP's Basel III Capital Rule, SBP may at its option, fully and permanently convert the TFCs into common shares of the Bank and / or have them immediately written off (either partially or in full). Number of shares to be issued to TFC Holders at the time of conversion will be equal to the 'Outstanding Face Value of the TFC' divided by market value per share of the Bank's common equity on the date of trigger of the non-viability event as declared by SBP, subject to a cap of 360,000,000 shares.

18.2 Listed Term Finance Certificates - Tier II

This denotes rated, listed and unsecured Term Finance Certificates (TFCs) issued as instrument of redeemable capital with a tenor of 8 years. The instrument is sub-ordinated as to the payment of principal and profit to all other indebtedness of the Bank, except Listed Term Finance Certificates - Additional Tier I as recently issued; and is not redeemable before maturity without prior approval of SBP. The key features of the issue are as follows:

Issue amount	Rs. 3,000 million
Issue date	07 July 2015
Maturity date	07 July 2023
Rating (Note 34)	"A+" by PACRA on 19 June 2019
Security	Unsecured
Profit payment frequency	Semi-annually
Redemption	Principal is redeemable semi-annually in such a way that 0.30% of the principal will be redeemed in the first 90 months and the remaining principal of 99.70% at maturity at the end of the 96th month in July 2023.
Mark-up	6 Months KIBOR + 1.35% per annum
Call option (if any)	The Bank may call the TFCs, in part or full, on any profit payment date from the 60th month from last day of public subscription and on all subsequent profit payment dates, subject to SBP's approval and not less than 45 days prior notice being given to the Trustee.

Lock-in-clause (if any)

The TFCs contains a lock-in clause which stipulates that neither interest nor principal may be paid (even at maturity) if such payments will result in shortfall in the Bank's Minimum Capital Requirement (MCR) or Capital Adequacy Requirement (CAR) or increase any existing shortfall in MCR and CAR.

Loss absorbency clause

The instrument will be subject to loss absorbency and / or any other requirements under SBP's Basel III Capital Rules. Upon the occurrence of a Point of Non-Viability event as defined by SBP's Basel III Capital Rule, SBP may at its option, fully and permanently convert the TFCs into common shares of the Bank and / or have them immediately written off (either partially or in full). Number of shares to be issued to TFC Holders at the time of conversion will be equal to the 'Outstanding Face Value of the TFC' divided by market value per share of the Bank's common equity on the date of trigger of the non-viability event as declared by SBP, subject to the cap of 225,000,000 shares.

19 DEFERRED TAX LIABILITIES

Deductible temporary differences on

- Post retirement employee benefits
- Deficit on revaluation of investments
- Provision against advances, off balance sheet etc.

Taxable temporary differences on

- Surplus on revaluation of fixed assets
- Accelerated tax depreciation

(Un-audited)			
30 June 2019			
At 1 January 2019	Recognised in the profit and loss account	Recognised in Other Comprehensive Income	At 30 June 2019
----- (Rupees in 000) -----			
(13,941)	-	-	(13,941)
(725,166)	-	(27,241)	(752,407)
(193,973)	3,818	-	(190,155)
(933,080)	3,818	(27,241)	(956,503)
683,807	(21,417)	-	662,390
369,327	(895)	-	368,432
1,053,134	(22,312)	-	1,030,822
120,054	(18,494)	(27,241)	74,319

Deductible temporary differences on

- Post retirement employee benefits
- Deficit on revaluation of investments
- Provision against advances, off balance sheet etc.

Taxable temporary differences on

- Surplus on revaluation of fixed assets
- Accelerated tax depreciation

(Audited)			
31 December 2018			
At 1 January 2018	Recognised in the profit and loss account	Recognised in Other Comprehensive Income	At 31 December 2018
----- (Rupees in 000) -----			
(23,185)	-	9,244	(13,941)
76,984	-	(802,150)	(725,166)
(192,567)	(1,406)	-	(193,973)
(138,768)	(1,406)	(792,906)	(933,080)
717,598	(33,791)	-	683,807
356,881	12,446	-	369,327
1,074,479	(21,345)	-	1,053,134
935,711	(22,751)	(792,906)	120,054

			(Un-audited) 30 June 2019	(Audited) 31 December 2018
	Note		------(Rupees in '000)-----	
20	OTHER LIABILITIES			
		Mark-up / return / interest payable in local currency	2,662,018	2,528,112
		Mark-up / return / interest payable in foreign currencies	82,124	83,810
		Unearned commission and income on bills discounted	86,278	64,409
		Accrued expenses	575,718	476,078
		Acceptances	5,418,414	4,489,160
		Unclaimed dividends	67,976	55,079
		Payable to workers' welfare fund	257,775	380,778
	4.1.2	Lease liability against right-of-use assets	1,935,411	-
		Sundry deposits	609,734	511,533
		Others	619,910	468,298
			<u>12,315,358</u>	<u>9,057,257</u>
21	SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS			
		Surplus / (deficit) on revaluation of		
	9.1	- Available-for-sale securities	(2,149,733)	(2,071,902)
	21.1	- Fixed assets	2,511,988	2,573,180
			362,255	501,278
		Deferred tax on surplus / (deficit) on revaluation of:		
		- Available-for-sale securities	752,407	725,166
	21.1	- Fixed assets	(662,390)	(683,807)
			90,017	41,359
			<u>452,272</u>	<u>542,637</u>
21.1	Surplus on revaluation of fixed assets			
		Surplus on revaluation of fixed assets as at 01 January	2,573,180	2,669,725
		Transferred to unappropriated profit in respect of incremental depreciation charged during the period/year - net of deferred tax	(39,775)	(62,754)
		Related deferred tax liability on incremental depreciation charged during the period/year	(21,417)	(33,791)
		Surplus on revaluation of fixed assets as at 30 June	2,511,988	2,573,180
		Less: related deferred tax liability on:		
		- revaluation as at 01 January	(683,807)	(717,598)
		- incremental depreciation charged during the period	21,417	33,791
			(662,390)	(683,807)
			<u>1,849,598</u>	<u>1,889,373</u>
22	CONTINGENCIES AND COMMITMENTS			
		- Guarantees	22.1 17,340,179	17,619,705
		- Commitments	22.2 181,599,081	180,624,314
		- Other contingent liabilities	22.3 3,046,639	2,278,386
			<u>201,985,899</u>	<u>200,522,405</u>
22.1	Guarantees:			
		Financial guarantees	2,330,947	2,413,133
		Performance guarantees	13,896,031	13,536,585
		Other guarantees	1,113,201	1,669,987
			<u>17,340,179</u>	<u>17,619,705</u>

22.2 Commitments:

Documentary credits and short-term trade-related transactions

- letters of credit

Commitments in respect of:

- forward foreign exchange contracts

- forward lending

Commitments for acquisition of:

- operating fixed assets

- intangible assets

Other commitments

(Un-audited) (Audited)
30 June 31 December
2019 2018
------(Rupees in '000)-----

		24,057,908	23,117,645
22.2.1	147,541,458	152,359,696	
22.2.2	4,983,590	3,056,954	
	46,623	81,102	
	16,870	39,971	
22.2.3	4,952,632	1,968,946	
	<u>181,599,081</u>	<u>180,624,314</u>	

22.2.1 Commitments in respect of forward foreign exchange contracts

Purchase

Sale

77,421,905	80,729,599
70,119,553	71,630,097
<u>147,541,458</u>	<u>152,359,696</u>

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

22.2.2 Commitments in respect of forward lending

Undrawn formal standby facilities, credit lines
and other commitments to lend

22.2.2.1	<u>4,983,590</u>	<u>3,056,954</u>
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22.2.2.1 These represent commitments that are irrevocable because they cannot be withdrawn at the discretion of the Bank without the risk of incurring significant penalty or expense. The Bank has certain other commitments to extend credit that represent revocable commitments and do not attract any significant penalty or expense in case the facility is withdrawn unilaterally.

(Un-audited) (Audited)
30 June 31 December
2019 2018
------(Rupees in '000)-----

22.2.3 Commitment in respect of government securities

Purchase

Sale

1,995,808	-
2,956,824	1,968,946
<u>4,952,632</u>	<u>1,968,946</u>

22.3 Other contingent liabilities

<u>3,046,639</u>	<u>2,278,386</u>
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22.3.1 (a) The Income tax returns of the Bank have been filed upto Tax Year 2018 (accounting year ended 31 December 2017). The Income tax authorities have issued amended assessment orders for tax years 2011, 2015 & 2016 thereby creating additional tax demands of Rs. 210.718 million which have been paid as required under the law. The Bank has filed appeals before various appellate forums against these amendments. Assessments from Tax Year 2001 upto Tax Year 2010 have been decided at the level of Appellate Tribunal

Inland Revenue. The department has filed tax references in respect of certain matters with the Honourable Lahore High Court which are currently pending. In case of any adverse decision an additional tax liability of Rs. 617.120 million (which includes impact of certain timing differences as well) may arise. Further, assessments for tax years 2012, 2013, 2014 and 2017 have been decided at the level of Commissioner Inland Revenue (Appeals). The department has filed appeals for tax years 2012 and 2013 with Appellate Tribunal Inland Revenue which are currently pending and in case of any adverse decision an additional tax liability of Rs. 866.384 million (which include impact of certain timing differences as well) may arise. The Bank has decided to file appeal for Tax Year 2014 and 2017 with Appellate Tribunal Inland Revenue which in case of any adverse decision may create an additional tax liability of Rs. 60.67 million. However, the management is confident that these matters will be ultimately decided in favor of the Bank and the Bank may not be exposed to any additional tax liability on these account.

- (b) Tax Authorities have passed orders for Tax Years 2008 to 2012 levying Federal Excise Duty on certain items. The Bank has filed appeals against these assessments which are pending before various appellate forums. The aggregate net amount involved is Rs. 81.083 million. The management of the Bank is confident that the appeals will be decided in the favor of the Bank based on the advice of Bank's consultant. However, on the recommendation of the State Bank of Pakistan the same has also been provided for in the current period.
- (c) Tax Authorities have passed order for Tax Years 2014, 2015, 2016 and 2017 under section 161/205 of the Income Tax Ordinance 2001, creating a demand of Rs. 106.685 million. Rs. 67.672 million, Rs. 43.52 million and Rs. 43.12 million respectively for non-deduction of tax at source. Against the said demands, the Bank has already filed appeals before the Commissioner Inland Revenue (Appeals), which are currently pending. However, the management is confident that these matters will be ultimately decided in favor of the Bank and the Bank may not be exposed to any additional tax liability on these accounts.
- (d) Punjab Revenue Authority has passed orders for Tax Years 2015 and 2016 under section 14 and 19 of the Punjab Sales Tax on Services Act, 2012, creating demands of Rs. 144.688 million and Rs. 70.927 million respectively, on non-deduction of Withholding tax. The Bank has filed appeals before various appellate forums against these orders, which are currently pending. However, the management is confident that these matters will be ultimately decided in favor of the Bank and the Bank may not be exposed to any additional tax liability on these accounts.
- (e) Sindh Revenue Board has passed order for year 2012 under section 23 of the Sindh Sales Tax on Services Act, 2011, creating demand of Rs. 213.43 million on non-deduction of Sindh Sales Tax. The Bank has filed appeal before Commissioner Inland Revenue (Appeals) against this order, which is currently pending. However, the management is confident that this matter will be ultimately decided in favor of the Bank and the Bank may not be exposed to any additional tax liability on this account.
- (f) The Income tax authorities in Azad Jammu & Kashmir region have issued amended assessment orders for Tax Year 2013 to Tax Year 2018, thereby creating additional tax demands which have been paid by the Bank as required under the law. The Bank has filed appeals before Commissioner Appeals against the same. In case of any adverse decision, an additional tax liability of Rs. 268.20 million may arise. However, the management is confident that these matters will ultimately be decided in favor of the Bank and the Bank may not be exposed to any additional tax liability on these accounts.

22.3.2 Claims against the Bank which are not acknowledged as debts amounted to Rs. 10.225 million (31 December 2018: Rs. 9.760 million).

22.3.3 The Assistant Commissioner, Inland Revenue vide orders under section 182/140 of the Income Tax Ordinance, 2001 and has levied penalties against staff of the Bank amounting to Rs. 30 million. The action taken by the Bank in this case was backed by legal opinion of the customer's lawyer / stay order of the Islamabad High Court. Currently, the matter is pending before Commissioner Inland Revenue (Appeals) subsequent to appeal filed by the staff. In case of any adverse decision in appeals, the Bank reserves the right of recourse on customers for re-imbursement. However, the management is confident that these matters will be ultimately decided in favor of the Bank and the Bank may not be exposed to any additional tax liability on these accounts.

22.3.4 A penalty of Rs. 50 million has been imposed by the Competition Commission of Pakistan ("the Commission") on the Bank on account of uncompetitive behaviour and imposing uniform cost on cash withdrawal from ATM transactions. The Bank along with other Banks had filed a constitutional petition before the Competition Appellate Tribunal which has set aside the order of the Commission. Against the said order of the Competition Appellate Tribunal, the Commission has filed an appeal before the Supreme Court of Pakistan, the hearing of which is currently pending. The management of the Bank is confident that the appeal will be decided in the favor of the Bank.

22.3.5 Through the Finance Act, 2008 an amendment was made in the Employees Old Age Benefits Act, 1976 whereby the exemption available to banks and their employees was withdrawn by omission of clause (e) of Section 47 of the said Act and banks and their employees were made liable for contribution to Employee Old Age Benefit Institution. The Lahore High Court, subsequently, nullified the amendments made through the Finance Act, 2008.

Subsequently, several other banks also filed the Constitutional Petition before the Sindh High Court which decided the matter in favor of the banks. As a result of the decision of the Lahore High Court and Sindh High Court, the Bank stopped EOBI contribution w.e.f. February 2012. An appeal was filed by the EOBI in the Supreme Court of Pakistan which has been disposed of by the Honorable Court vide its order dated 10 November 2016 in favor of the Banks. However, EOBI has filed review Petition on 09 December 2016 before the Supreme Court of Pakistan which is currently pending.

In case of any adverse decision by the Supreme Court of Pakistan, a contribution of Rs.169.281 million (upto 31 December 2018: Rs. 155.426 million) will become payable by the Bank to the EOBI. The said amount of Rs. 169.281 million has not been provided in these financial statements as the Bank is confident that the case may be decided in the Bank's favour.

	Note	(Un-audited) 30 June 2019	(Un-audited) 30 June 2018
		------(Rupees in '000)-----	
23 MARK-UP / RETURN / INTEREST EARNED			
Loans and advances		10,562,105	5,357,675
Investments		4,511,102	3,836,484
Lendings to financial institutions		295,384	32,766
Balances with banks		31,468	10,938
On placement and call lendings		54,327	192,639
Income on bai muajjal placements		-	41,466
		<u>15,454,386</u>	<u>9,471,968</u>
		(Un-audited) 30 June 2019	(Un-audited) 30 June 2018
		------(Rupees in '000)-----	
24 MARK-UP / RETURN / INTEREST EXPENSED			
Deposits		9,400,935	4,197,560
Borrowings		1,358,025	1,781,861
Subordinated debt		433,483	112,173
Cost of foreign currency swaps against foreign currency deposits / borrowings		234,727	81,715
Finance cost of lease liability	4.1.2	131,479	-
		<u>11,558,649</u>	<u>6,173,309</u>
		(Un-audited) 30 June 2019	(Un-audited) 30 June 2018
		------(Rupees in '000)-----	
25 FEE & COMMISSION INCOME			
Branch banking customer fees		223,811	179,945
Consumer finance related fees		20,591	16,690
Debit card related fees		33,103	37,461
Investment banking / arrangement fees		38,769	50,442
Commission on trade		317,253	255,270
Commission on guarantees		34,468	41,452
Commission on cash management		3,776	4,387
Commission on remittances including home remittances		8,728	9,702
Commission on bancassurance		75,988	87,746
Rebate income		112,551	72,632
Others		36,386	22,834
		<u>905,424</u>	<u>778,561</u>

	Note	(Un-audited) 30 June 2019	(Un-audited) 30 June 2018 (Restated)
----- (Rupees in '000) -----			
26 (LOSS) / GAIN ON SECURITIES			
Realised	26.1	(485,980)	298,678
Unrealised - held for trading	9.1	(7,416)	(1,568)
Unrealised - forward sale of government securities		(1,211)	-
		<u>(494,607)</u>	<u>297,110</u>
----- (Rupees in '000) -----			
26.1 Realised gain on:			
Federal Government securities		1,831	193,907
Shares		(487,811)	104,771
		<u>(485,980)</u>	<u>298,678</u>
27 OTHER INCOME			
Gain on sale of fixed assets-net		6,179	6,395
Staff notice period and other recoveries		5,253	6,323
Insurance claim		4,936	2,536
		<u>16,368</u>	<u>15,254</u>
----- (Rupees in '000) -----			
28 OPERATING EXPENSES			
Total compensation expense		1,643,194	1,500,265
Property expense			
Rent & taxes		250,508	349,032
Insurance		10,027	11,102
Utilities cost		151,609	134,578
Security (including guards)	28.1	150,059	146,921
Repair & maintenance (including janitorial charges)	28.1	107,849	102,320
Depreciation on right-of-use assets		142,115	-
Depreciation on owned fixed assets		94,110	92,616
		<u>906,277</u>	<u>836,569</u>
Information technology expenses			
Software maintenance		100,301	104,611
Hardware maintenance		40,736	14,862
Depreciation		78,506	55,322
Amortisation		73,960	49,554
Network charges		117,778	73,268
Others		88,542	56,150
		<u>499,823</u>	<u>353,767</u>

	Note	(Un-audited) 30 June 2019	(Un-audited) 30 June 2018
		------(Rupees in '000)-----	
Other operating expenses			
Directors' fees and allowances		8,406	6,500
Fees and allowances to Shariah Board		2,125	1,800
Legal & professional charges		33,062	41,512
Outsourced services costs	28.1	68,247	75,352
Travelling & conveyance		24,750	24,279
NIFT clearing charges		19,184	20,388
Depreciation		85,607	89,557
Training & development		5,302	3,955
Postage & courier charges		34,752	28,431
Communication		29,295	32,201
Stationery & printing		102,164	77,492
Marketing, advertisement & publicity		49,283	46,885
Donations		5,500	10,000
Auditors' Remuneration		4,330	5,315
Brokerage and commission		9,317	8,381
Entertainment		96,810	85,289
Fees and subscription		29,487	21,220
Motor vehicles running expenses		97,856	81,815
Service charges		53,953	39,787
Insurance		45,696	25,310
Repair & maintenance		80,345	50,174
Deposit protection insurance premium	28.2	85,024	-
Others		68,058	38,654
		<u>1,038,553</u>	<u>814,297</u>
		<u>4,087,847</u>	<u>3,504,898</u>

28.1 Total Cost for the period relating to outsourcing activities included in other operating activities and property expenses is Rs. 301.930 million (2018: Rs. 298.999 million) being paid to companies incorporated in Pakistan.

		(Un-audited) 30 June 2019	(Un-audited) 30 June 2018
		------(Rupees in '000)-----	
Name of company	Nature of Service		
Prime HR services	Business Development Services	68,247	75,352

28.2 This represents the insurance premium paid to the State Bank of Pakistan's Depositors Protection Corporation (DPC) during the quarter. The premium amount was worked out in accordance with the mechanism specified by DPC, based on eligible deposits position of the Bank as at 31 December 2018.

28.3 This includes reversal of provision for worker welfare fund (WWF) aggregating to Rs. 154.9 million. This provision is attributable to the branches located in provinces of Pakistan other than Sindh, and has been accumulated in the years 2013 to 2018. Accordingly, in the current period, provision for Sindh worker welfare fund (SWWF) is computed and recognized, on an estimated profits earned in the province of Sindh.

	Note	(Un-audited) 30 June 2019	(Un-audited) 30 June 2018 (Restated)
		------(Rupees in '000)-----	
29 OTHER CHARGES			
Penalties imposed by State Bank of Pakistan	29.1	59,351	16,519
Others		-	25
		<u>59,351</u>	<u>16,544</u>

- 29.1** On 25 July 2019, the SBP imposed a penalty of Rs 55.4 million upon regular regulatory inspection of the Bank covering a period from 01 January 2017 to 30 September 2018, which has been fully accrued as at 30 June 2019.

	Note	(Un-audited) 30 June 2019	(Un-audited) 30 June 2018 (Restated)
----- (Rupees in '000) -----			
30 (REVERSAL) / PROVISIONS & WRITE OFFS - NET			
Provisions for diminution in the value of investments		1,882	-
Reversal against loans & advances	10.3	(752,021)	(233,616)
Provision against other assets	22.3.1 (b)	81,083	-
Fixed assets written off		-	-
Bad debts written off directly		393	-
		<u>(668,663)</u>	<u>(233,616)</u>
		(Un-audited) 30 June 2019	(Un-audited) 30 June 2018
----- (Rupees in '000) -----			

31 TAXATION

Current		556,691	639,843
Prior years	31.1	119,500	73,517
Deferred		(18,494)	(65,077)
		<u>657,697</u>	<u>648,283</u>

- 31.1** This represents the super tax charge for the Tax Year 2018 as imposed by the Finance Supplementary (Second Amendment) Bill, 2019 at the rate of 4% of taxable income for the accounting year ended 31 December, 2017. Tax related contingencies are disclosed in note 22.3 to these financial statements.

	For the quarter ended		For the half year ended	
	(Un-audited) 30 June 2019	(Un-audited) 30 June 2018	(Un-audited) 30 June 2019	(Un-audited) 30 June 2018
----- Rupees in '000 -----				
32 BASIC EARNINGS PER SHARE				
Profit for the period	<u>251,692</u>	<u>315,970</u>	<u>974,999</u>	<u>975,982</u>
----- Number of shares -----				
Weighted average number of ordinary shares	<u>1,102,463,483</u>	<u>1,102,463,483</u>	<u>1,102,463,483</u>	<u>1,102,463,483</u>
----- (Rupees) -----				
Basic earnings per share	<u>0.2283</u>	<u>0.2866</u>	<u>0.8844</u>	<u>0.8853</u>
	For the quarter ended		For the half year ended	
	(Un-audited) 30 June 2019	(Un-audited) 30 June 2018	(Un-audited) 30 June 2019	(Un-audited) 30 June 2018
----- Rupees in '000 -----				
33 DILUTED EARNINGS PER SHARE				
Profit for the period	<u>251,692</u>	<u>315,970</u>	<u>974,999</u>	<u>975,982</u>
----- Number of shares -----				
Weighted average number of ordinary shares (adjusted for the effects of all dilutive potential ordinary shares)	<u>1,102,463,483</u>	<u>1,102,463,483</u>	<u>1,102,463,483</u>	<u>1,102,463,483</u>
----- (Rupees) -----				
Diluted earnings per share	<u>0.2283</u>	<u>0.2866</u>	<u>0.8844</u>	<u>0.8853</u>

34 CREDIT RATING

The Pakistan Credit Rating Agency (PACRA) has maintained the long term credit rating of 'AA-' (Double A Minus) and short term rating of 'A1+' (A One Plus) with Stable Outlook of the Bank through its notification dated 19 June 2019 [2018: long term 'AA-' (Double A Minus): short term 'A1+' (A One Plus)]

PACRA has also maintained the credit rating of the Bank's unsecured, subordinated and listed Term Finance Certificates (TFC – 2) issue of Rs 3,000 million at 'A+' (Single A plus) with Stable Outlook through its notification dated 19 June 2019.

Furthermore the Bank's unsecured, subordinated, rated, listed perpetual and non-cumulative Term Finance Certificates of Rs 4,000 million issue last year were assigned a rating of 'A' with Stable Outlook by PACRA through its notification dated 19 June 2019.

35 FAIR VALUE MEASUREMENTS

The fair value of quoted securities other than those classified as held to maturity, is based on quoted market price. Quoted securities classified as held to maturity are carried at cost. The fair value of unquoted equity securities, other than investments in associates and subsidiaries, is determined on the basis of the break-up value of these investments as per their latest available audited financial statements.

The fair value of unquoted debt securities, fixed term loans, other assets, other liabilities, fixed term deposits and borrowings cannot be calculated with sufficient reliability due to the absence of a current and active market for these assets and liabilities and reliable data regarding market rates for similar instruments.

35.1 Fair value of financial assets

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using input for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The table below analyses financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

	30 June 2019 (Un-audited)			
	Level 1	Level 2	Level 3	Total
	Rupees in '000			
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investments				
Federal Government securities	-	90,674,470	-	90,674,470
Shares - listed	3,613,041	-	-	3,613,041
Non-Government debt securities	-	3,282,967	-	3,282,967
Units of mutual fund	195,142	-	-	195,142
Financial assets - disclosed but not measured at fair value				
Investments				
Federal Government securities	-	9,369,976	-	9,369,976
Non-Government debt securities	-	95,265	-	95,265
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange	-	85,643,393	-	85,643,393
Forward sale of foreign exchange	-	76,921,692	-	76,921,692
Non - Financial Assets				
Operating fixed assets (land and buildings)	-	-	4,123,580	4,123,580
	<u>3,808,183</u>	<u>265,987,763</u>	<u>4,123,580</u>	<u>273,919,526</u>

	31 December 2018 (Audited)			
	Level 1	Level 2	Level 3	Total
On balance sheet financial instruments	-----Rupees in '000-----			
Financial assets - measured at fair value				
Investments				
Federal Government Securities	-	135,988,665	-	135,988,665
Shares	3,873,967	-	-	3,873,967
Non-Government debt securities	-	3,129,018	-	3,129,018
Units of mutual fund	210,149	-	-	210,149
Financial assets - disclosed but not measured at fair value				
Investments				
Federal Government securities	-	3,050,630	-	3,050,630
Non-Government debt securities	-	138,820	-	138,820
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange	-	83,572,972	-	83,572,972
Forward sale of foreign exchange	-	74,138,425	-	74,138,425
Non - financial Assets				
Operating fixed assets (land and buildings)	-	-	4,148,354	4,148,354
	<u>4,084,116</u>	<u>300,018,530</u>	<u>4,148,354</u>	<u>308,251,000</u>

The Bank's policy is to recognise transfers into and out of the different fair value hierarchy levels at the date the event or change in circumstances that caused the transfer occurred. There were no transfers between levels 1 and 2 during the period.

(a) Financial instruments in level 1

Financial instruments included in level 1 comprise of investments in listed ordinary shares and units of mutual funds.

(b) Financial instruments in level 2

Financial instruments included in level 2 comprise of GoP Ijarah Sukuks, Pakistan Investment bonds, Market Treasury bills, Corporate bonds, Term Finance and Sukuk certificates.

(c) Financial instruments in level 3

Financial instruments included in level 3 comprise of operating fixed assets (land and building).

Valuation techniques and inputs used in determination of fair values

Item	Valuation techniques and input used
Fully paid-up ordinary shares	Fair values of investments in listed equity securities are valued on the basis of closing quoted market prices available at the stock exchange.
Pakistan Investment Bonds / Market Treasury Bills	Fair values of Pakistan Investment Bonds and Treasury Bills are derived using the PKRV rates (Reuters page).
Government of Pakistan - Ijarah Sukuks	Fair values of GoP Ijarah Sukuks are derived using the PKISRV rates announced by the Financial Market Association (FMA) through Reuters. These rates denote an average of quotes received from nine different pre-defined / approved dealers / brokers.
Term Finance, Bonds and Sukuk certificates	Investments in debt securities (comprising term finance certificates, bonds, sukuk certificates and any other security issued by a company or a body corporate for the purpose of raising funds in the form of redeemable capital) are valued on the basis of the rates announced by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by the Securities and Exchange Commission of Pakistan. In the determination of the rates, MUFAP takes into account the holding pattern of these securities and categorises them as traded, thinly traded and non-traded securities.
Units of mutual funds	Fair values of investments in units of mutual funds are determined based on redemption prices as at the close of the business day.
Operating fixed assets (land and building)	Land and buildings are revalued on a periodic basis using professional valuers. The valuation is based on their assessment of the market value of the assets. The effect of changes in the unobservable inputs used in the valuations cannot be determined with reasonable certainty. Accordingly, a qualitative disclosure of sensitivity has not been presented in these condensed interim financial statements.

36 SEGMENT INFORMATION

36.1 Segment details with respect to business activities

	----- 30 June 2019 (Un-audited) -----					
	Retail Banking	Corporate	Islamic	Trading and Sales	Others	Total
	-----Rupees in '000-----					
Profit and loss						
Net mark-up / return / profit	(5,060,505)	5,940,846	296,136	3,169,923	(450,663)	3,895,737
Inter segment revenue - net	7,891,751	(4,972,025)	-	(3,673,283)	753,557	-
Non mark-up / return / interest income	806,114	199,324	53,622	294,076	(260,646)	1,092,490
Total income	3,637,360	1,168,145	349,758	(209,284)	42,248	4,988,227
Segment direct expenses	2,519,084	99,995	178,883	65,267	1,160,965	4,024,194
Inter segment expense allocation	91,488	1,390	5,343	400	(98,621)	-
Total expenses	2,610,572	101,385	184,226	65,667	1,062,344	4,024,194
(Reversal) / Provisions	(832,301)	79,382	1,031	-	83,225	(668,663)
Profit before tax	1,859,089	987,378	164,501	(274,951)	(1,103,321)	1,632,696

Balance sheet

Cash & bank balances	26,629,535	2,504,864	1,622,416	1,590,495	-	32,347,310
Investments	-	29,856	5,209,201	102,452,851	-	107,691,908
Net inter segment lending	181,412,307	-	-	(194,509,338)	13,097,031	-
Lendings to financial and other institutions	-	-	-	101,151	-	101,151
Advances - performing	50,713,317	132,944,694	9,858,534	-	3,803,063	197,319,608
- non-performing	2,191,202	946,669	41,808	-	57,750	3,237,429
Others	5,180,481	4,886,277	1,418,338	2,800,204	10,378,046	24,663,346
Total assets	266,126,842	141,312,360	18,150,297	(87,564,637)	27,335,890	365,360,752
Borrowings	8,098,886	4,463,802	149,169	23,401,870	-	36,113,727
Subordinated debt	-	-	-	-	6,995,200	6,995,200
Deposits & other accounts	249,437,642	22,664,299	15,668,746			287,770,687
Net inter segment borrowing	-	109,612,504	1,722,925	(111,335,429)		-
Others	8,590,314	4,571,755	609,457	368,922	2,529,870	16,670,318
Total liabilities	266,126,842	141,312,360	18,150,297	(87,564,637)	9,525,070	347,549,932
Equity	-	-	-	-	17,810,820	17,810,820
Total equity & liabilities	266,126,842	141,312,360	18,150,297	(87,564,637)	27,335,890	365,360,752

Contingencies & commitments

In respect of letter of credit / guarantees	24,671,492	15,533,335	1,193,260	-	-	41,398,087
In respect of forward foreign exchange contracts	-	-	-	147,541,458	-	147,541,458
In respect of forward lendings	-	4,983,590	-	-	-	4,983,590
In respect of fixed assets	-	-	-	-	63,493	63,493
In respect of government securities	-	-	-	4,952,632	-	4,952,632
In respect of other contingencies	-	-	-	-	3,046,639	3,046,639
Total	24,671,492	20,516,925	1,193,260	152,494,090	3,110,132	201,985,899

Profit and loss

Net mark-up / return / profit	(1,620,085)	2,777,351	126,969	2,054,775	(40,351)	3,298,659
Inter segment revenue - net	3,922,016	(2,272,885)	-	(1,999,376)	350,245	-
Non mark-up / return / interest income	676,032	202,538	27,148	941,824	(196,601)	1,650,941
Total income	2,977,963	707,004	154,117	997,223	113,293	4,949,600
Segment direct expenses	2,316,811	105,559	143,410	62,638	930,533	3,558,951
Inter segment expense allocation	38,620	709	2,307	186	(41,822)	-
Total expenses	2,355,431	106,268	145,717	62,824	888,711	3,558,951
(Reversal) / Provisions	(276,144)	42,361	167			(233,616)
Profit before tax	898,676	558,375	8,233	934,399	(775,418)	1,624,265

	-----31 December 2018 (Audited)-----					
	Retail Banking	Corporate	Islamic	Trading and Sales	Others	Total
	-----Rupees in '000-----					
Balance Sheet						
Cash & bank balances	22,442,200	2,875,362	1,218,456	663,273	-	27,199,291
Investments	-	67,917	5,147,722	141,429,894	-	146,645,533
Net inter segment lending	153,247,434	-	-	(169,745,870)	16,498,436	-
Lendings to financial and other institutions	-	-	-	3,921,270	-	3,921,270
Advances - performing	56,246,103	115,614,636	7,964,587	-	3,607,209	183,432,535
Advances - non-performing	2,277,440	663,082	40,777	-	61,349	3,042,648
Others	5,002,428	4,558,699	398,221	2,200,309	6,096,854	18,256,511
Total assets	239,215,605	123,779,696	14,769,763	(21,531,124)	26,263,848	382,497,788
Borrowings	7,555,688	4,593,322	328,236	69,485,671	-	81,962,917
Subordinated debt	-	-	-	-	6,996,400	6,996,400
Deposits & other accounts	224,726,717	25,414,862	12,237,182	-	-	262,378,761
Net inter segment borrowing	-	89,921,291	1,779,538	(91,700,829)	-	-
Others	6,933,200	3,850,221	424,807	684,034	1,278,574	13,170,836
Total liabilities	239,215,605	123,779,696	14,769,763	(21,531,124)	8,274,974	364,508,914
Equity	-	-	-	-	17,988,874	17,988,874
Total equity & liabilities	239,215,605	123,779,696	14,769,763	(21,531,124)	26,263,848	382,497,788
Contingencies & Commitments						
In respect of letter of credit /guarantees	24,119,784	14,961,863	1,655,703	-	-	40,737,350
In respect of forward foreign exchange contracts	-	-	-	152,359,696	-	152,359,696
In respect of forward lendings	-	3,056,954	-	-	-	3,056,954
In respect of fixed assets	-	-	-	-	121,073	121,073
In respect of government securities	-	-	-	1,968,946	-	1,968,946
In respect of other contingencies	-	-	-	-	2,278,386	2,278,386
Total	24,119,784	18,018,817	1,655,703	154,328,642	2,399,459	200,522,405

36.1.1 The operations of the Bank are currently based only in Pakistan, therefore, geographical segment is not relevant.

37 RELATED PARTY TRANSACTIONS

The Bank has related party transactions with its related group companies, major shareholders, staff retirement funds, directors and their close family members (including their associates) and key management personnel.

The Bank enters into transactions with related parties in the ordinary course of business and on substantially the same terms as for comparable transactions with person of similar standing. Contributions to and accruals in respect of staff retirement benefits and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to the executives / officers is determined in accordance with the terms of their appointment.

Details of transactions with related parties during the period, other than those which have been disclosed elsewhere in these financial statements are as follows:

Particulars	30 June 2019 (Un-audited)			31 December 2018 (Audited)		
	Directors	Key management personnel	Other related parties	Directors	Key management personnel	Other related parties
------(Rupees in '000)-----						
Statement of financial position						
Investments						
Opening balance	-	-	259,268	-	-	240,000
Investment made during the period / year	-	-	69,263	-	-	50,005
Investment redeemed / disposed during the period / year	-	-	(69,263)	-	-	(30,737)
Closing balance	-	-	259,268	-	-	259,268
Advances						
Opening balance	3,000	169,576	-	3,500	111,729	-
Addition during the period/year	5,000	57,586	-	500	85,361	-
Repaid during the period/year	(3,000)	(31,941)	-	(1,000)	(33,235)	-
Transfer in / (out) - net	-	(4,327)	-	-	5,721	-
Closing balance	5,000	190,894	-	3,000	169,576	-
Other assets						
Interest / mark-up accrued	137	174	-	167	33	-
Other receivables	-	-	-	-	-	-
against E-banking settlement	-	-	412,035	-	-	115,100
against investment	-	-	50,000	-	-	50,000
	137	174	462,035	167	33	165,100
Deposits and other accounts						
Opening balance	247,127	25,704	4,993,206	235,344	46,327	4,323,175
Received during the period / year	973,152	362,553	58,544,163	1,196,771	380,449	76,961,727
Withdrawn during the period / year	(666,724)	(360,814)	(58,278,275)	(1,184,988)	(375,081)	(76,291,696)
Transfer in / (out) - net	-	5,161	-	-	(25,991)	-
Closing balance	553,555	32,604	5,259,094	247,127	25,704	4,993,206
Other liabilities						
Payable to staff retirement fund	-	-	48,440	-	-	-
Interest / mark-up payable	329	196	52,489	2,204	98	41,278
Contingencies and Commitments						
Guarantees	-	-	-	-	-	2,287

Particulars	30 June 2019 (Un-audited)			30 June 2018 (Un-audited)		
	Directors	Key management personnel	Other related parties	Directors	Key management personnel	Other related parties
------(Rupees in '000)-----						
Profit and loss account						
Income						
Mark-up / return / interest earned	183	5,452	-	128	4,471	-
Fee and commission income	32	76	120	46	15	155
Expense						
Mark-up / return / interest paid	10,327	519	272,973	7,204	387	75,707
Rent expense	-	-	5,849	-	-	5,317
ATM and ADC charges	-	-	6,663	-	-	5,397

38 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

Minimum Capital Requirement (MCR):

Paid-up capital (net of losses)

(Un-audited) (Audited)
30 June 31 December
2019 2018
----- (Rupees in '000) -----

Capital Adequacy Ratio (CAR):

Eligible Common Equity Tier 1 (CET 1) Capital

Eligible Additional Tier 1 (ADT 1) Capital

Total Eligible Tier 1 Capital

Eligible Tier 2 Capital

Total Eligible Capital (Tier 1 + Tier 2)

Risk Weighted Assets (RWAs):

Credit Risk

Market Risk

Operational Risk

Total

Common Equity Tier 1 Capital Adequacy ratio

Tier 1 Capital Adequacy Ratio

Total Capital Adequacy Ratio

11,024,636	11,024,636
15,178,503	15,359,095
3,039,661	3,082,678
18,218,164	18,441,773
4,832,405	4,995,354
23,050,569	23,437,127
133,895,526	133,719,523
7,939,174	8,246,679
17,105,251	17,422,308
158,939,951	159,388,510
9.55%	9.64%
11.46%	11.57%
14.50%	14.70%

(Un-audited) (Audited)
30 June 31 December
2019 2018

National minimum capital requirements prescribed by SBP

CET1 minimum ratio

Tier 1 minimum ratio

Total capital minimum ratio

6.00%	6.00%
7.50%	7.50%
11.90%	11.90%

(Un-audited) (Audited)
30 June 31 December
2019 2018
----- (Rupees in '000) -----

Leverage Ratio (LR):

Eligible Tier-1 Capital

Total Exposures

Leverage Ratio - percentage

18,218,164	18,441,773
448,047,882	515,189,170
4.07%	3.58%

(Un-audited) (Audited)
30 June 31 December
2019 2018
----- (Rupees in '000) -----

Liquidity Coverage Ratio (LCR):

Total High Quality Liquid Assets

Total Net Cash Outflow

Liquidity Coverage Ratio - percentage

98,277,974	107,190,086
91,545,095	92,037,670
107.35%	116.46%

Net Stable Funding Ratio (NSFR):

Total Available Stable Funding

Total Required Stable Funding

Net Stable Funding Ratio - percentage

217,161,737	204,605,129
188,448,785	164,874,965
115.24%	124.10%

- 38.1** The Bank follows the below mentioned approach for determining credit risk, market risk and operational risk exposures in the capital adequacy calculation:

Risk Type	Approach adopted by Bank
Credit Risk	Standardized Approach
Market Risk	Standardized Approach
Operational Risk	Basic Indicator Approach

39 ISLAMIC BANKING BUSINES

The Bank is operating 21 Islamic Banking branches (31 December 2018: 21). The statement of financial position and profit and loss account of these branches (including Islamic Banking Division) are as follows:

BSD circular letter No. 03 dated 22 January 2013 requires all Islamic Banks and Banks with Islamic Banking Branches to present all financing, advances for assets under Islamic modes of financing and any other related items pertaining to Islamic mode of financing under the caption Islamic Financing and Related Assets in the Statement of Financial Position.

	Note	(Un-audited) 30 June 2019	(Audited) 31 December 2018
------(Rupees in '000)-----			
ASSETS			
Cash and balances with treasury banks		1,293,761	887,183
Balances with other banks		328,655	331,273
Due from financial institutions		-	-
Investments	39.1	5,209,201	5,147,722
Islamic financing and related assets- net	39.2	9,900,342	8,005,364
Fixed assets		352,564	208,419
Intangible assets		-	-
Due from head office		607,069	-
Other assets		458,705	189,802
Total assets		18,150,297	14,769,763
LIABILITIES			
Bills payable		186,321	161,871
Due to financial institutions		149,169	328,236
Deposits and other accounts	39.3	15,668,746	12,237,182
Due to head office		-	165,587
Other liabilities		423,136	97,349
Total liabilities		16,427,372	12,990,225
NET ASSETS		1,722,925	1,779,538
REPRESENTED BY:			
Islamic banking fund		1,500,000	1,500,000
Accumulated profit	39.5	164,501	129,190
Surplus on revaluation of assets - net of tax		58,424	150,348
		1,722,925	1,779,538
CONTINGENCIES AND COMMITMENTS	39.6		

The profit and loss account of the Bank's Islamic banking branches for the period ended 30 June 2019 is as follows:

		(Un-audited) 30 June 2019 ------(Rupees in '000)-----	(Un-audited) 30 June 2018
Profit / return earned	39.7	849,533	432,419
Profit / return expensed	39.8	553,397	305,450
Net profit / return		296,136	126,969
Other income			
Fee and commission Income		31,622	21,297
Foreign exchange income		21,194	5,201
Loss on securities		-	-
Other income		806	650
Total other income		53,622	27,148
		349,758	154,117
Other expenses			
Operating expenses		183,846	145,717
Other charges		380	-
Total other expenses		184,226	145,717
Profit before provisions		165,532	8,400
Provisions and write offs - net		(1,031)	(167)
Profit before taxation		164,501	8,233

39.1 Investments by segments:

	30 June 2019 (Un -audited)				31 December 2018 (Audited)			
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
----- (Rupees in '000) -----								
Federal Government securities:								
-Ijarah sukuks	385,000	-	(15,015)	369,985	400,000	-	(7,160)	392,840
-Bai muajjal from Government of Pakistan (GoP)	2,205,789	-	-	2,205,789	2,074,788	-	-	2,074,788
	2,590,789	-	(15,015)	2,575,774	2,474,788	-	(7,160)	2,467,628
Non-Government debt securities								
-Listed	328,262	-	2,034	330,296	406,525	-	4,096	410,621
-Unlisted	2,289,860	(19,860)	33,131	2,303,131	2,174,194	(19,860)	115,139	2,269,473
	2,618,122	(19,860)	35,165	2,633,427	2,580,719	(19,860)	119,235	2,680,094
Total Investments	5,208,911	(19,860)	20,150	5,209,201	5,055,507	(19,860)	112,075	5,147,722

39.2 Islamic financing and related assets

	(Un-audited) 30 June 2019	(Audited) 31 December 2018
	------(Rupees in '000)-----	
Ijarah	428,511	423,793
Murabaha	1,350,023	880,480
Musharaka	895,028	735,531
Diminishing Musharaka	3,945,758	3,540,549
Salam	1,227,754	72,015
Istisna	479,930	-
Other islamic modes	58,404	-
Advances against islamic assets		
Murabaha	316,027	754,348
Ijarah	22,172	58,193
Diminishing musharakah	-	13,471
Salam	314,548	1,405,323
Istisna	891,500	150,000
Gross Islamic financing and related assets	9,929,655	8,033,703
Less: Provision against Islamic financing		
- Specific	29,313	28,339
- General	-	-
	29,313	28,339
Islamic financing and related assets - net of provision	9,900,342	8,005,364

39.3 Deposits and other accounts

Customers

Current deposits	2,270,435	2,160,426
Savings deposits	4,482,492	3,817,937
Other	675,006	676,152
Term deposits	2,327,613	641,477
	9,755,546	7,295,992

Financial Institutions

Current deposits	44,267	22,299
Savings deposits	5,447,833	4,718,891
Term deposits	421,100	200,000
	5,913,200	4,941,190
	15,668,746	12,237,182

39.3.2 This includes deposits eligible to be covered under insurance arrangements amounting to Rs 5,725 million as at 31 December 2018.

39.4 Charity Fund

	(Un-audited) 30 June 2019	(Audited) 31 December 2018
	------(Rupees in '000)-----	
Opening balance	-	-
Additions during the period/year	-	-
Received from customers on account of delayed payment	-	-
	-	-
Payments / utilization during the period/year	-	-
Health	-	-
	-	-
Closing balance	-	-

	(Un-audited) 30 June 2019	(Audited) 31 December 2018				
	----- (Rupees in '000) -----					
39.5 Islamic Banking Business - Unappropriated Profit						
Opening balance	129,190	160,665				
Add: Islamic Banking profit for the period/year	164,501	129,190				
Less: Transferred / remitted to Head Office	(129,190)	(160,665)				
Closing balance	164,501	129,190				
39.6 CONTINGENCIES AND COMMITMENTS						
-Guarantees	500,959	435,565				
-Other contingent liabilities	692,301	1,220,138				
	1,193,260	1,655,703				
	(Un-audited) 30 June 2019	(Un-audited) 30 June 2018				
	----- (Rupees in '000) -----					
39.7 Profit / Return Earned of Financing, Investments and Placement						
Profit earned on:						
Financing	553,322	128,513				
Investments	296,211	131,032				
Placements	-	169,801				
Others	-	3,073				
	849,533	432,419				
39.8 Profit on Deposits and Other Dues Expensed						
Deposits and other accounts	472,267	305,051				
Due to financial institutions	1,931	399				
Others	79,199	-				
	553,397	305,450				
39.9 Pool Management						
	30 June 19 (Un-audited)			31 December 2018 (Audited)		
	Normal Pool	Special Pool	Total	Normal Pool	Special Pool	Total
	----- (Rupees in '000) -----					
Chemical and Pharmaceuticals	475,366	530,439	1,005,805	924,782	56,526	981,308
Textile	179,808	252,551	432,359	632,739	62,654	695,393
Cement	-	180,453	180,453	-	232,842	232,842
Sugar	1,506,621	573,278	2,079,899	497,336	270,000	767,336
GOP Bai Muajjal / Ijarah Sukuk	369,985	2,205,789	2,575,774	-	2,467,628	2,467,628
Automobile and transportation equipment	2,342	12,945	15,287	23,096	-	23,096
Financial	10,989	555,852	566,841	424,840	501,184	926,024
Electronics and electrical appliances	-	300,145	300,145	201,024	-	201,024
Production and transmission of energy	823,477	3,475,171	4,298,648	37,331	4,146,182	4,183,513
Exports Imports	43,472	134,513	177,985	120,148	-	120,148
Wholesale & Retail Trade	95,090	31,886	126,976	52,296	-	52,296
Construction	200,000	106,690	306,690	181,905	-	181,905
Food and allied	146,500	640,518	787,018	600,702	-	600,702
Services	-	1,689,947	1,689,947	281,161	948,084	1,229,245
Iron & Steel	400,000	-	400,000	400,000	-	400,000
Individual	-	-	-	-	-	-
Others	170,488	24,539	195,027	421,899	-	421,899
	4,424,138	10,714,716	15,138,854	4,799,259	8,685,100	13,484,359

Musharaka investments from the SBP under Islamic Export Refinance Scheme (IERS) are channelled towards the export sector of the economy and other financings as per SBP guidelines.

39.10 Key features and risk and reward characteristics of all pools

The 'Mudaraba Pool' for Local Currency caters to all Soneri Bank Limited - Islamic Banking depositors and provides profit / loss based on Mudaraba.

The IERS Pool caters to the 'Islamic Export Refinance' requirements based on the guidelines issued by the SBP.

The risk characteristic of each pool mainly depends on the asset and liability profile of each pool.

Jointly financed by the Bank and unrestricted investments / PLS deposit account holders

This represents all earning assets of the Bank except those tagged to the Islamic Export Refinance Scheme. Major categories include:

	Funded Income	Expenses	Gains / (loss) on sale of securities	Total
	----- (Rupees in '000) -----			
Islamic financing and related assets	541,801	-	-	541,801
Investments	296,211	-	-	296,211
Due from financial institutions	-	-	-	-
Others	-	-	-	-
	<u>838,012</u>	<u>-</u>	<u>-</u>	<u>838,012</u>

39.11 Incentive profits (Hiba)

The Bank paid an aggregate amount of Rs 58.031 million as incentive profits (Hiba), which includes Rs 6.123 million for normal pool and Rs. 51.908 million for special pool during the year ended 30 June 2019. The following guidelines are approved by the Bank's Sharia Advisor for determination of incentive profits (Hiba):

- Special weightage deposits in designated tiers / slabs in Mudaraba Pool shall be offered extra weightages outside the Mudaraba Pool, provided the specified parameters are met ;
- The deposit deal shall be at least of Rs 100 thousands ;
- In case a Term Deposit is pre-maturely encashed, profit shall be paid at the expected rate of completed tenor;
- The payment of Hiba on deposits will be at the sole discretion of the Bank and could be decreased or / and removed any time during the tenure of the deposit, under intimation to the customer, if the customer fails to meet the prerequisites at any time during the tenure of the deposit and / or the profit rate no longer remains sustainable from Bank's share; and
- The Bank shall ensure that all the operational procedures and controls to the satisfaction of Sharia are in place.

39.12 Contractual maturities of mudaraba based deposit accounts

Particulars	30 June 2019							
	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years
(Rupees in '000)								
Fixed Deposits	2,748,713	161,250	2,174,567	177,813	226,383	5,650	3,050	-
Savings Deposits	8,668,236	8,668,236	-	-	-	-	-	-
Current Account								
- Remunerative	1,262,089	1,262,089	-	-	-	-	-	-
	<u>12,679,038</u>	<u>10,091,575</u>	<u>2,174,567</u>	<u>177,813</u>	<u>226,383</u>	<u>5,650</u>	<u>3,050</u>	<u>-</u>

Profit / (loss) distribution to depositor's pool

General Remunerative Depositor's Pools	Profit Sharing Ratio (Depositor: Mudarib)	Profit rate return earned	Mudarib Share transferred to the Depositors through Hiba (Rs in '000)	Mudarib Share transferred to the Depositors through Hiba (Percentage)	Mudarib share Net of Hiba (Rs in '000)	Mudarib share Net of Hiba Percent	Profit rate and weightage announcement period	Profit rate return distributed
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Mudaraba Pool

Normal Pool	75.00%	5.43%	6,123	28.93%	15,041	17.77%	Monthly	4.34%
Special Pool	75.00%	11.69%	51,908	48.59%	54,919	12.85%	Monthly	10.05%
Total	75.00%	10.64%	58,031	45.34%	69,960	13.66%	Monthly	9.15%

IERS Musharaka Pool	Ratio of weightage of Bank to SBP	Share of profit to SBP (Rupees in '000)	HIBA (Rupees in '000)	Profit rate and weightage announcement period	Profit rate return earned by SBP
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Musharaka Pool SBP's Islamic Export Refinance Scheme	0.1110	1,841	-	Quarterly	1.44%
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Parameters used for allocation of profit, charging expenses and provisions, etc. along with a brief description of their major components:

Income generated from relevant assets, calculated at the end of each month is first set aside for the Musharaka pool arrangement between the Bank and the State Bank of Pakistan. It is then allocated between the participants of the pool as per the agreed weightages and rates.

The Mudaraba Pool profit is divided between the Bank and depositors in the ratio of Bank's average equity (pertaining to Islamic banking branches) and average depositors balances commingled in each pool on a pro-rata basis. The depositors' share of profit is allocated amongst them on the basis of weightages declared before start of each month, after deduction of a mudarib fee. During the year ended 30 June 2019, the Bank charged 25% (2018: 25%) of the profit as Mudarib fee. These weightages are declared by the Bank in compliance with the requirements of the SBP and Shariah.

The allocation (of income and expenses to different pools) is made on a pre-defined basis and accounting principles / standards. Provisions against any non-performing assets of the pool are not passed on to the pool.

39.13 Allocation of Income and Expenses to Depositors' Pools

a)	Following are material items of revenues, expenses, gains and losses	(Un-audited) 30 June 2019 ------(Rupees in '000)-----	(Un-audited) 30 June 2018 ------(Rupees in '000)-----
	Profit / return earned on financings, investments and placements	838,012	431,401
	Other income (including other charges)	53,622	27,148
	Directly related costs attributable to pool	-	(3,281)
		<u>891,634</u>	<u>455,268</u>

b) Following weightages have been assigned to different products under the Mudaraba Pool during the period:

	Percentage of total Mudaraba based deposits	Minimum weightage	Maximum weightage
Savings - Soneri Munafa Account	67%	0.4382	1.1427
Savings - Soneri Bachat Account	1%	0.4382	0.5017
Savings - Assan Account	0%	0.4382	0.5017
Current Account - Remunerative	10%	0.0048	0.0279
Time Deposits - Soneri Meadi	22%	0.5112	1.2821

The Bank shares all its revenue generated through banking operations with the deposit account (pertaining to Islamic Operation) holders.

40 Comparatives

Comparative information has been re-classified and re-arranged in this condensed interim financial statements, wherever Comparative information has been reclassified, rearranged or additionally incorporated in these condensed interim financial statements for the purposes of better presentation. The Comparative information has been reclassified and / or restated as a result of revised format of interim financial statement as more fully explained in note 4.1.1 to these condensed interim financial statements.

41 GENERAL

Figures have been rounded off to the nearest thousand rupees unless otherwise stated.

42 DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on 28 August 2019 by the Board of Directors of the Bank.

Mirza Zafar Baig
Chief Financial Officer

Alauddin Feerasta
Chairman

Mohammad Aftab Manzoor
President & Chief Executive Officer

Nooruddin Feerasta
Director

Muhammad Rashid Zahir
Director

LIST OF BRANCHES

AS AT 30 JUNE 2019

REGISTERED OFFICE

Rupali House, 241-242 Upper Mall Scheme,
Anand Road Lahore-54000 - Pakistan
Tel. No: (+92-42) 35713101-2 & 35792180

CENTRAL OFFICE

10th Floor, PNSC Building, M. T. Khan Road
Karachi Tel. No: (+92-21) 32444401-5 & 111-567-890
Swift: SONEPKKAXXX

CENTRAL REGION

Main Branch, Lahore

Tel: (042) 36368141-8 & 111-567-890

Defence Branch, Lahore

Tel. No: (042) 35730760-1, 3574616 &
(042) 35691037-9

Gulberg Branch, Lahore

Tel. No: (042) 35713445-8, 35759273 &
(042) 35772294-5

Circular Road Branch, Lahore

Tel. No: (042) 37670483, 86, 89 &
(042) 37379319

Model Town Branch, Lahore

Tel. No: (042) 35889311-2 & 35915666

Peco Road Branch, Lahore

Tel. No: (042) 35222306-7, 35203050-1,
(042) 35177804 & 35173392

Cavalry Ground Branch, Lahore

Tel. No: (042) 36653728-30 & 36619702

Islamic Banking

Temple Road Branch, Lahore

Tel. No: (042) 36376341, 2 & 6

Allama Iqbal Town Branch, Lahore

Tel. No: (042) 37812395-7

Baghbanpura Branch, Lahore

Tel. No: (042) 36832811-3

Thokar Niaz Baig Branch, Lahore

Tel. No: (042) 35313651, 3 & 4
0317-4484542-3

Ghazi Chowk Branch, Lahore

Tel. No: (042) 35188505-7 & 35185661-3

Islamic Banking

New Garden Town Branch, Lahore

Tel. No: (042) 35940611-616

DHA Phase-III Branch, Lahore

Tel. No: (042) 35734081, 2, 3 & 5

Chungi Amer Sadhu Branch, Lahore

Tel. No: (042) 35922182, 184 & 186

Johar Town Branch, Lahore

Tel. No: (042) 35204191-3

Wahdat Road Branch, Lahore

Tel. No: (042) 37424821-7 & 37420591

Gunpat Road Branch, Lahore

Tel. No: (042) 37361607-9

Airport Road Branch, Lahore

Tel. No: (042) 35700115-8

Timber Market Branch, Lahore

Tel. No: (042) 37725353-8

Shahdara Branch, Lahore

Tel. No: (042) 37920085, 37941741-3 &
(042) 37921743-8

Manga Mandi Branch, Lahore

Tel. No: (042) 35383516-9

Badian Road Branch, Lahore

Tel. No: (042) 37165390-2

Mughalpur Branch, Lahore

Tel. No: (042) 36880892-4

Upper Mall Branch, Lahore

Tel. No: (042) 35789346, 49, 51 & 55

Islampura Branch, Lahore

Tel. No: (042) 37214394-7

Garhi Shahu Branch, Lahore

Tel. No: (042) 36294201-3 & 36376096

Zarrar Shaheed Road Br., Lahore

Tel. No: (042) 36635167-8

Hamdard Chowk Kot Lakhpat Br., Lahore

Tel. No: (042) 35140261-3

Kana Kacha Branch, Lahore

Tel. No: (042) 35472222 & 0316-8226316-8

Sabzazar Branch, Lahore

Tel. No: (042) 37830881-6

DHA Phase-IV Br., Lahore

Tel. No: (042) 35694156-7

Azam Cloth Market Branch, Lahore

Tel. No: (042) 37662203-7

Jail Road Branch, Lahore

Tel. No: (042) 35408936-8

Badami Bagh Branch, Lahore

Tel. No: (042) 37731601, 2 & 4

Montgomery Road Branch, Lahore

Tel. No: (042) 36291013-4

Islamic Banking

DHA Phase: VI Branch, Lahore

Tel. No: (042) 37180535-7

Bahria Town Branch, Lahore

Tel. No: (042) 35976354 & 0316-8226346-9

Expo Centre Branch, Lahore

Tel. No: (042) 35314087, 88, 90 & 91

Wapda Town Branch, Lahore

Tel. No: (042) 35187611-2

Shah Alam Market Branch, Lahore

Tel. No: (042) 37376213-4

DHA Phase-V Branch, Lahore

Tel. No: (042) 35695678 & 0316-8226322-3

Chauburji Branch, Lahore

Tel. No: (042) 37112228 & 0316-8226325-7

Walton Road Branch, Lahore

Tel. No: (042) 36672305 & 0316-8226339, 40 & 41

Faisal Town Branch, Lahore

Tel. No: (042) 35170540 & 0316-8226335, 7 & 8

Karim Block Branch, Lahore

Tel. No: (042) 35417757 & 0316-8226412, 3 & 4

Defence Road Branch, Lahore

Tel. No: 0316-8226415-8

Safari Garden Branch, Lahore

Tel. No: 0317-4484537-9

Raiwind Branch, Lahore

Tel. No: (042) 35398661-2 & 0317-4484562-4

Muridke Branch

Tel. No: (042) 37166511-4 & 37981100

Main Branch, Gujranwala

Tel. No: (055) 3843560-2 & 111-567-890

Islamic Banking**Gujranwala Cantt. Branch, Gujranwala**

Tel. No: (055) 3861931-3 & 5

Wapda Town Branch, Gujranwala

Tel. No: (055) 4291136-7

Kamokee Branch, Distt. Gujranwala

Tel. No: (055) 6813501-6

Main Branch, FaisalabadTel. No: (041) 2639873, 7-8 &
(041) 111-567-890**Peoples Colony Branch, Faisalabad**

Tel. No: (041) 8555714 & 8555720

Ghulam Muhammadabad**Branch, Faisalabad**

Tel. No: (041) 2680114, 110 & 117

Islamic Banking**East Canal Road Branch, Faisalabad**

Tel. No: (041) 2421381-2

Civil Lines Branch, Faisalabad

Tel. No: (041) 2648105, 8 & 11

Madina Town Branch, FaisalabadTel. No: (041) 8735551-2 &
0316-8226451-3**Jaranwala Branch, Distt. Faisalabad**

Tel. No: (041) 4312201-6

Samundri Branch, Distt. Faisalabad

Tel. No: (041) 3423983-4

Painsera Branch, Distt. Faisalabad

Tel. No: (041) 2557100-11 & 2574300

Khurrianwala Branch

Tel. No: (041) 4360701-2

Chiniot Branch

Tel. No: (047) 6333840-4

Jhang Branch

Tel. No: (047) 7651601-2

Small Industrial Estate Branch, Sialkot

Tel. No: (052) 3242607-9

Pasrur Road Branch, SialkotTel. No: (052) 3521655, 755 & 855 &
(052) 3611655 & 755**Islamic Banking****Sialkot Cantt Branch, Sialkot**

Tel. No: (052) 4560023-7

Godhpur Branch, Sialkot

Tel. No: (052) 4563932-3

Daska Branch, Distt. Sialkot

Tel. No: (052) 6617847-8

Sheikhupura Branch

Tel. No: (056) 3810933 & 3813133

Nankana Sahib Branch

Tel. No: (056) 2876342-3

Wazirabad Branch

Tel. No: (055) 6603703-4 & 6608555

Ghakkar Mandi Branch

Tel. No: (055) 3832611-2

Main Branch, MultanTel. No: (061) 4504018, 4504118,
(061) 4519927 & 4512884**Islamic Banking****Shah Rukn-e-Alam Branch, Multan**

Tel. No: (061) 6784051-4 & 6782081

Bosan Road Branch, Multan

Tel. No: (061) 6210690-2

Mumtazabad Branch, Multan

Tel. No: (061) 6760212-4

Gulgasht Colony Branch, Multan

Tel. No: (061)-6222701 & 0316-8226393-5

Wapda Town Branch, Multan

Tel. No: (061) 6213011 & 0316-8226441-2

Azmat Road Br., Dera Ghazi Khan

Tel. No: (064) 2471630-6

Lodhran Branch

Tel. No: (0608) 364766-7

Rahim Yar Khan Branch

Tel. No: (068) 5886042-4

Liaquatpur Br., Distt. Rahim Yar Khan

Tel. No: (068) 5792041-4

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(068) 5800661 & 5801161**Bahawalpur Branch**

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Haveli Lakha Branch

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Tel. No: (0547) 500848-50

Hafizabad Branch

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Tel. No: (021) 36618932, 36618925 &
0316-8226154-62

Gulistan-e-Jauhar Branch, Karachi

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M. A. Jinnah Road Branch, Karachi

Tel. No: (021) 32213972 & 32213498

Gulbahar Branch, Karachi

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Tel. No: (021) 36752206-7

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F-11 Markaz Branch, Islamabad

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