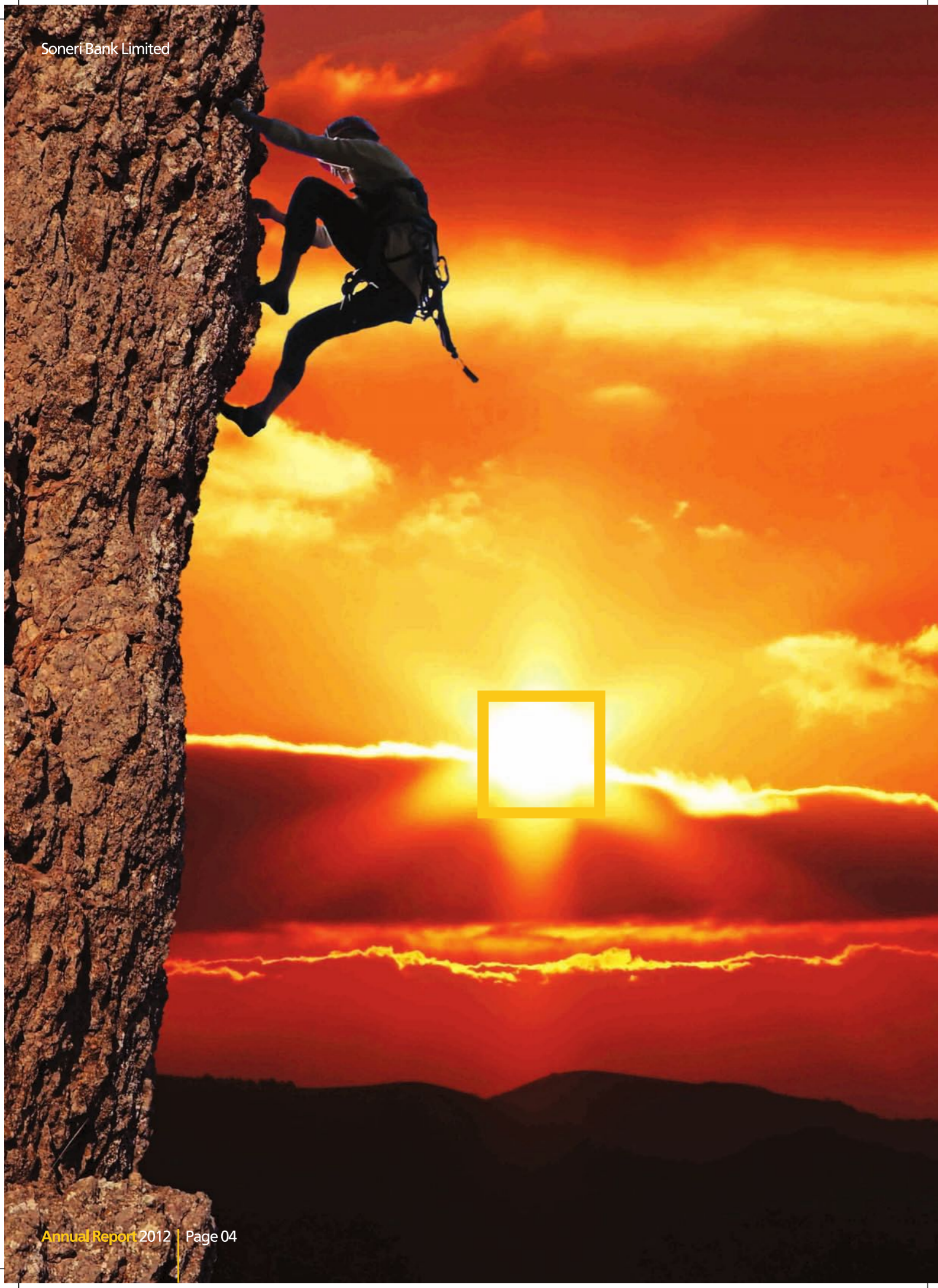


Annual
report
2012



Vision

To better serve customers to help them and the society grow



Mission

We provide innovative and efficient financial solutions to our customers



Core Values

- We are Customer Centric
- We have High Moral Standards
- We Take Ownership
- We are Pro-Active
- We Collaborate

Celebrating 20 Years

CONTENTS

Products and Services	11	Statement of Internal Controls - by President	48
Inspiring Growth	18	Statement of Internal Controls - by Chairman	49
Corporate Information	20	CSR Activities	50
List of Sub-Committee of the Board of Directors	21	Code of Conduct	51
Organisational Structure	24	Statement of Compliance with Best Practices of Code of Corporate Governance	55
Management Committees	25	Auditors' Review Report to The Members on Statement of Compliance with Best Practices of Code of Corporate Governance	57
Key Performance Indicators	27	Auditors' Report to the Members	58
Six Years' Financial Summary	28	Statement of Financial Position	59
Six Years' Growth Summary	30	Profit and Loss Account	60
Graphical Presentation of Financial Statement	33	Statement of Comprehensive Income	61
Concentration of Advances, NPLs, Deposits and Off-Balance Sheet Items	34	Cash Flow Statement	62
Maturities of Assets and Liabilities	35	Statement of Changes in Equity	63
Key Interest Bearing Assets and Liabilities	36	Notes to the Financial Statements	64
Statement of Value Addition	37	Shariah Advisor's Report	126
Quarterly Performance - 2012 & 2011	38	Notice of Annual General Meeting	127
Six Years' Vertical Analysis	39	Pattern of Shareholding	128
Six Years' Horizontal Analysis	40	List of Branches	131
Financial Calendar	41	List of Foreign Correspondents	135
Directors' Report to Shareholders	42		

Products and Services

Background

Soneri Bank Limited was incorporated on September 28, 1991. The first Branch commenced operations in Lahore on April 16, 1992, followed by the launch of Karachi's first branch on May 09, 1992. With over 233 branches and 254 ATMs across the country, we are a growing bank well-positioned to provide competitive services in all spheres of banking.

The Bank has been expanding its network rapidly in urban as well as rural areas, with a strong presence across the country. The Bank's loyal customer base also speaks volumes of our convenient banking experience and understanding of our customer's needs.

Products & Services

At the centre of our beyond banking promise is a commitment to providing a wide array of products to our consumers, keeping in mind that no customer is the same. We pride ourselves on offering a complete solution, personalised according to each customer's needs and profile. Whether you are an SME, corporate customer or just the average consumer, the variety of products in our portfolio are guaranteed to give you exactly what you require, be it saving and investment options, insurance and loan facilities or trade finance options. With a growing menu of Alternate Delivery Channels and customised service that is constantly improving, we guarantee all our customers a sense of security, peace of mind and unmatched convenience that is beyond their expectations.

Corporate Banking

At Soneri Bank, our team of professionals has extensive experience in Corporate & Investment Banking to give our customers unique insight and unparalleled advice on how to get the best out of their business. Coupled with a dedicated Structured Finance Unit, our Corporate Banking has all the facilities in place to take the lead in today's competitive environment.



Trade Finance

Our strong Trade Finance Portfolio makes us distinctive, as our significant presence in key market areas and diligent staff makes our trade offering one of the best in the market. Our edge; the ability to provide customised solutions through an ever-growing suite of products that help serve our customers better. Being linked with a large number of correspondent banks globally makes sure our customers experience ease and comfort no matter where they are in the world.



SME Finance

Soneri's SME Product Profile caters to all kinds of entrepreneurs, offering solutions that are cost effective, innovative and tailor-made to provide flexible financial plans.

Deposit Products

At the heart of our product line are our wide-ranging deposit products. A variety of Savings and Deposit Products allow customers with varied financial needs the access to flexible accounts and special benefits.

Headlining our Deposit Product Portfolio is the Soneri Savings Account, a daily product account offering attractive returns and a tiered profit structure. The Fixed Deposit Account allows customers flexibility when investing, and a customised profit plan at attractive rates, keeping rising inflation in mind. Our Soneri Ikhtiar Current Account is designed to give our business customers the benefit of multiple free banking services so that their businesses thrive and experience systematic growth. We also offer products for small savers or customers who are looking for transactional convenience.



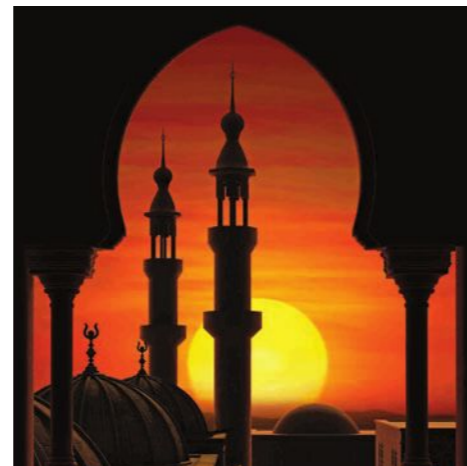


Consumer Finance

Individuals holding existing accounts with Soneri Bank can avail Car Loans or Personal Loans at affordable prices with quick processing time. This facility is only offered to Individual Account Holders.

Islamic Banking

Over the past few decades, modern Islamic Banking has entrenched itself as a significant banking option around the globe. Soneri Bank is strongly committed to providing Shariah-based Islamic Solutions to our customers desiring Shariah-compliant products in Pakistan. Our Islamic Banking products include Murabaha, Musharaka, Salam & Ijara financing facilities, whereas on the liability side we offer a variety of options from Current Accounts, Saving Accounts and Term Deposits, all compliant with Shariah Principles.

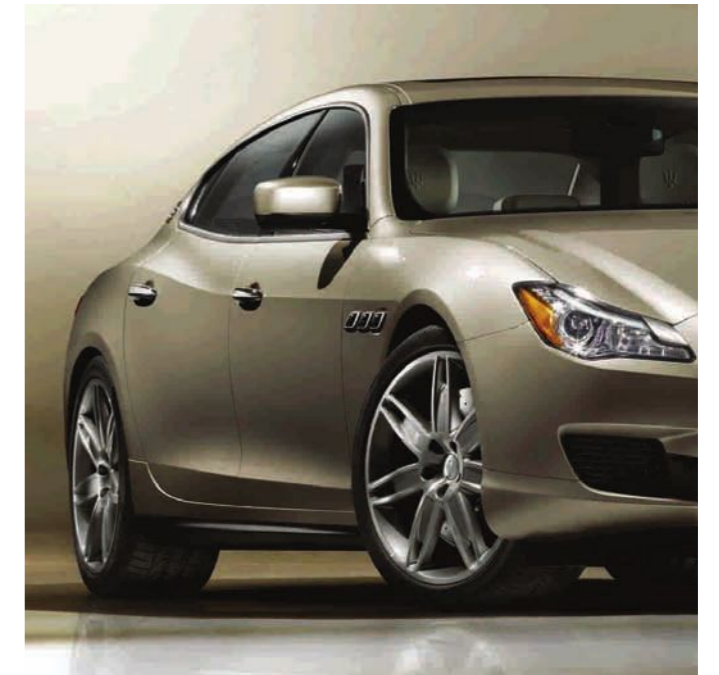


Agriculture Financing

Providing the farming community of Pakistan with adequate, timely and convenient banking credit is of utmost importance to us at Soneri. Our facilities are perfectly suited to the unique demands of the agricultural community, and our dedicated Agriculture Finance Officers are deployed at key agriculture areas to ensure optimum coverage and personalised service.

Car Loan

For customers looking for car financing, Soneri Car Finance facilitates financing of brand new cars upto Rs.1.5 million. With a down payment of 20% of vehicle price and a process fee of only Rs. 3500 customers can avail financing that's convenient, easy and affordable.



Bancassurance

Soneri's several useful Bancassurance services create a diverse portfolio that caters to all members of society. With Roshan Aghaz, families can plan ahead and save for their children's higher education. Roshan Takmeel allows people of all ages to plan for financial support once they reach the age of retirement. Soneri Saver features similar benefits to that of life insurance, and targets couples who wish to prepare for unforeseen events. And for entrepreneurs, Karobar Muhafiz provides a safety net for businesses in today's unpredictable business climate.



Soneri VISA Debit Card

The Soneri VISA Debit Card allows customers unmatched convenience at ATMs within the country and globally with the added advantage of making payments at Point of Sales machines all over the world.

Phone Banking

Access your account 24 hours a day, 7 days a week with Soneri Phone Banking. With a telephone, ATM card number and T-Pin, customers gain instant access to their accounts and get all the information they need. Simply dial 111-SONERI (111-766374).



Internet Banking

SoneriDirect Internet Banking gives customers a new level of freedom with regard to accessing their accounts anywhere, anytime. Customers can check account balances, view statements, transfer funds and even pay utility and mobile bills via the internet.



ATM Network

We are proud that Soneri's ATM Network has grown to over 250 points and now spreads out to over 74 cities nationwide.



Mobile Banking

With Soneri Mobile Banking, customers are always connected to their Bank and can access their accounts through their mobile phones round the clock. Everything from balance inquiry and mini statements to fund transfers and bill payments can be done right on their mobile phone.

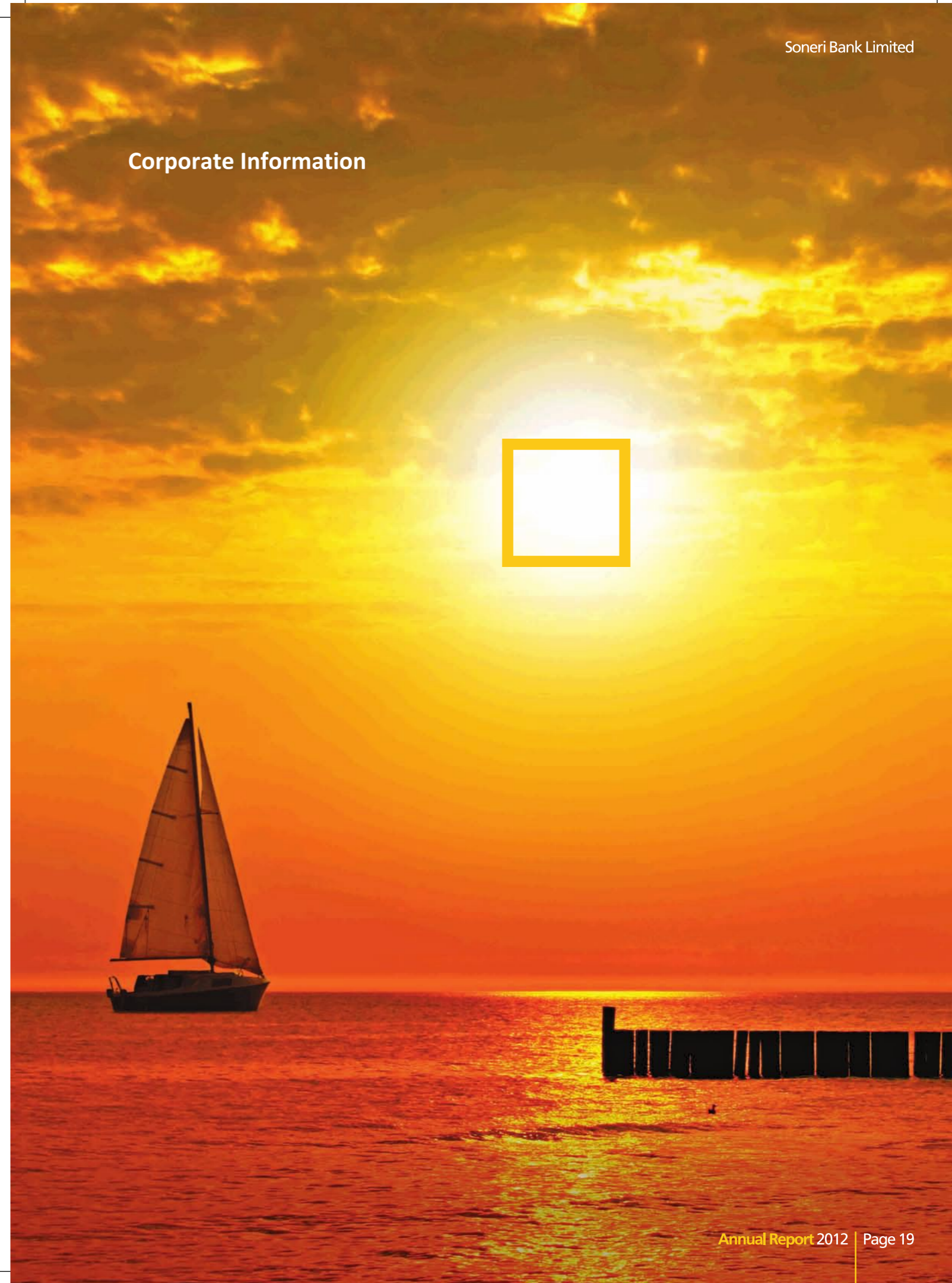
INSPIRING GROWTH

AS OF 31 DECEMBER 2012

		2012	2011	Growth
Advances	Rs. In Million	83,254	71,072	17.14%
Deposits	"	120,831	99,734	21.15%
Net Assets	"	12,353	10,977	12.54%
Profit after Tax	"	1,104	784	40.82 %
Interest Income	"	4,844	3,912	23.82%
Non-markup Income	"	1,857	1,887	-1.59%
Earnings per Share	Rs./Re.	1.10	0.78	41.03%
Total Revenue	Rs. In Million	6,701	5,799	15.55%
Return on Equity	%	10.21%	8.42%	21.26%
Return on Capital Employed	%	14.30%	10.52%	35.93%
Trade Business	Rs. In Million	253,514	226,703	11.83%
Number of Accounts	(In '000)	445	378	17.72%



Corporate Information



CORPORATE INFORMATION

CHAIRMAN

MR. ALAUDDIN FEERASTA

CHIEF EXECUTIVE OFFICER

MR. MOHAMMAD AFTAB MANZOOR

DIRECTORS

MR. NOORUDDIN FEERASTA

MR. INAM ELAHI

MR. S. ALI ZAFAR

MR. MUHAMMAD RASHID ZAHIR

MR. SHAHID ANWAR (NIT NOMINEE)

MR. MANZOOR AHMED (NIT NOMINEE)

CHIEF FINANCIAL OFFICER

MS. ANJUM HAI

COMPANY SECRETARY

MR. MUHAMMAD ALTAF BUTT

AUDITORS

KPMG TASEER HADI & CO.

CHARTERED ACCOUNTANTS

LEGAL ADVISORS

MANAN ASSOCIATES, ADVOCATES

REGISTERED OFFICE

RUPALI HOUSE 241-242,
UPPER MALL SCHEME,
ANAND ROAD, LAHORE - 54000

CENTRAL OFFICE

10TH FLOOR, PNSC BUILDING,
M.T. KHAN ROAD, KARACHI

REGISTRAR AND SHARE TRANSFER AGENT

THK ASSOCIATES (PRIVATE) LTD.,
GROUND FLOOR,
STATE LIFE BUILDING NO. 3,
DR. ZIAUDDIN AHMED ROAD
KARACHI - 75530
UAN: (021) 111-000-322
FAX: (021) 3565 5595

LIST OF SUB-COMMITTEE OF THE BOARD OF DIRECTORS

AUDIT COMMITTEE OF THE BOARD

1. Mr. Nooruddin Feerasta	Chairman
2. Mr. Inam Elahi	Member
3. Mr. Muhammad Rashid Zahir	Member
4. Mr. Shahid Anwar	Member
Mr. Muhammad Altaf Butt	Secretary

CREDIT COMMITTEE OF THE BOARD

1. Mr. Alauddin Feerasta	Chairman
2. Mr. Nooruddin Feerasta	Member
3. Mr. Mohammad Aftab Manzoor	Member
4. Mr. Inam Elahi	Member
Mr. Muhammad Altaf Butt	Secretary

RISK MANAGEMENT COMMITTEE OF THE BOARD

1. Mr. Inam Elahi	Chairman
2. Mr. Mohammad Aftab Manzoor	Member
3. Mr. Shahid Anwar	Member
Mr. Javed H. Siddiqi	Secretary

HUMAN RESOURCE COMMITTEE OF THE BOARD

1. Mr. Manzoor Ahmed	Chairman
2. Mr. Mohammad Aftab Manzoor	Member
3. Mr. Inam Elahi	Member
4. Mr. Shahid Anwar	Member
Ms. Anita Lalani	Secretary

LIST OF SUB-COMMITTEE OF THE BOARD OF DIRECTORS

AUDIT COMMITTEE

Constitution:

Mr. Nooruddin Feerasta
Chairman

Mr. Inam Elahi
Member

Mr. Muhammad Rashid Zahir
Member

Mr. Shahid Anwar
Member

TERMS OF REFERENCE

Audit Committee is mandated the responsibilities to determine appropriateness of measures taken by the management to safeguard Bank's assets, ensure consistency of accounting policies, review financial statements and recommend appointment of the external auditors as well as to have close coordination with them so as to comply with statutory and CCG requirements.

The Committee is inter-alia also responsible to ascertain the effectiveness of the Internal Control System including financial and operational controls, ensuring adequate and effective accounting and reporting structure and monitoring compliance with the best practices of the corporate governance. The other functions of the Committee include consideration of major findings of internal investigations and management's response thereto as well as ensuring that an effective internal audit functions is in place.

CREDIT COMMITTEE

Constitution:

Mr. Alauddin Feerasta
Chairman

Mr. Nooruddin Feerasta
Member

Mr. Mohammad Aftab Manzoor
Member

Mr. Inam Elahi
Member

TERMS OF REFERENCE

The primary functions of the Credit Committee of the Board are to ensure adherence to the lending policies, review the credit policies, systems and controlling strategies for their further strengthening and monitoring the loan portfolios regularly on an overall basis including a periodical review of problem loans including classified and stuck-up cases. The Committee is also required to ensure that there are adequate systems, procedures and controls in the Bank for all significant areas related to credit and that the laid down procedures / guidelines are effectively communicated down the line and put in place a reasonable setup to implement the same.

RISK MANAGEMENT COMMITTEE

Constitution:

Mr. Inam Elahi
Chairman

Mr. Mohammad Aftab Manzoor
Member

Mr. Shahid Anwar
Member

TERMS OF REFERENCE

Primary responsibilities of the Board Risk Management Committee with regard to credit, market, liquidity and operational risk management aspects are to delineate Bank's overall risk tolerance, ensure the maintenance of overall exposure at prudent levels and consistent with the available capital, monitor that the Bank implements sound fundamental principles and ensure appropriate plans and procedures for the management of each category of risk, stated above, are in place. It also ensures that resources allocated for risk management are adequate given the size nature and volume of the business and the managers and staff that take, monitor and control risk possess sufficient knowledge and expertise. The Committee also monitors the development of appropriate financial models and a system used to calculate each category of risk, and also ensures that the Bank has clear, comprehensive and well-documented policies and procedural guidelines relating to risk management and the relevant staff fully understands those policies. It is also reviews counter party risk limits for call lending, COI, reverse repos and FX (spot/forward) recommended by the Corporate & Investment Division.

LIST OF SUB-COMMITTEE OF THE BOARD OF DIRECTORS

HUMAN RESOURCE COMMITTEE

Constitution:

Mr. Manzoor Ahmed
Chairman

Mr. Mohammad Aftab Manzoor
Member

Mr. Inam Elahi
Member

Mr. Shahid Anwar
Member

TERMS OF REFERENCE

The Human Resource Committee oversees the human resource and compensation functions of the Bank and recommends for approval by the Board, the Bank's total compensation arrangements including retirement benefits. It also ensures that proper HR Policies and Procedures as approved by the Board are implemented in the Bank. Committee is also responsible for planning the succession of Senior Management. It also reviews significant Human Resource policies, including code of conduct, diversity and equity and ensures that an appropriate training plan for the employees is in place and trainings are conducted as per the Bank's requirements

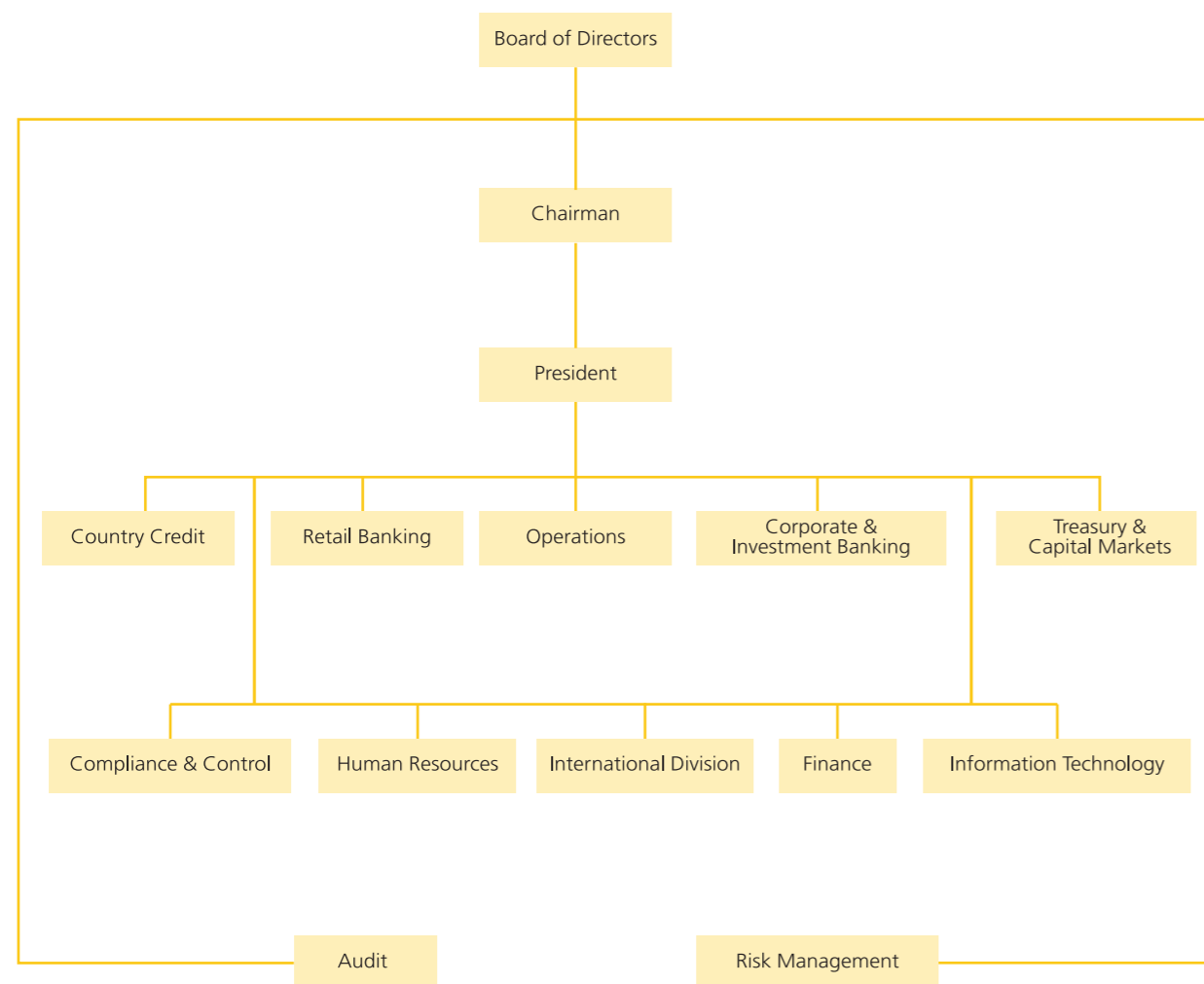
Detail of the Board of Directors and its Sub-Committees' meetings held during the year 2012 and the attendance by each director/committee member is given as under.

Name	Board of Directors	Audit Committee	Credit Committee	Risk Management Committee	Human Resource Committee
Mr. Alauddin Feerasta, Chairman of the Board	9/9	*	4/4	*	*
Mr. Mohammad Aftab Manzoor CEO/President	9/9	*	4/4	5/5	3/3
Mr. Nooruddin Feerasta	**7/9	4/4	4/4	*	*
Mr. Inam Elahi	9/9	4/4	4/4	5/5	3/3
Mr. Muhammad Rashid Zahir	9/9	4/4	*	*	*
Mr. Syed Ali Zafar	**5/9	*	*	*	*
Mr. Manzoor Ahmed (NIT Nominee)	**8/9	*	*	*	3/3
Mr. Shahid Anwar (NIT Nominee)	**8/9	**3/4	*	5/5	3/3
Total Number of meetings held	9	4	4	5	3

Note: *not a member of the Committee

**Leave of absence was granted to directors/member by the Board/Committee, who could not attend some of the meetings.

ORGANISATIONAL STRUCTURE



MANAGEMENT COMMITTEES

1. Management Committee

1. Mr. Mohammad Aftab Manzoor, Chairman
2. Mr. Amin A. Feerasta, Member
3. Mr. Nemat Ali, Member
4. Mr. Abdul Aleem Qureshi, Member
5. Mr. Shahid Abdullah, Member
6. Mr. Mubarik Ali, Member
7. Mr. Iqbal Zaidi, Member
8. Mr. Bilal Asghar, Member
9. Mr. Khawaja Mohammad Ahmed, Member
10. Ms. Anjum Hai, Member
11. Ms. Anita Lalani, Member
12. Mr. Muhammad Haider Devjanie, Member
13. Mr. Abbas Hatim, Secretary

2. Executive Credit Committee

1. Mr. Mohammad Aftab Manzoor, Chairman
2. Mr. Amin A. Feerasta, Member
3. Mr. Abdul Aleem Qureshi, Member
4. Mr. Mubarik Ali, Member / Secretary
5. Mr. Bilal Asghar, Member

3. Assets and Liability Committee

1. Mr. Mohammad Aftab Manzoor, Chairman
2. Mr. Amin A. Feerasta, Member
3. Mr. Abdul Aleem Qureshi, Member
4. Mr. Shahid Abdullah, Member / Secretary
5. Mr. Mubarik Ali, Member
6. Ms. Anjum Hai, Member
7. Mr. Javaid Hussain Siddiqui, Member
8. Mr. Bilal Asghar, Member

4. Investment Committee

1. Mr. Mohammad Aftab Manzoor, Chairman
2. Mr. Amin A. Feerasta, Member
3. Mr. Shahid Abdullah, Member
4. Mr. Abdul Aleem Qureshi, Member
5. Ms. Anjum Hai, Member
6. Mr. Bilal Asghar, Member
7. Mr. Muhammad Imran Khan, Member / Secretary

5. I.T. Steering Committee

1. Mr. Mohammad Aftab Manzoor, Chairman
2. Mr. Amin A. Feerasta, Member
3. Mr. Abdul Aleem Qureshi, Member
4. Mr. Khawaja Mohammad Ahmed, Member
5. Ms. Anjum Hai, Member
6. Mr. Muhammad Haider Devjanie, Member
7. Mr. Siraj Baquer Jaffri, Member / Secretary

6. Credit Risk Management Committee

1. Mr. Mohammad Aftab Manzoor, Chairman
2. Mr. Amin A. Feerasta, Member
3. Mr. Mubarik Ali, Member
4. Mr. Abdul Aleem Qureshi, Member
5. Mr. Bilal Asghar, Member
6. Mr. Javaid Hussain Siddiqui, Member / Secretary

7. Market & Liquidity Risk Management Committee

1. Mr. Mohammad Aftab Manzoor, Chairman
2. Mr. Shahid Abdullah, Member
3. Mr. Abdul Aleem Qureshi, Member
4. Ms. Anjum Hai, Member
5. Mr. Amer Habib, Member
6. Mr. Bilal Asghar, Member
7. Mr. Javaid Hussain Siddiqui, Member / Secretary

MANAGEMENT COMMITTEES

8. Business Continuity Plan Steering Committee

1. Mr. Mohammad Aftab Manzoor, Chairman
2. Mr. Iqbal Zaidi, Member
3. Mr. Abdul Aleem Qureshi, Member
4. Mr. Muhammad Haider Devjianie, Member
5. Mr. Khawaja Mohammad Ahmed, Member
5. Ms. Anita Lalani, Member
6. Ms. Anjum Hai, Member
7. Mr. Shakil Ahmed Jamali, Member
8. Col. (Retd.) Zahid Raza, Member
9. Mr. Naqi Raza, Member
10. Mr. Zia Amjad Hussain, Member
11. Mr. Umar Azim Daudpota, Member
12. Mr. Javaid Hussain Siddiqui, Member / Secretary

KEY PERFORMANCE INDICATORS

		2012	2011	Variance Compared to 2011	
				Amount	%
Financial					
Investment-Gross	Rs. In Million	59,678	46,027	13,651	30%
Advances-Gross	"	83,254	71,072	12,182	17%
Deposits	"	120,831	99,734	21,097	21%
Shareholders' Equity	"	12,353	10,977	1,376	13%
Net Interest Income	"	4,844	3,912	932	24%
Non Interest Income	"	1,857	1,887	(30)	-2%
Operating expenses	"	4,459	3,448	1,011	29%
Profit before provisions	"	2,242	2,350	(108)	-5%
Provisions	"	520	1,272	(752)	-59%
Profit Before Taxation	"	1,722	1,078	644	60%
Profit After Taxation	"	1,104	784	320	41%
Non Financial					
No. of customers	Absolute	400,150	331,572	68,578	21%
No. of new branches opened	"	19	30	(11)	-37%
No. of new accounts opened	"	84,675	77,193	7,482	10%
No of ATM cards issued	"	59,956	65,001	(5,045)	-8%
No of permanent employees	"	2,644	2,286	358	16%
No of virtual banking customers	"	18,416	11,566	6,850	59%
No of mobile banking customers	"	7,989	336	7,653	
Key Financial Ratios					
Earnings Per Share	Rs.	1.10	0.78		
Book Value Per Share	"	12.64	12.75		
Share Price	"	7.09	3.90		
Market Capitalization	Rs. In Million	7,106	3,521		
Price Earning Ratio	Times	6.45	5.00		
Return on Equity	%	10.21%	8.42%		
Return on Assets	%	0.77%	0.66%		
Capital Adequacy Ratio	%	12.40%	12.64%		

SIX YEARS' FINANCIAL SUMMARY 2007-2012

(Rs. In Million)

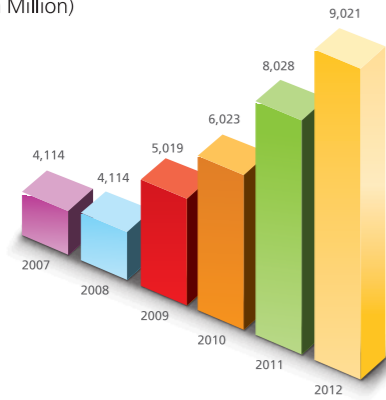
	2012	2011	2010	2009	2008	2007
Profit & loss account						
Mark-up / Return / Interest earned	14,068	12,910	10,250	9,337	7,823	6,272
Mark-up / Return / Non Interest expensed	9,224	8,997	7,204	6,603	4,878	4,334
Fund based Income	4,844	3,913	3,047	2,735	2,945	1,937
Fee, Commission , Brokerage and Exchange Income	1,040	1,194	603	673	638	472
Dividend Income and capital gain	529	428	175	120	268	332
Other income	288	264	450	375	321	263
Total Income	6,701	5,799	4,275	3,903	4,171	3,005
Operating expenses	4,459	3,449	2,682	2,079	1,952	1,293
Profit before tax and provisions	2,242	2,350	1,593	1,824	2,219	1,712
Provisions	520	1,272	1,452	1,633	1,266	235
Profit before tax	1,722	1,078	140	190	953	1,477
Profit after tax	1,104	784	125	145	701	1,000
Bonus shares	993	1003	-	905	-	997
Right shares	-	1001	1004	-	-	-
Statement of Financial Position						
Paid up capital (net of discount)	9,021	8,028	6,023	5,019	4,114	4,114
Reserves	410	1,183	2,029	2,004	2,017	1,877
Unappropriate profit	1,968	1,026	329	158	835	239
Shareholders' equity	11,399	10,237	8,381	7,182	6,966	6,230
Surplus on revaluation of assets	954	751	536	622	147	381
Net assets	12,353	10,977	8,918	7,803	7,113	6,610
Total assets	158,618	129,732	108,106	95,310	80,977	76,854
Earning assets	145,674	111,929	92,194	81,420	65,699	64,512
Gross advances	83,254	71,072	59,293	51,939	49,465	40,805
Advances-Net of Provisions	76,825	65,340	54,676	48,727	47,575	40,154
Non-Performing Loans (NPLs)	9,927	8,942	7,096	5,002	3,190	1,277
Investments	59,517	45,776	34,986	29,537	14,053	19,182
Total Liabilities	146,265	118,755	99,188	87,507	73,864	70,244
Deposits and other accounts	120,831	99,734	82,017	73,548	61,634	60,150
Current and Saving deposits (CASA)	82,602	62,033	50,179	41,991	35,357	39,975
Borrowings	20,398	14,557	12,371	9,386	8,441	5,865
Interest bearing liabilities	114,209	94,364	77,788	70,300	56,550	55,096
Contingencies and Commitments	61,327	41,731	55,550	39,838	30,132	44,251

SIX YEARS' FINANCIAL SUMMARY 2007-2012

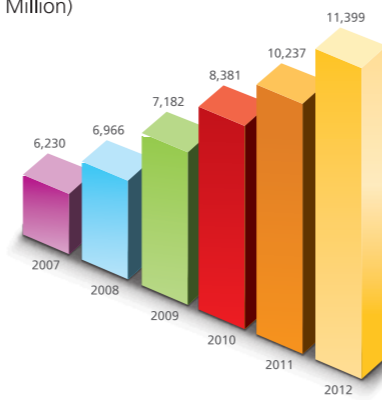
		2012	2011	2010	2009	2008	2007
FINANCIAL RATIOS							
Profit before tax ratio (PBT/total income)	%	25.70%	18.59%	3.29%	4.88%	22.86%	49.14%
Gross Spread (NIM/Interest Income)	"	34.43%	30.31%	29.72%	29.29%	37.64%	30.89%
Non interest income to total income	"	27.71%	32.52%	28.73%	29.93%	29.40%	35.53%
Income /expense ratio (excluding provisions)	Times	1.50	1.68	1.59	1.88	2.14	2.32
Return on average equity (ROE)	%	10.21%	8.42%	1.61%	2.05%	10.63%	17.51%
Return on average assets (ROA)	"	0.77%	0.66%	0.12%	0.16%	0.89%	1.36%
Return on Capital Employed (ROCE)	"	14.30%	10.52%	3.07%	4.18%	13.28%	20.74%
Earning Per Share (EPS before tax)	Rs.	1.91	1.34	0.23	0.38	2.32	3.59
Earning Per Share (EPS after tax)	Rs.	1.10	0.96	0.17	0.29	1.70	2.43
Gross Advances to deposit ratio	%	68.90%	71.26%	72.29%	70.62%	80.26%	67.84%
Net Advances to deposit ratio	"	63.58%	65.51%	66.66%	66.25%	77.19%	66.76%
Break up value per share (excl. surplus on revaluation of assets)	Rs.	12.64	12.75	13.92	14.31	16.93	15.14
Break up value per share (incl. surplus on revaluation of assets)	"	13.69	13.67	14.81	15.55	17.29	16.07
Earning Assets to total assets	%	91.84%	86.28%	85.28%	85.43%	81.13%	83.94%
Earning assets to interest bearing liabilities	Times	1.28	1.19	1.19	1.16	1.16	1.17
Weighted average cost of deposits	%	6.84%	7.88%	7.84%	8.69%	8.12%	6.32%
CASA to total deposits	"	68.36%	62.20%	61.18%	57.09%	57.37%	66.46%
NPLs to total advances ratio	"	11.92%	12.58%	11.97%	9.63%	6.45%	3.13%
Coverage ratio (Specific Provisions/NPLs)	"	64.68%	64.01%	64.95%	63.98%	58.61%	49.41%
Assets to Equity	Times	13.92	12.67	12.90	13.27	11.63	12.34
Total assets per share	Times	175.83	161.60	179.48	189.89	196.82	186.80
Deposits to shareholders' equity	Times	10.60	9.74	9.79	10.24	8.85	9.66
Risk Adequacy							
Tier I Capital	Rs.in Million	11,261	10,048	8,358	7,169	6,621	6,125
Risk Weighted Assets (RWA)	"	96,165	84,045	73,255	65,358	62,626	61,554
Tier I to RWA	%	11.71%	11.96%	11.41%	10.97%	10.57%	9.95%
Capital Adequacy Ratio	"	12.40%	12.64%	12.61%	12.75%	12.66%	12.30%
Net Return on Average RWA	"	1.15%	0.93%	0.17%	0.22%	1.12%	1.63%
Stock Dividend							
Bonus shares Issued	%	11.00%	12.50%	-	22%	-	20%
Share Information							
Market Value per share-31 December	Rs.	7.09	3.90	8.31	11.07	11.00	43.40
- High during the year	"	9.40	8.01	9.41	19.04	42.4	62.85
- Low during the year	"	3.71	3.56	4.30	10.04	9.68	38.2
Market Capitalization	Rs.in Million	6,395.89	3,130.92	5,005.30	5,556.42	4,525.64	17,855.72
Price to book value (excl. surplus on revaluation of assets)		0.56	0.31	0.60	0.77	0.65	2.87
Price Earning Ratio	Times	6.45	5.00	48.89	38.23	6.45	17.85
Industry Share							
Deposits	%	1.81%	1.70%	1.60%	1.71%	1.63%	1.68%
Advances	"	2.16%	2.03%	1.69%	1.59%	1.56%	1.55%
Non Financial Information							
No of branches	Absolute	233	214	184	154	117	89
No of permanent employees	"	2,644	2,286	2,042	1,815	1,587	1,340
ATMs	"	251	216	184	154	117	88

SIX-YEARS' GROWTH SUMMARY 2007-2012

Paid up Capital
(Rs. in Million)



Shareholders' Equity
(Rs. in Million)



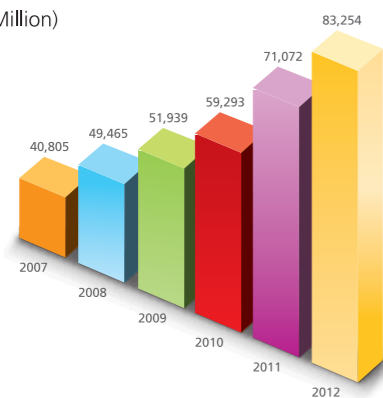
Total Assets
(Rs. in Million)



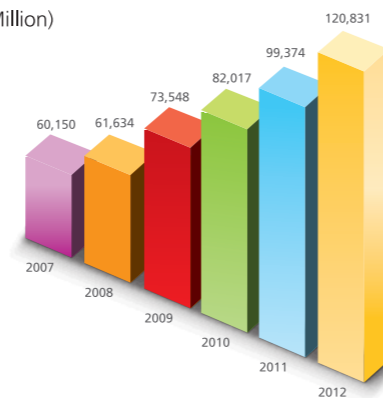
Investments
(Rs. in Million)



Gross Advances
(Rs. in Million)

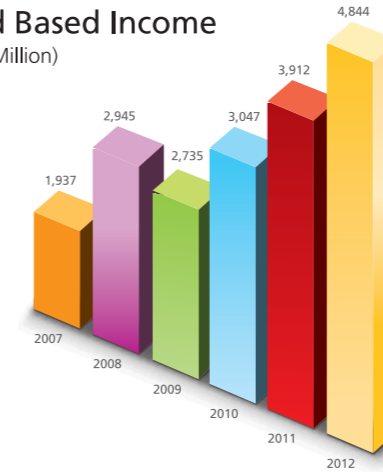


Deposits
(Rs. in Million)

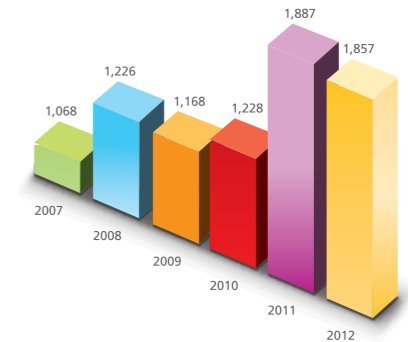


SIX-YEARS' GROWTH SUMMARY 2007-2012

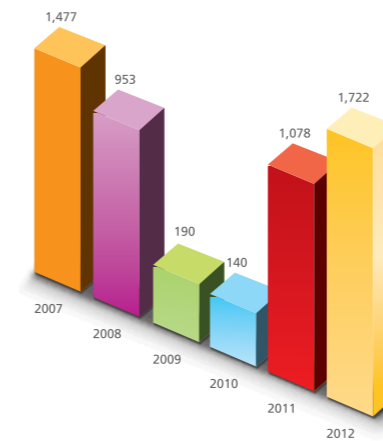
Fund Based Income
(Rs. in Million)



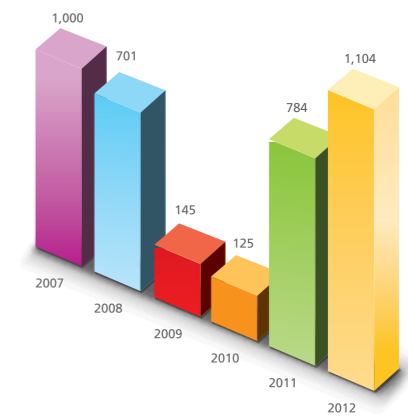
Non-Markup Income
(Rs. in Million)



Profit before tax
(Rs. in Million)

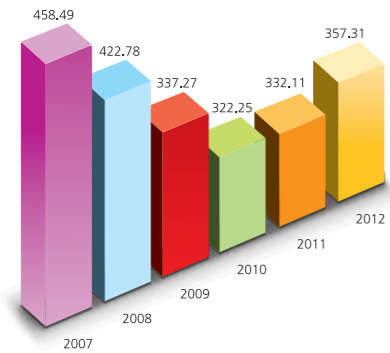


Profit after tax
(Rs. in Million)

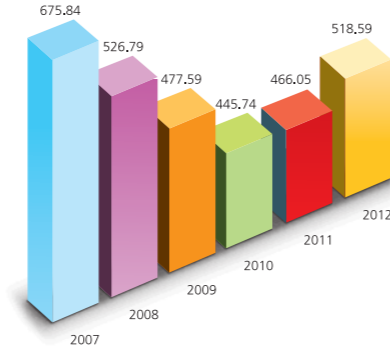


PER BRANCH PERFORMANCE

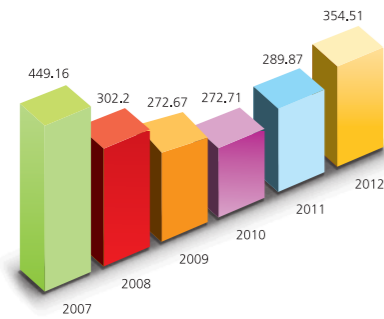
Gross Advances
(Rs. in Million)



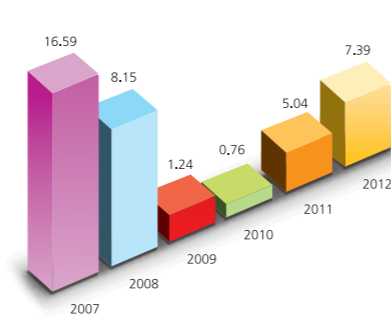
Deposits
(Rs. in Million)



CASA
(Rs. in Million)

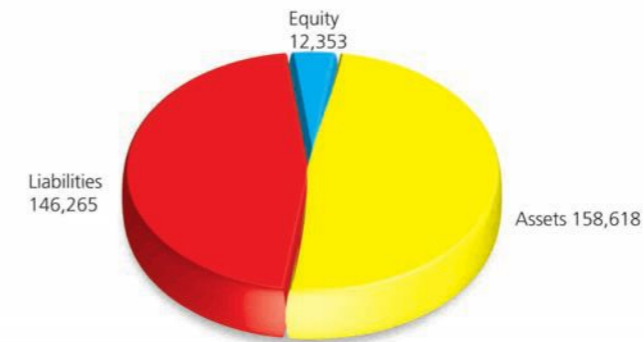


Profit Before Tax
(Rs. in Million)

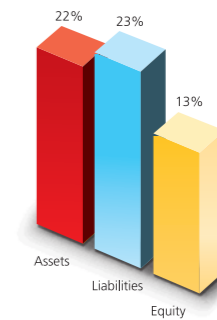


GRAPHICAL PRESENTATION OF FINANCIAL STATEMENT

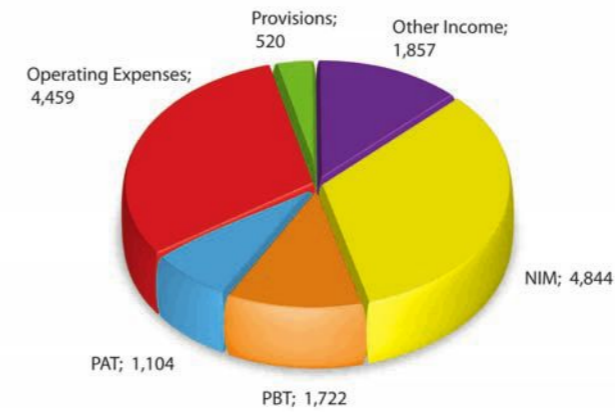
Statement of Financial Position
(Rs. in Million)



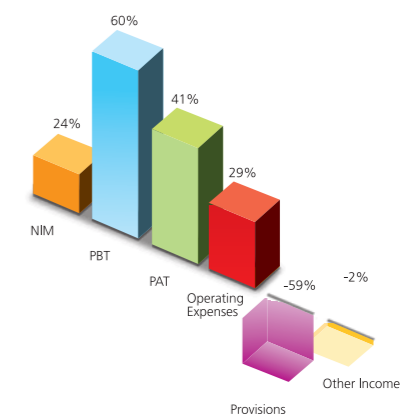
Variance from YE 11



Profit & Loss
(Rs. in Million)

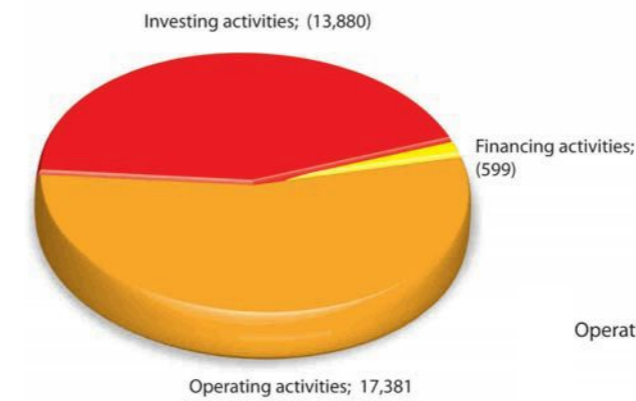


Variance from YE 11

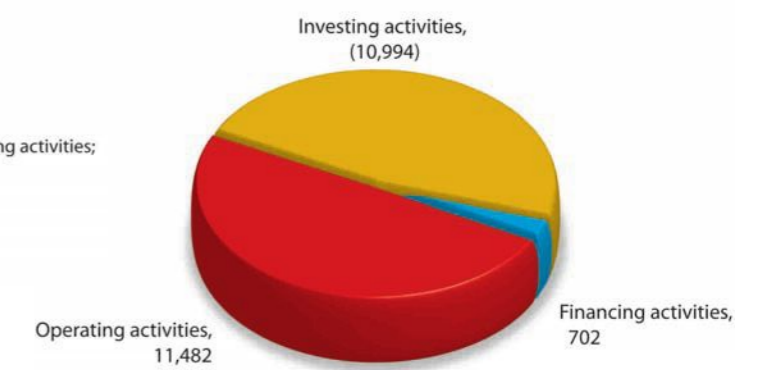


Cash Flow
(Rs. in Million)

2012



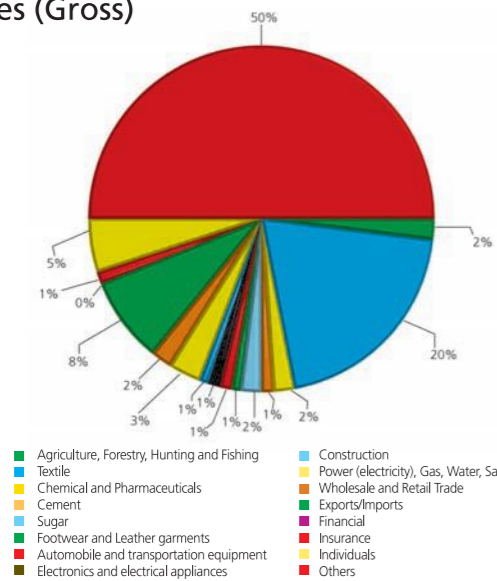
2011



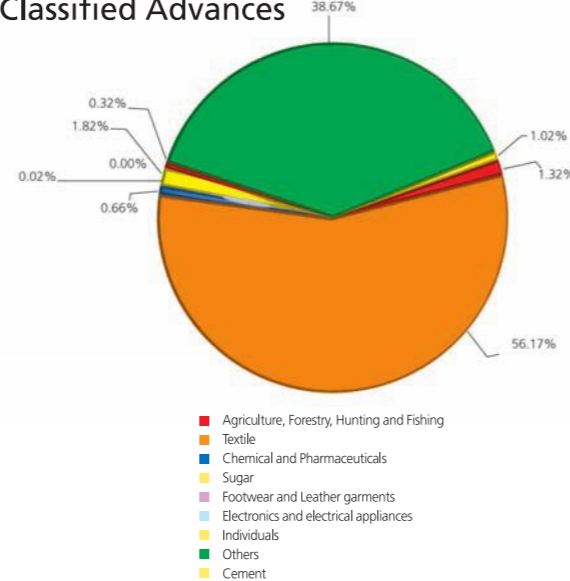
CONCENTRATION OF ADVANCES, NPLs, DEPOSITS AND OFF-BALANCE SHEET ITEMS - 31 DECEMBER 2012

	Advances (Gross)		Classified Advances		Deposits		Contingencies	
	(Rupees in '000)	(Percent)	(Rupees in '000)	(Percent)	(Rupees in '000)	(Percent)	(Rupees in '000)	(Percent)
Agriculture, Forestry, Hunting and Fishing	1,991,008	2.39%	131,284	1.32%	1,748,122	1.45%	532,638	1.65%
Textile	16,660,102	20.01%	5,576,016	56.17%	1,507,983	1.25%	2,406,358	7.47%
Chemical and Pharmaceuticals	1,886,264	2.27%	65,264	0.66%	241,293	0.20%	492,907	1.53%
Cement	800,000	0.96%	100,832	1.02%	29,489	0.02%	161,831	0.50%
Sugar	1,462,953	1.76%	-	0.00%	-	0.00%	-	0.00%
Footwear and Leather garments	862,671	1.04%	1,954	0.02%	551,022	0.46%	158,538	0.49%
Automobile and transportation equipment	877,010	1.05%	239	0.00%	4,762,414	3.94%	914,216	2.84%
Electronics and electrical appliances	1,213,313	1.46%	180,918	1.82%	134,925	0.11%	2,586,882	8.03%
Construction	556,602	0.67%	-	0.00%	1,095,207	0.91%	547,441	1.70%
Power (electricity), Gas, Water, Sanitary	2,297,990	2.76%	-	0.00%	3,316,728	2.74%	86,587	0.27%
Wholesale and Retail Trade	1,398,862	1.68%	-	0.00%	1,768,055	1.46%	573,744	1.78%
Exports/Imports	6,414,321	7.70%	-	0.00%	1,263,795	1.05%	2,587,231	8.03%
Financial	1,200,351	1.44%	-	0.00%	2,537,617	2.10%	5,564	0.02%
Insurance	-	0.00%	-	0.00%	340,277	0.28%	-	0.00%
Individuals	4,154,272	4.99%	31,272	0.32%	67,371,789	55.76%	2,357,763	7.32%
Others	41,478,644	49.82%	3,839,618	38.67%	34,161,855	28.27%	18,808,654	58.37%
Total	83,254,363	100.00%	9,927,397	100.00%	120,830,571	100.00%	32,220,354	100.00%

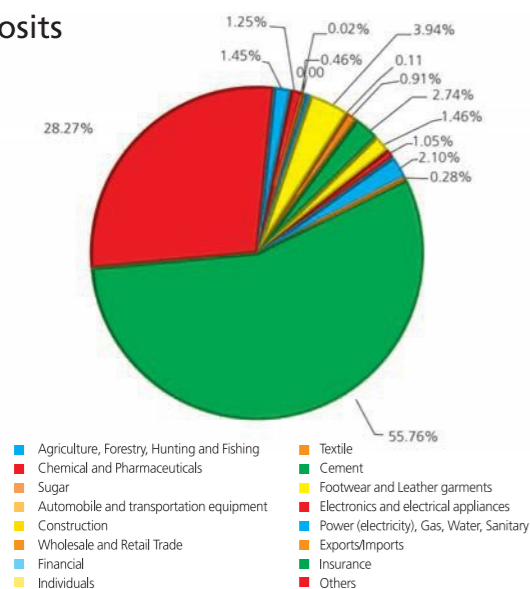
Advances (Gross)



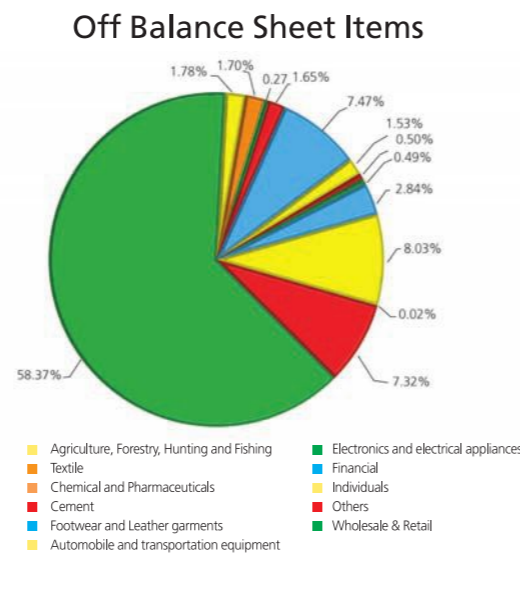
Classified Advances



Deposits



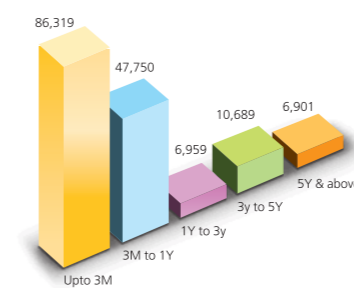
Off Balance Sheet Items



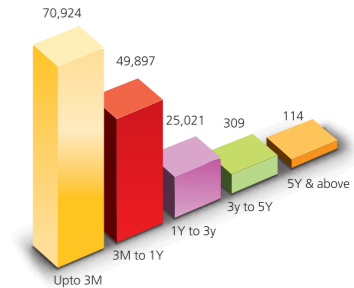
MATURITIES OF ASSETS AND LIABILITIES

	TOTAL	Upto	3M to	1Y to	3Y to	5Y &
		3M	1Y	3Y	5Y	above
(Rupees in Million)						
Assets						
Cash and balances with treasury banks	11,491	11,491	-	-	-	-
Balances with other banks	1,249	1,249	-	-	-	-
Lending to financial and other institutions	1,123	1,123	-	-	-	-
Investments - net	59,517	18,453	33,963	2,398	4,059	644
Advances - net	76,825	49,746	12,496	3,578	6,094	4,911
Operating fixed assets	4,015	159	998	983	529	1,346
Deferred tax assets - net	293	-	293	-	-	-
Other assets - net	4,105	4,098	-	-	7	-
158,618	86,319	47,750	6,959	10,689	6,901	
Liabilities						
Bills payable	2,522	2,522	-	-	-	-
Borrowings	20,398	14,115	5,318	570	281	114
Deposits and other accounts	120,831	52,416	43,936	24,451	28	-
Sub-ordinated loans	299	-	299	-	-	-
Other liabilities	2,215	1,871	344	-	-	-
146,265	70,924	49,897	25,021	309	114	
Net Assets	12,353	15,395	(2,147)	(18,062)	10,380	6,787

Assets (Rs. in Million)



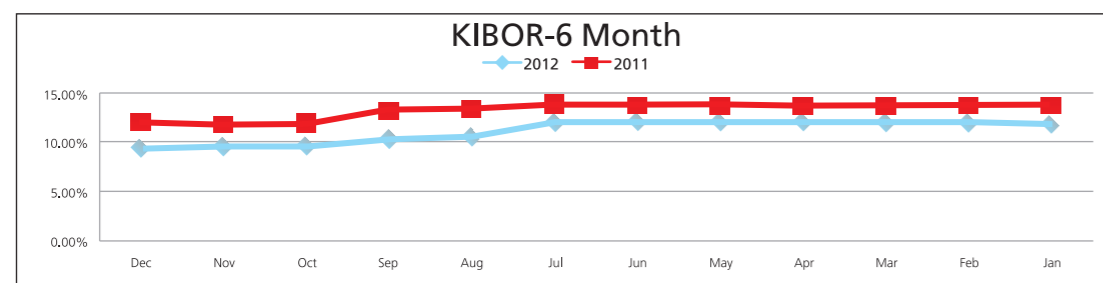
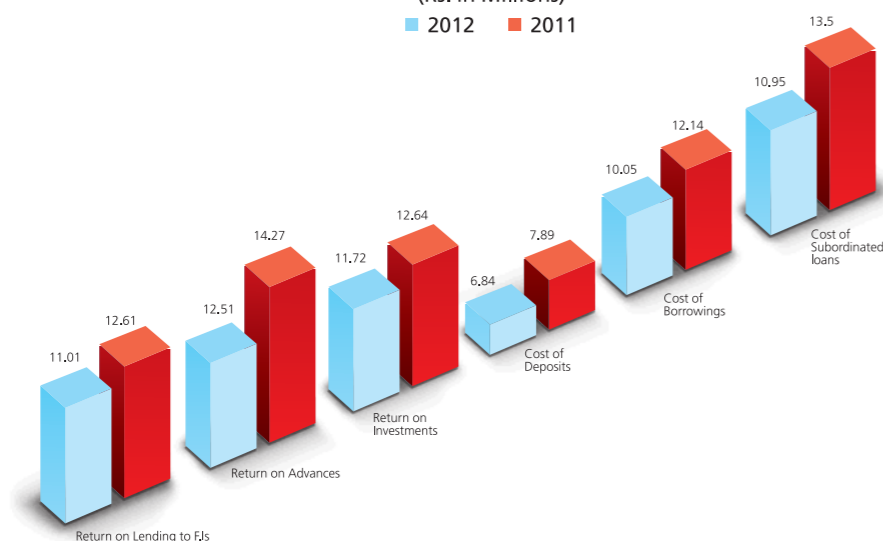
Liabilities (Rs. in Million)



KEY INTEREST BEARING ASSETS AND LIABILITIES

	2012			2011		
	Effective			Effective		
	Avg.Vol (in Million)	Interest Rate %	Interest (in Million)	Avg.Vol (in Million)	Interest Rate %	Interest (in Million)
Interest Bearing Assets						
Lending to Financial Institutions	1,666	11.01	183	858	12.61	108
Advances (excluding NPLs)	63,911	12.51	7,977	52,682	14.27	7,531
Investments (excluding equity investments)	47,752	11.72	5,596	41,478	12.64	5,244
Interest Bearing Liabilities						
Deposits	109,921	6.84	7,522	88,675	7.89	6,998
Sub-ordinated loan	651	10.95	71	1,150	13.5	155
Borrowings	13,265	10.05	1,333	15,059	12.14	1,828

Effective interest rate on Assets & Liabilities
(Rs. in Millions)



STATEMENT OF VALUE ADDITION

31 DECEMBER

Value added

Net Interest Income
 Non interest income
 Operating expenses excluding staff costs, depreciation, amortization, donation and WWF
 Provision against advances, investments & others

Value added available for distribution

To Employees

-Salaries, allowances and other benefits

To Govt

-Income tax
 -Workers' Welfare fund

To Society

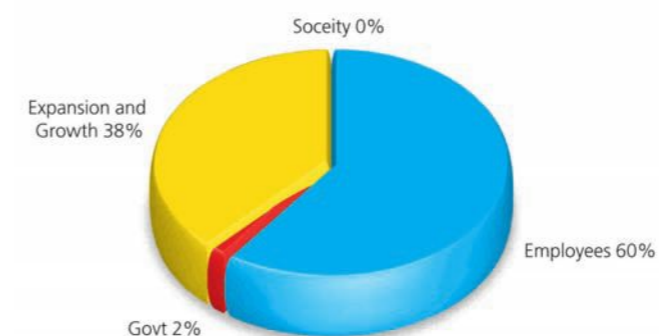
-Donations

To Expansion and Growth

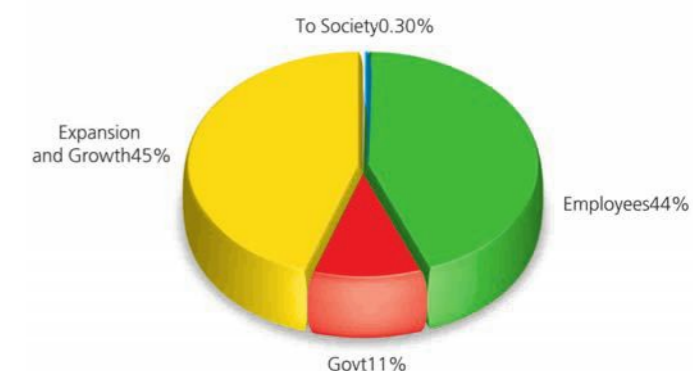
- Depreciation
 - Amortization
 -Retained in business

	2012		2011	
	(Rs. in Million)	%	(Rs. in Million)	%
Net Interest Income	4,844		3,913	
Non interest income	1,857		1,886	
Operating expenses excluding staff costs, depreciation, amortization, donation and WWF	(1,968)		(1,486)	
Provision against advances, investments & others	(553)		(1,293)	
Value added available for distribution	4,180		3,019	
To Employees				
-Salaries, allowances and other benefits	1,765	42.23%	1,315	43.55%
To Govt				
-Income tax	618	14.78%	295	9.77%
-Workers' Welfare fund	42	1.00%	27	0.89%
To Society				
-Donations	-	0.00%	9	0.30%
To Expansion and Growth				
- Depreciation	563	13.47%	542	17.95%
- Amortization	88	2.11%	47	1.56%
-Retained in business	1,104	26.41%	784	25.98%
Total	4,180	100%	3,019	100%

2012



2011



QUARTERLY PERFORMANCE - 2012 & 2011

(Rs. In Million)

	2012				2011			
	4th Quarter	3rd Quarter	2nd Quarter	1st quarter	4th Quarter	3rd Quarter	2nd Quarter	1st quarter
PROFIT & LOSS ACCOUNT								
Mark-up / Return / Interest Earned	3,473	3,592	3,606	3,397	3,354	3,468	3,111	2,976
Mark-up / Return / Interest Expensed	(2,240)	(2,249)	(2,396)	(2,339)	(2,343)	(2,373)	(2,236)	(2,045)
Net Mark-up Interest Income	1,233	1,343	1,210	1,058	1,011	1,095	875	931
Provisions	(398)	(185)	11	52	(444)	(353)	(224)	(251)
Non-mark-up / interest income	495	475	412	475	408	508	476	494
Non-mark-up / interest expenses	(1,244)	(1,135)	(1,175)	(905)	(954)	(861)	(894)	(739)
Profit before taxation	86	498	458	680	21	389	233	435
Taxation	(64)	(169)	(199)	(186)	13	(113)	(62)	(132)
Profit after taxation	22	329	259	494	34	276	171	303

Statement of Financial Position

	2012				2011			
	4th Quarter	3rd Quarter	2nd Quarter	1st quarter	4th Quarter	3rd Quarter	2nd Quarter	1st quarter
ASSETS								
Cash and balances with treasury	11,491	9,601	10,233	8,891	8,959	8,846	8,663	7,689
Balances with other banks	1,250	927	984	973	879	2,159	1,248	951
Lending to financial and other institutions	1,123	2,010	1,300	1,858	813	482	200	549
Investment-net	59,517	47,870	59,682	43,390	45,776	47,452	55,800	39,181
Advances-net	76,825	68,996	67,524	68,493	65,340	56,377	54,469	58,573
Operating Fixed assets	4,015	3,984	3,921	3,887	3,834	3,649	3,711	3,946
Deferred tax assets-net	293	179	349	413	362	466	436	418
Other assets	4,104	3,987	4,411	4,091	3,769	3,919	3,925	3,370
Total Assets	158,618	137,554	148,404	131,996	129,732	123,350	128,452	114,677

Liabilities

Bills payable	2,522	2,189	1,982	2,069	1,571	1,727	1,777	1,665
Borrowings	20,398	7,728	16,738	11,104	14,557	15,618	20,884	13,274
Deposits and other accounts	120,831	112,222	115,264	103,949	99,734	91,968	92,836	87,528
sub-ordinated loans	299	599	599	898	898	1,197	1,197	1,197
Other liabilities	2,215	2,436	2,114	2,474	1,995	2,086	1,438	1,755
Total Liabilities	146,265	125,174	136,697	120,494	118,755	112,596	118,132	105,419
Net Assets	12,353	12,380	11,707	11,502	10,977	10,754	10,320	9,258

Represented by:

Share Capital	10,022	9,029	9,029	9,029	9,029	8,026	6,023	6,023
Subscription money received against right share	-	-	-	-	-	-	886	-
Discount on issue of right share	(1,001)	(1,001)	(1,001)	(1,001)	(1,001)	(1,001)	-	-
Reserves	410	1,333	1,333	1,183	1,183	2,029	2,029	2,029
Un-appropriated profit	1,968	2,002	1,658	1,548	1,026	1,132	839	650
Surplus on revaluation of assets	954	1,017	688	743	740	568	543	556
Total Equity	12,353	12,380	11,707	11,502	10,977	10,754	10,320	9,258

CASH FLOW STATEMENT-SUMMARY

	2012	2011	2010	2009	2008	2007
Cash flow from operating activities	17,381	11,482	5,497	13,893	(4,500)	893
Cash flow from investing activities	(13,879)	(10,994)	(5,820)	(15,480)	3,845	(2,836)
Cash flow from financing activities	(599)	702	1,003	-	-	-
Cash and cash equivalent at the beginning of the year	9,838	8,648	7,968	9,555	10,211	12,154
Cash and cash equivalent at the end of the year	12,741	9,838	8,648	7,968	9,556	10,211

SIX YEARS' VERTICAL ANALYSIS STATEMENT OF FINANCIAL POSITION/PROFIT & LOSS

(Rs. In Million)

	2012		2011		2010		2009		2008		2007	
	Rs.in Mln	%	Rs.in Mln	%	Rs.in Mln	%	Rs.in Mln	%	Rs.in Mln	%	Rs.in Mln	%
Statement of Financial Position												
Assets												
Cash and balances with treasury banks	11,491	7%	8,959	7%	7,248	7%	6,471	7%	5,647	7%	5,861	8%
Balances with other banks	1,249	1%	879	1%	1,400	1%	1,497	2%	3,909	5%	4,350	6%
Lending to financial and other institutions	1,123	1%	813	1%	2,532	2%	2,755	3%	3,990	5%	3,175	4%
Investment-net	59,517	38%	45,776	35%	34,986	32%	29,537	31%	14,053	17%	19,182	25%
Advances-net	76,825	48%	65,340	50%	54,676	51%	48,727	51%	47,575	59%	40,154	52%
Operating Fixed assets	4,015	3%	3,834	3%	3,469	3%	3,334	3%	3,127	4%	2,151	3%
Deferred tax assets-net	293	0%	362	0%	385	0%	108	0%	126	0%	-	0%
Other assets	4,105	3%	3,769	3%	3,411	3%	2,880	3%	2,550	3%	1,981	2%
	158,618	100%	129,732	100%	108,106	100%	95,310	100%	80,977	100%	76,854	100%
Liabilities												
Deposits and other accounts	120,831	76%	99,734	77%	82,017	76%	73,548	77%	61,634	76%	60,150	78%
Borrowings	20,398	13%	14,557	11%	12,371	11%	9,386	10%	8,441	10%	5,865	8%
Bills payable	2,522	2%	1,571	1%	1,858	2%	1,763	2%	1,254	2%	1,641	2%
Other liabilities	2,215	1%	1,995	2%	1,745	2%	1,612	2%	1,335	2%	963	1%
Deferred tax liabilities-net	-	0%	-	0%	-	0%	-	0%	-	0%	425	1%
Sub-ordinated loans	299	0%	898	1%	1,197	1%	1,198	1%	1,198	1%	1,199	2%
	146,265	92%	118,755	92%	99,188	92%	87,507	92%	73,864	91%	70,244	92%
Net Assets	12,353	8%	10,977	8%	8,918	8%	7,803	8%	7,113	9%	6,610	8%
Represented by:												
Share Capital (net of discount)	9,021	6%	8,028	6%	6,023	6%	5,019	5%	4,114	5%	4,114	5%
Reserves	410	0%	1,183	1%	2,029	2%	2,004	2%	2,017	3%	1,877	3%
Un-appropriated profit	1,968	1%	1,026	1%	329	0%	158	0%	835	1%	239	0%
Surplus on revaluation of assets	954	1%	740	0%	536	0%	622	1%	147	0%	381	0%
	12,353	8%	10,977	8%	8,918	8%	7,803	8%	7,113	9%	6,610	8%
Profit & loss account												
Mark-up / Return / Interest Earned	14,068	88%	12,910	87%	10,250	89%	9,337	89%	7,823	86%	6,272	85%
Fee, Commission , Brokerage and -Exchange income	1,040	7%	1,194	8%	603	5%	673	6%	638	7%	472	6%
Capital Gain and Dividend Income	529	3%	428	3%	175	2%	120	1%	268	3%	332	5%
Other income	288	2%	264	2%	450	4%	375	4%	321	4%	263	4%
Total Income	15,925	100%	14,796	100%	11,479	100%	10,505	100%	9,049	100%	7,339	100%
Mark-up / Return / Interest Expensed	9,224	58%	8,997	61%	7,204	63%	6,603	63%	4,878	54%	4,334	59%
Operating expenses	4,459	28%	3,449	22%	2,682	23%	2,079	20%	1,952	21%	1,293	18%
Provisions	520	3%	1,271	9%	1,452	13%	1,633	16%	1,266	14%	235	3%
Taxation	618	4%	295	2%	15	0%	45	0%	252	3%	476	6%
Total Expenses	14,821	93%	14,012	95%	11,353	99%	10,360	99%	8,348	92%	6,339	86%
Profit after taxation	1,104	7%	784	5%	125	1%	145	1%	701	8%	1,000	14%

SIX YEARS' HORIZONTAL ANALYSIS

STATEMENT OF FINANCIAL POSITION/PROFIT & LOSS

(Rs. In Million)

	2012	2012 vs 2011	2011	2011 vs 2010	2010	2010 vs 2009	2009	2009 vs 2008	2008	2008 vs 2007	2007	2007 vs 2006
	Rs.in Mn	%	Rs.in Mn	%	Rs.in Mn	%	Rs.in Mn	%	Rs.in Mn	%	Rs.in Mn	%
STATEMENT OF FINANCIAL POSITION												
ASSETS												
Cash and balances with treasury banks	11,491	28.26%	8,959	23.61%	7,248	12%	6,471	15%	5,647	-4%	5,861	6%
Balances with other banks	1,249	42.09%	879	-37.23%	1,400	-6%	1,497	-62%	3,909	-10%	4,350	-34%
Lending to financial and other institutions	1,123	38.13%	813	-67.89%	2,532	-8%	2,755	-31%	3,990	26%	3,175	-1%
Investment-net	59,517	30.02%	45,776	30.84%	34,986	18%	29,537	110%	14,053	-27%	19,182	15%
Advances-net	76,825	17.58%	65,340	19.50%	54,676	12%	48,727	2%	47,575	18%	40,154	13%
Operating Fixed assets	4,015	4.72%	3,834	10.52%	3,469	4%	3,334	7%	3,127	45%	2,151	11%
Deferred tax assets -net	293	-19.06%	362	-5.89%	385	255%	108	-14%	126	100%	-	0%
Other assets	4,105	8.91%	3,769	10.51%	3,411	18%	2,880	13%	2,550	29%	1,981	50%
Total Assets	158,618	22.27%	129,732	20.00%	108,106	13%	95,310	18%	80,977	5%	76,854	9%
Liabilities												
Deposits and other accounts	120,831	21%	99,734	22%	82,017	12%	73,548	19%	61,634	2%	60,150	13%
Interbank borrowings	20,398	40%	14,557	18%	12,371	32%	9,386	11%	8,441	44%	5,865	-34%
Bills payable	2,522	61%	1,571	-15%	1,858	5%	1,763	41%	1,254	-24%	1,641	71%
Other liabilities	2,215	11%	1,995	14%	1,745	8%	1,612	21%	1,335	39%	964	37%
Deferred tax liabilities	-	0%	-	0%	-	0%	-	0%	-	-100%	425	25%
Sub-ordinated loans	299	-67%	898	-25%	1,197	0%	1,198	0%	1,198	0%	1,199	0%
Total Liabilities	146,265	23%	118,755	20%	99,188	13%	87,507	18%	73,864	5%	70,244	8%
Net Assets	12,353	13%	10,977	23%	8,918	14%	7,803	10%	7,113	8%	6,610	18%
Represented by:												
Share Capital (net of discount)	9,021	12%	8,028	33%	6,023	20%	5,019	22%	4,114	0%	4,114	32%
Reserves	410	-65%	1,183	-42%	2,029	1%	2,004	-1%	2,017	7%	1,877	12%
Un-appropriated profit	1,968	92%	1,026	212%	329	108%	158	-81%	835	250%	239	-40%
Surplus on revaluation of assets	954	29%	740	38%	536	-14%	622	322%	147	-61%	381	-9%
Total Equity	12,353	13%	10,977	23%	8,918	14%	7,803	10%	7,113	8%	6,610	18%
PROFIT & LOSS ACCOUNT												
Mark-up / Return / Interest Earned	14,068	9%	12,910	26%	10,250	10%	9,337	19%	7,823	25%	6,272	13%
Fee, Commission, Brokerage and - Exchange income	1,040	-13%	1,194	98%	603	-10%	673	6%	638	35%	472	21%
Capital Gain and Dividend Income	529	24%	428	144%	175	46%	120	-55%	268	-19%	332	130%
Other income	288	9%	264	-41%	450	20%	375	17%	321	22%	263	20%
Total Income	15,925	8%	14,796	29%	11,479	9%	10,505	16%	9,049	23%	7,339	17%
Mark-up / Return / Interest Expensed	9,224	3%	8,997	25%	7,204	9%	6,603	35%	4,878	13%	4,334	15%
Operating expenses	4,459	29%	3,449	29%	2,682	29%	2,079	7%	1,952	51%	1,293	25%
Provisions	520	-59%	1,271	-12%	1,452	-11%	1,633	29%	1,266	439%	235	539%
Taxation	618	109%	295	1866%	15	-67%	45	-82%	252	-47%	476	3%
Profit after taxation	1,104	41%	784	525%	125	-14%	145	-79%	701	-30%	1,000	2%

Financial Calendar

2012

1st Quarter Result issued on
23 April 2012

2nd Quarter Result issued on
18 August 2012

3rd Quarter Result issued on
19 October 2012

Annual Result issued on
23 February 2013

21st Annual General Meeting
28 March 2013

2011

1st Quarter Result issued on
20 April 2011

2nd Quarter Result issued on
15 August 2011

3rd Quarter Result issued on
24 October 2011

Annual Result issued on
28 February 2012

20th Annual General Meeting
30 March 2012

DIRECTORS' REPORT TO SHAREHOLDERS

On behalf of the Board of Directors, I am pleased to present before you the audited financial statements of Soneri Bank Limited (Bank) for the year ended 31 December 2012 together with auditors' report to the shareholders.

ECONOMIC OVERVIEW

In 2012, the economic performance represented by GDP growth of 3.7% percent was generally sluggish. Agriculture and manufacturing sectors grew by 3.1% percent and 3.6% percent respectively. The national macroeconomic reforms agenda was low on the priority list of the Government. Pro-growth policy of downward revision of discount rate backed by easing inflation was pushed. The government however, borrowed heavily from banks.

There was little progress on structural reforms beyond interim measures such as tax amnesty scheme and injection of funds for energy sector. The favorable global economic conditions and better remittance flows contributed to improve the external account outlook. Law and order situation, persistent energy shortages, internal security concerns and low savings and investment, posed a major challenge to growth.

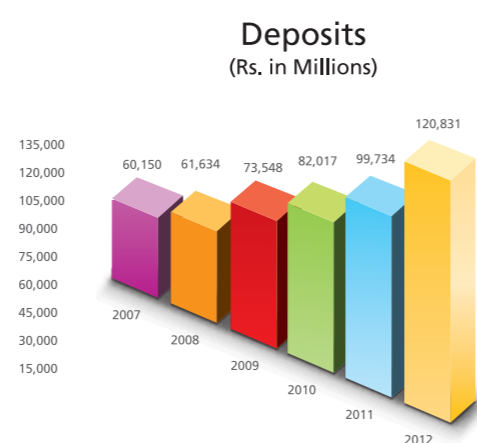
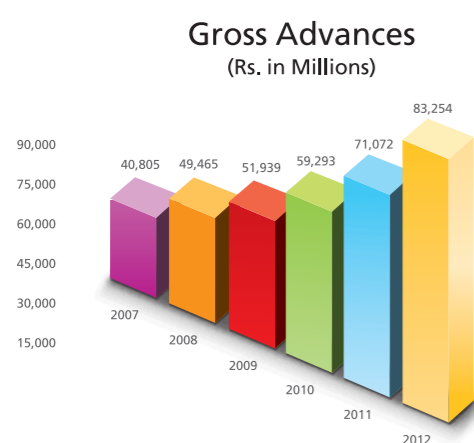
On the banking front the year 2012 started off with a positive outlook on the asset quality as banks had provided adequately against their infected portfolios in 2011. The new loan loss provisions were not a big challenge to the banks profitability in 2012. However the overall banking sector spread which was already under pressure by the monetary policy easing in 2011 came under further stress due to the increase in minimum cost on savings deposits.

BUSINESS REVIEW - 2012

I am glad to state that your Bank despite challenges managed to increase its asset and liability base and earn higher profits in 2012. The Bank registered growth in all areas of operations and expanded its branch network to 233 as at the year-end.

In line with the operational strategy, the deposits base of the Bank increased by 21.15 percent to Rs.120,831 million as compared to the previous year. Similarly net advances grew by 17.57 percent to Rs.76,825 million and investments by 30 percent to Rs.59,517 million. Advances-deposits ratio stood at healthy 68.9% percent.

The six years comparative view of the gross advances and total deposits of the Bank yielded five year compounded annual growth rate of 18.33 percent and 13.91 percent respectively:



DIRECTORS' REPORT TO SHAREHOLDERS

FINANCIAL RESULTS - 2012

The highlights of financial results for 2012 are presented as follows:

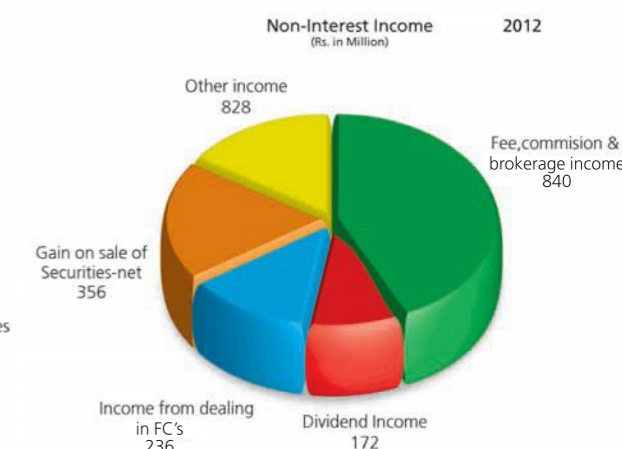
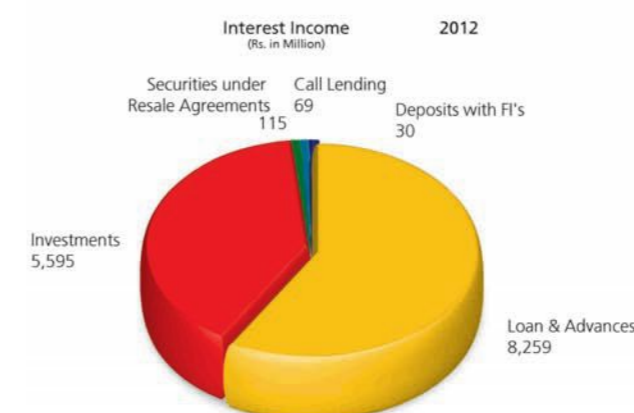
Profit & Loss Account	2012	2011	Variance (%)
----- (Rupees in 000) -----			
Markup income (net) / Non markup income	6,700,966	5,798,918	15.6
Non Markup Expenses	4,459,278	3,448,469	29.3
Operating Profit	2,241,688	2,350,449	-4.6
Provisions on NPLs & Inv.	519,632	1,272,178	-59.2
Profit before tax	1,722,056	1,078,271	59.7
Profit after tax	1,104,193	783,533	40.9
Earning per share - Rs./Re.	1.10	0.78	41.0
Financial Position	2012	2011	Variance (%)
----- (Rupees in 000) -----			
Paid up Capital (Net of discount)	9,021,035	8,027,824	12.4
Equity (excluding surplus)	11,399,026	10,236,801	11.4
Deposits	120,830,571	99,733,970	21.2
Advance - gross	83,254,363	71,071,622	17.1
Investments - net	59,517,180	45,775,969	30.0

While increase in mark-up/interest income outstripped the rise in mark-up/interest expenses, provisions showed a substantial decline. As a result, net mark-up/interest income after provisions surged to Rs.4,324 million from Rs.2,640 million in the previous year.

In 2012, mark-up/interest income amounted to Rs.14,068 million, up by 8.97 percent over 2011 due mainly to growth in lending operations and mark-up/interest based investment. The increase in net mark-up/interest income was achieved despite of multiple downward revisions in discount rate.

The Bank strengthened its credit administration and risk management which led to improve the quality of advances portfolio and assist in higher recovery from struck up advances during the year as indicated by the reduction in infection ratio to 11.92 percent and decline in net provisions to Rs.490 million in 2012 from Rs.1,244 million in 2011.

In the year under review, efforts were made to enhance participation of the Bank in trade related transactions and raise the share of trade and services in the total income. Non-markup/interest income however registered a marginal decrease caused by depressed income from dividends and capital gains.



DIRECTORS' REPORT TO SHAREHOLDERS

The operational volumes of the Bank and the numbers of active customers increased substantially during the year under review. The branch network of the Bank expanded to 233 on-line branches as compared to 214 branches in operations last year and the staff base also crossed the mark of 3,200 permanent and contractual employees. Consequently the overall administrative expenses registered an increase of 25.18 percent (FY2011: 29.33 percent).

The rise in administrative expenses was driven mainly by the continuous upgradation and expansion on the Information Technology infrastructure as well the new initiatives undertaken by the Bank in the areas of Credit Administration and the Centralization of its branch operations. The Bank has made prudent provisions on account of certain payments made to taxation and other authorities. While the management and the Board are cognizant of key factors behind this increase they have installed the required controls to ensure that the costs are kept under control.

Profit before tax amounted to Rs.1,722 million up 59.71 percent from Rs.1,078 million in 2011. Profit after tax amounted to Rs.1,104 million which is record high as compared with Rs.784 million in the previous year.

In compliance with the regulatory Minimum Capital Requirements the Bank has issued its 15th bonus shares at 11 percent during the year, as a result of which new 99.321 million ordinary shares were issued to the shareholders. The paid up capital of the Bank increased to Rs. 9,021 million (net of discount).

FUTURE OUTLOOK

Considering the multiple discount rate revisions made during 2012 banking sector spreads are likely to be impacted in 2013 as well. The pace of economic activity is expected to remain slow in 2013 being the election year and owing to the persistent pressures emanating from the fiscal and structural issues, energy shortages and law and order situation.

The Bank aims at pursuing a growth strategy with focus on increasing its core deposit base, expanding its lending outreach in SME, agriculture and retail areas as well as increasing its services footprint across the country. In addition, the Bank will sharpen its focus on the quality of its credit portfolio with a close watch on infected and watch listed relationships.

The Bank plans to consolidate and strengthen its non-markup income stream in the ensuing year. It also has plans to launch new products and services and increase trade business and allied value added services in 2013.

The management of the Bank operates with a philosophy of serving the customer with the highest standards of service quality. During 2013, the plans to revamp its call center and customer service touch-points and convert some of the branches into smart service centers for which country-wide centralization of its branches' operations is expected to be completed in the year 2013. Going forward the Bank will continue to enhance its operational and technical capabilities for which continued investment in upgrading the Information Technology workspace and service quality shall be ensured.

The above plan is expected to have a positive impact on improving the overall service standards of the Bank and eventually increasing the business volumes and revenue stream in the year ahead. This coupled with the focus on strengthening the non-markup income base and effective recoveries from Non-Performing Loans is expected to result in increased profitability.

CREDIT RATING

The Pakistan Credit Rating Agency (PACRA) maintained the long term credit rating of AA- (Double A Minus), short term rating of A1+ (A One Plus) and instrument rating (Term Finance Certificates) of A+ (A Plus) through its notification dated: 22 June 2012 [2011: long term AA- (Double A Minus): short term A1+ (A One Plus) and instrument rating A+ (A plus)].

MINIMUM CAPITAL REQUIREMENTS

During the year, the Bank has issued another Bonus Shares (B-15) of 11 percent as announced by the Board in its meeting held on 21 November 2012. As a result of this, the paid up capital of the Bank as at 31 December 2012 stood at Rs.9,021million which is as per the requirements of the State Bank of Pakistan for 2012.

BOARD OF DIRECTORS

The present Board of Directors was elected in the 19th Annual General Meeting of the shareholders held on 30 March 2011.

DIRECTORS' REPORT TO SHAREHOLDERS

BOARD AND COMMITTEE MEETINGS

Details of the meetings of the Board of Directors and its Sub-Committees held during 2012 and the attendance by each director/committee member are given as under.

Name	Board of Directors	Audit Committee	Credit Committee	Risk Management Committee	Human Resource Committee
Mr. Alauddin Feerasta, Chairman of the Board	9/9	*	4/4	*	*
Mr. Mohammad Aftab Manzoor CEO/President	9/9	*	4/4	5/5	3/3
Mr. Nooruddin Feerasta	**7/9	4/4	4/4	*	*
Mr. Inam Elahi	9/9	4/4	4/4	5/5	3/3
Mr. Muhammad Rashid Zahir	9/9	4/4	*	*	*
Mr. Syed Ali Zafar	**5/9	*	*	*	*
Mr. Manzoor Ahmed (NIT Nominee)	**8/9	*	*	*	3/3
Mr. Shahid Anwar (NIT Nominee)	**8/9	**3/4	*	5/5	3/3
Total Number of meetings held	9	4	4	5	3

Note: *not a member of the Committee

**Leave of absence was granted to directors/member by the Board/Committee, who could not attend some of the meetings.

STATEMENT OF INVESTMENTS OF PROVIDENT AND GRATUITY FUNDS

The Bank operates approved funded provident and gratuity fund schemes covering all its permanent employees. The investment balances are as follows:

	31 December 2012 (Un-audited)	31 December 2011 (Audited)
		(Rupees in '000)
Investments of Provident Fund	341,045	174,376
Investments of Gratuity Fund	137,794	95,435

COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

In compliance with the Code of Corporate Governance, the Board of Directors states that:

- The financial statements present fairly the state of affairs of the Bank, the results of its operations, cash flows and changes in equity.
- Proper books of account of the Bank have been maintained.
- Accounting policies as stated in the notes to the financial statements have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable to banks in Pakistan, and as stated in note 3 to the financial statements, have been followed in the preparation of the financial statements.

DIRECTORS' REPORT TO SHAREHOLDERS

- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the Bank's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- The details of outstanding statutory payments, if any, have been adequately disclosed in the financial statements.

RISK MANAGEMENT FRAMEWORK

As the banking industry has learned, "experience and react" is a risky proposition. "Anticipate and adjust" are the new watchwords for financial institutions that want to prevail. Therefore, the key is to anticipate and adjust to both predictable and unforeseen requirements, armed with the appropriate degree of readiness and dexterity to foster continuous operations. The long-term financial security and success of your Bank is built on a robust risk management system. Through proactive and improved enterprise wide risk management practices and framework which is geared well enough to support the business plan of the bank.

The Bank is fully cognizant of the need of a robust risk management framework for establishing and maintaining a competitive and recognized position in the financial industry. Acknowledging the increase in risks faced by banks, internationally and locally, in recent times, the bank has given prime importance to advancement of risk management practices within the bank.

A well established risk governance structure of the Bank, under the supervision of the Board of Directors (Board), ensures the existence, accountability and effectiveness of a managed risk management system across the bank. Under the authority delegated by the Board, the Risk Management Committee (RMC), a board level subcommittee, is responsible for ensuring the compliance and effectiveness of the risk management framework and the establishment of a sound internal control environment and activities, supported by a sound set-up of a group of senior management risk committees and a well-defined Risk Management Division.

The Bank has adopted an integrated Enterprise Risk Management framework by encompassing the principles and guidelines of Basel II and State Bank of Pakistan risk management guidelines in managing the risks by ensuring that:

Risks are identified, monitored, understood and effectively managed

- Risk management frameworks for Credit, Market & Liquidity and Operational Risk are documented, comprehensive, and consistent.
- Risks are within the tolerance levels established through a process involving independent risk management function, business-line management, management committees and the Board of Directors
- Risk taking decisions are consistent with the business objectives and are explicit and clear
- Expected returns are commensurate with and adequately compensate for the risks undertaken
- Capital allocation is consistent with risk exposure so that commitments to customers are continually met
- Risk taking, risk assessment and risk control functions are separate from each other with defined segregation of duties and independent reporting lines

During the year, the bank has taken a number of initiatives to strengthen its risk management function. The bank managed to automate Capital Adequacy Ratio (CAR) calculation process through Credit Risk Management Solution (CRMS) and Market Risk Management Solution (MRMS) of SAS, the world renowned business analytics software and service provider. Through automation, the bank has also managed to move to the Comprehensive Approach of Credit Risk Mitigation (CRM) which enabled it to further improve its CAR. Your Bank also ensured that its CAR remained above the minimum regulatory and internal limits.

The Bank also drafted a Risk Appetite Statement and defined Risk Appetite limits which were duly approved by the Board of Directors (BoD) and any breaches in the approved limits are reported to Board Risk Management Committee (BRMC) by the Risk Management Division for relevant actions/decisions.

In order to fully comply with the bank's plans to move to Advanced approaches of Basel II, a Credit Risk Rating System for Financial Institutions has been developed and approved by the BoD to internally rate all Financial Institutions banking with Soneri Bank Limited. The Bank has also started calculating Basel III liquidity ratios i.e. Net Stable Funding Ratio (NSFR) and Liquidity Coverage Ratio (LCR), the results of which depict that your bank is well above the minimum required standards.

On the operational risk front, the bank managed to automate and track its operational loss events through SAS OpRisk Monitor as per the requirements of Basel II Advanced approaches for operational risk. Further, the bank also monitors Key Risk Indicator (KRI) thresholds identified in the Risk & Control Self Assessment (RCSA) exercise through OpRisk Monitor. The Bank is currently in the phase of finalizing the business line mapping process as per the Basel II guidelines for calculation of risk weighted assets under standardized approach of operational risk for its approval from State Bank of Pakistan.

DIRECTORS' REPORT TO SHAREHOLDERS

In order to ensure continuity of the Bank's operations & safeguarding the lives of staff members, the Bank's BoD approved Business Continuity Plan (BCP) policy has been communicated down the line and country wide trainings have been conducted. Further, testing of the permanent back-up sites has also been carried out to relocate staff on their designated permanent back-up sites in case of any emergency within minimum time span.

The Risk Management Division also carries out stress testing to estimate the potential impact of extreme events on the Bank's earnings, balance sheet and capital. These stress tests also aim to gauge our sensitivity and vulnerability to a sector, customer or product segment. The Risk Management Division of the Bank regularly provides stress testing reports to its Credit Risk Management Committee (CRMC), Market Risk Management Committee (MRMC), and Board Risk Management Committee (BRMC) for their review and any actions/decisions, if required.

FINANCIAL STATEMENTS

The financial statements of the Bank have been audited without qualification by the auditors of the Bank, M/s. KPMG Taseer Hadi & Co., Chartered Accountants and approved/authorized by the Board in its meeting held on 23 February 2013 for issuance to the shareholders.

No material changes and commitments affecting the financial position of your Bank have occurred between the end of the financial year to which these financial statements relate and the date of the Directors' Report.

AUDITORS

The retiring auditors M/s. KPMG Taseer Hadi & Co., Chartered Accountants, being eligible, offer themselves for-re-appointment for the year ending 31 December 2013. The audit committee of the Board has recommended their re-appointment.

CORPORATE SOCIAL RESPONSIBILITY

The bank is committed to the concept of serving the society both directly and indirectly and in this regard has contributed in various ways and means. Besides, contributing towards national exchequer and employee benefit schemes, the Bank has been a regular contributor in the philanthropic and sports activities.

SIX YEARS' OPERATING AND FINANCIAL DATA

The requisite information is presented at page No. 28

PATTERN OF SHAREHOLDING

A statement showing the pattern of shareholding in the Bank as at 31 December 2012 appears on page No 128

ACKNOWLEDGEMENT

On behalf of the Board, I would like to express my sincere appreciation to the customers and shareholders for their continued trust and patronage, the State Bank of Pakistan, the Securities and Exchange Commission of Pakistan and other regulatory bodies for their continued guidance and support. I would also like to record specific appreciation for all employees for their dedication, devotion and hard work throughout the year 2012.

On behalf of the Board of Directors

ALAUDDIN FEERASTA

Chairman

Lahore: 23 February 2013

STATEMENT OF INTERNAL CONTROLS YEAR ENDED 31 DECEMBER 2012

The management of Soneri Bank Limited acknowledges its responsibility for establishing and maintaining a sound system of internal controls to provide reasonable assurance to achieve the following objectives:

- Efficiency and effectiveness of operations
- Compliance with applicable laws and regulations
- Reliability of financial reporting

The internal control system encompasses policies and procedures relating to all processes, products and activities of the bank's operations. The internal control policies and procedures are being regularly reviewed by an independent Internal Audit function reporting directly to the Audit Committee of the Board of Directors.

The existing internal control system provides essential support that is needed for the safe and sound banking operations. However, the bank as required by SBP, initiated an exercise to review the system of internal controls and for that purpose has adopted the COSO (Committee of Sponsoring Organizations of Treadway Commission) Framework of internal controls.

The bank initially engaged an accounting firm for providing professional guidance in documenting, assessing and testing the existing key Processes and Controls in line with requirements of SBP guidelines and international best practices. Bank has now devised a comprehensive process as suggested by the State Bank of Pakistan (SBP) to ensure ongoing design and effectiveness of internal controls. As part of the exercise, bank has initiated measures to remediate areas wherever the internal controls were deemed to need strengthening, to better address the related risks on overall basis, management is of the view that internal control framework operating during the year was effectively implemented. It is pertinent to mention that, internal control system is designed to manage rather than eliminate risk. As such it can only provide reasonable and not absolute assurance against material misstatements or loss.

Further, the bank's external auditors, as required by SBP's BSD Circular No. 03 of 2010, submitted a "Long Form Report" on 2 July 2012 through the bank's management to SBP after their review of the status of implementation of SBP guidelines on internal controls as at 31 December 2011.

MOHAMMED AFTAB MANZOOR
President and Chief Executive Officer

Lahore: 23 February 2013

STATEMENT OF INTERNAL CONTROLS YEAR ENDED 31 DECEMBER 2012

The Board of Directors acknowledge its responsibility for ensuring that an adequate and effective internal control system covering all aspects of our banking operations is in existence and vigorously followed by senior management.

Based on our review of internal control system through various reports from Internal Audit Division, Internal Control Compliance & Control Group and Statutory Auditors as well as various policies, procedures and other matters presented for our review and approval, from time to time, we observed that adequate internal controls have been implemented, monitored and controlled.

On behalf of the Board of Directors.

ALAUDDIN FEERASTA
Chairman

Lahore: 23 February 2013

CSR ACTIVITIES

Support for Various Causes

At Soneri Bank, we understand that our role in society extends beyond our relationship with customers. From day one, Corporate Social Responsibility has been one of our highest priorities and we take great pride in the activities we've had the pleasure of being associated with. Some of our major accomplishments and events for the year 2012 are listed below:



The Kidney Centre: In 2012 the bank donated money for a fund raiser organized by The Kidney Centre, so that patients could receive treatment completely free of cost.



The Citizens Foundation: One of Pakistan's brightest stars in the field of educational reform is the citizens foundation, which educates over 80,000 under privileged children across Pakistan and currently consists of a network of 600 schools countrywide. Soneri Bank is very proud to have a long running association with this institution, and continues to donate to TCF so that all children of every caste and creed have the opportunity to receive an education.



Sahara for Life Trust: The Sahara for Life Trust has been working diligently to provide underprivileged families with basic healthcare and education. Soneri Bank donated generously for a musical gala night organized by Sahara to support this noble cause.



Marie Adelaide Leprosy Centre (MALC): For the last 56 years, MALC has been working tirelessly for Leprosy elimination, TB and Blindness control and Community Development. This year, Soneri Bank generously donated to a fundraising gala organized by MALC held for the rehabilitation of patients.



NOWPDP: Soneri Bank is very proud to be associated with any organization that promotes and encourages people with disabilities. The bank sponsored two paintings by children with disabilities at NOWPDPs "heARTwork" programme, so that schools that cater to such children would receive adequate funds.

CODE OF CONDUCT (SUMMARIZED VERSION)

This Code of Conduct (Code) outlines the principles, policies and laws that govern the activities of Soneri Bank Limited (Bank), and to which the Board members, employees and others who work with the Bank, or represent the Bank directly or indirectly must adhere. All employees are required to read, understand, sign and follow the Code of Conduct.

OBJECTIVE

Soneri Bank Limited (Bank) expects all of its employees to act in full compliance with the policies & guidelines set forth in this Code of Conduct. It is employee's responsibility to make oneself familiar with the following and other policies related to their own business unit:

1. **OUTSIDE BUSINESS INTEREST**
No employees shall engage directly or indirectly, in any other business but shall faithfully and diligently, perform the duties entrusted to him /her from time to time and devote maximum time and attention to work of the Bank, and ensure his/her best endeavors to promote its interest and welfare. Neither shall take up any activity which will bring him/her any reward or remuneration or benefit, directly or indirectly other than from the job at the Bank.
2. **FINANCIAL INTEREST**
No employee or his/her immediate family shall enter into speculative and trading activity in stocks, shares, bonds, or any other securities or commodities, either on his/her own account or that of any other person, firm, company, nor shall involve in other speculative activity (ies) including betting/gambling. Further, an employee and his/her immediate family shall not derive any benefit or assist others to derive any benefit from the access to and possession of information about the Bank, which is not in the public domain and thus constitutes inside information. All the employees are required to comply with the applicable company law on prevention of inside trading.
3. **ANTI BRIBERY & CORRUPTION**
No employee shall accept any presents either in cash or kind from Bank clients, suppliers, vendors and contractors or others, by way of illegal gratification or otherwise. Any such instance where business judgment has been compromised due to such monetary or non monetary gifts will be considered as a violation of this code. Accepting gifts and benefits that may appear as engaging others in bribery or influencing for a consideration for an official or business favor is prohibited.

No Employee shall give or take bribe or engage in any form of corruption.
4. **VIOLATION OF LAW**
No payment or transaction should be made or undertaken, by an employee or authorized or instructed to be made or undertaken by any other person or the Bank if the consequence of that transaction or payment would be the violation of any law in force.
5. **POLITICAL PARTICIPATION**
No employee shall take part in, subscribe in any aid of, assist in or take part in any political activity whatsoever. No employee shall canvass or otherwise, interfere or use his/her influence in connection with or take part in any election to a legislative or local body, whether in Pakistan or elsewhere. Provided that a Bank employee who is qualified to vote at such election may exercise his/her right to vote.
6. **PROTECTING BANKS RESOURCES**
An Employee must not peruse such outside business activity(ies) and relationships using Banks resources (including but not limited to physical space, office supplies, office communication equipment or time) or allow any outside business, civic or charitable activities to interfere with his/her job performance. Employee must never compromise on integrity, either for personal or professional benefit. Each employee is also personally responsible for the integrity of the information, reports and records under his/her control.
7. **ACT OF MISCONDUCT**
Employee shall not commit any act of subversion or misconduct or misbehaviors; and will also not act in any manner, which could be prejudicial or detrimental to the interest of the Bank. The Bank shall be entitled to dispense with the services of any employee, any time per the law of his/her employment and/or repeated negligence, disobedience, dishonesty, breach of trust, acts of any other misconduct or subversion without any notice.

8. DATA SECURITY AND CONFIDENTIALITY

All Employees shall avoid, during his/her employment or thereafter to disclose or divulge to any person whomsoever any information relating to the Bank or its customers, suppliers, employees or any confidential information which he/she may have access to while being in the service of the Bank. All Employees shall be bound to protect the confidentiality of the non-public information at all times.

9. ABIDANCE OF LAWS OF THE LAND

Notwithstanding anything contained hereinabove every employee will abide by all the laws of the land including Labor Laws where applicable.

10. PUNCTUALITY

Employees are expected to be at work on time every business day.

11. SEPARATION FROM THE BANK

In case of resignation every employee will have to attend his/her duties until the resignation is accepted and employee is properly relieved by the competent authority.

At the time of separation the employee is required to handover all assets of the Bank in his/her possession.
ETHICS, DISCRIMINATION OR HARRASSMENT

All employees are expected to comply with ethical standards as a critical element of their responsibilities. It is encouraged to raise possible ethical issues and Bank prohibits any retaliatory action against any individual for raising legitimate concerns regarding ethics, discrimination or harassment matters or for reporting suspected violations. In case of any issue that has been reported, investigation / inquiry shall be held, and all employees are required to fully cooperate with any appropriately authorized internal or external investigations.

12. DRESS CODE & PERSONAL HYGIENE

Employees are expected to dress in a manner consistent with the nature of work performed. While at work, all employees are expected to dress neatly and appropriately in normal office as per the Dress code policy of the Bank.

All employees are expected to abide with the personal hygiene requirements.

13. PROTECTING BANK RESOURCES

All employees are responsible for safeguarding the tangible and intangible assets of Bank and its customers, suppliers and distributors that are under their control. Bank assets may be used only for proper company purpose.

14. FRAUD, THEFT OR ILLEGAL ACTIVITY

An employee must not :

- steal, embezzle or misappropriate money, funds or anything of value from the Bank , doing so shall subject him/her to potential disciplinary action according to the bank policy
- use Bank assets for personal gain or advantage
- remove bank assets from their premises and facilities unless properly authorized by the relevant competent authority
- use Bank's stationery or corporate documents, Bank's brand name for nonofficial purposes since such implies endorsement from Soneri Bank.

15. EMPLOYEE IDENTIFICATION & SECURITY

If employees are supplied with an identification card, this must be worn visibly when on Bank's premises. Each employee is also responsible for the safekeeping of his/her ID card.

16. USAGE OF COMMUNICATION TOOLS

Bank's telephone, e-mail, voice-mail, computer, systems etc are primarily for business purposes. Employees may not use these systems in a manner that could be harmful or embarrassing to Bank.

17. RECORD MANAGEMENT

Records are very important business assets. The Bank is committed to managing its records in a consistent, systematic and reliable manner; records provides evidence for business activities and decisions and are often required to meet legal and regulatory requirements.

18. TAXATION

The Bank is also committed to accuracy in tax related records and tax reporting in compliance with the overall intent and applicable laws. Tax returns must be filed on a timely basis and taxes due paid in time.

19. WORK FORCE DIVERSITY

The Bank believes that diversity in the staff is critical to its success and is fully committed to equal employment opportunity, compliance with fair employment practices and nondiscrimination laws. The Bank prohibits sexual or any other kind of discrimination, harassment or intimidation, whether committed by or against a supervisor, co-worker, customer, vendor or visitor.

20. RELATED STAFF MEMBERS

Where husbands, wives or other relatives are employed in the same or related areas, no employee should allow personal and/or domestic circumstances to impinge upon or affect either working relationships or the breach of bank's employment regulations regarding confidentiality and fidelity.

21. DRUG FREE WORKPLACE

Selling, manufacturing, distributing, possessing, using or being under the influence of illegal drugs on the job is prohibited.

22. HEALTH AND SAFETY

To protect the well being of Bank's valued customers and employees, smoking and eating betel leaf within the premises of Bank is strictly prohibited.

23. UNFAIR DEALING PRACTICES

No employee may take unfair advantage of anyone through manipulation, concealment, abuse of confidential information, misrepresentation of facts or other unfair dealing practices.

24. MEDIA AND PUBLIC SPEAKING

No employee other than the authorized personnel is allowed to publish, make speech, give interviews or make public appearance that are connected to Bank's business interests.

25. VENDOR RELATIONSHIP

Employees responsible for buying assets on Bank's behalf should purchase all goods and services on the basis of quality, price, availability, terms and service. Employees responsible for customer relationship must never lead a supplier or customer to believe that they can inappropriately influence any procurement decisions at Bank. Employees shall ensure to abide by all the provision of the Fixed Asset Management and Expenditure Control Policies of the Bank

26. CONFLICT OF INTEREST

Real or perceived conflicts of Interest in any process or form should be disclosed and avoided. An employee or any of his/her relatives / associates should not derive any undue personal benefit or advantage by virtue of his/her position or relationship with the Bank. Any dealings with a related party must be conducted in such a way that no preferential treatment is given and adequate disclosures are made as required by the law and as per the applicable policies of the Bank.

Employees must be sensitive to any activities, interests or relationships that might interfere with or even appear to interfere with his/her ability to act in the best interests of Bank and its customers.

An employee must notify authorized person or HR of any business relationship or proposed business transaction Bank may have with any company in which he/she or a related party has a direct or indirect interest or from which he/she or related party may drive a benefit. Even if related party or relative is employed, this may raise conflict of interest. Therefore, it should be avoided.

STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No.35 of Listing Regulations of Karachi, Lahore and Islamabad Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of Code of Corporate Governance.

The Bank has applied the principles contained in the CCG in the following manner:

1. The Bank encourages representation of independent non-executive directors and directors representing minority interests on its board of directors. At present the Board includes seven non-executive directors including one independent director, and one executive director (President/CEO):-

Category	Names
Independent Directors	Mr. Inam Elahi
Executive Directors	Mr. Mohammad Aftab Manzoor (President & CEO)
Non-Executive Directors	Mr. Alauddin Feerasta Mr. Nooruddin Feerasta Mr. Muhammad Rashid Zahir Mr. S. Ali Zafar Mr. Manzoor Ahmed Mr. Shahid Anwar

The independent director meets the criteria of independence under clause i (b) of the CCG.

2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Bank (excluding the listed subsidiaries of listed holding companies where applicable), which shall be restricted upto seven listed companies pursuant to next elections in 2014.
3. All the resident directors of the Bank are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. During the year no casual vacancy occurred on the Board of the Bank.
5. The Bank has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Bank along with its supporting policies and procedures.
6. The Board has developed a vision/ mission statement, overall corporate strategy and significant policies of the Bank. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. During the year, the directors remained compliant with the provision with regard to their training program and one of the Director has also received "Certificate of Director Education" issued by the Pakistan Institute of Corporate Governance.
10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.

27. ACCESS TO BUSINESS INFORMATION

Employees should also take steps to ensure that business related paper work and documents are produced, copied and faxed are properly filed and stored or if not needed, should be properly discarded to minimize the risk that an unauthorized person might obtain an access to confidential information. Access to work areas and systems should also be properly controlled.

28. CUSTOMER CONFIDENTIALITY

Employees of the Bank are strictly prohibited to disclose the fact to the customer or any other quarter that a suspicious transaction or related information is being or has been reported to any authority, except if required by law.

29. PERSONAL INVESTMENTS

If any personal investment that affects or appears to affect an employee's ability to make an unbiased business decision for Bank, should be avoided.

30. PERSONAL FINANCIAL NEEDS

Bank employee and their families are encouraged to use Bank for their personal financial services needs.

31. MODIFICATIONS AND AMENDMENTS

The Code of Conduct is subject to variances, modifications, and amendments, from time to time through the resolution of the Board of Directors.

11. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Bank were duly endorsed by the Chief Executive Officer and Chief Financial Officer before approval of the Board.
13. The directors, Chief Executive Officer and executives do not hold any interest in the shares of the Bank other than that disclosed in the pattern of shareholding.
14. The Bank has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed an audit committee. It comprises four members and all the four members (including the Chairman) are non-executive directors and pursuant to next elections in 2014, the chairman of the committee shall be an independent director.
16. The meetings of the audit committee were held once every quarter prior to approval of interim and final results of the Bank and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has formed an HR Committee. It comprises 4 members, of whom 3 are non-executive directors and one is an executive director. The Chairman of the committee is also a non-executive director.
18. The Board has set-up an effective internal audit function. The Head of Internal Audit and Audit team are suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Bank.
19. The statutory auditors of the Bank have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Bank and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the Institute of Chartered Accountants of Pakistan.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Bank's securities, was determined and intimated to directors, employees and stock exchanges.
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchanges.
23. We confirm that all other material principles enshrined in the CCG as immediately applicable have been complied with.

MOHAMMAD AFTAB MANZOOR

President / Chief Executive Officer

Lahore: 23 February 2013