



# ANNUAL REPORT 2011



## Soneri Bank

**Soneri Bank Limited**

**Registered Office:** Rupall House 241-242,  
Upper Mall Scheme, Anand Road, Lahore - 54000, Pakistan  
**Tel:** (042) 35713101-04

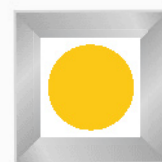
**Head Office:** 90-B-C/II, Liberty Market,  
Guilberg III, Lahore - 54000, Pakistan  
**Tel:** (042) 35772362-65

**Central Office:** 5th Floor, Al-Rahim Tower,  
I.I. Chundrigar Road, Karachi - 74000, Pakistan  
**Tel:** (021) 32439562-67

**Website:** [www.soneribank.com](http://www.soneribank.com)

**24/7 Call Centre:** 0800-00500

**UAN:** 111-SONERI



**Soneri Bank Limited**



An experience **Beyond Banking**

## OUR MISSION

To develop Soneri Bank into an aggressive and dynamic financial institution having the capabilities to provide personalized service to customers with cutting edge technology and a wide range of products, and during the process ensure maximum return on assets with the ultimate goal of serving the economy and the society.

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# INSPIRING GROWTH

As of 31 December 2011



		2011	2010	Growth %
Advances	Rs. In Million	<b>71,072</b>	59,293	<b>19.87%</b>
Deposits	"	<b>99,734</b>	82,017	<b>21.60%</b>
Net Assets	"	<b>10,977</b>	8,918	<b>23.09%</b>
Profit after Tax	"	<b>784</b>	125	<b>5.2 Times</b>
Interest Income	"	<b>3,898</b>	3,047	<b>27.97%</b>
Non-markup Income	"	<b>1,955</b>	1,228	<b>59.20%</b>
Earnings per Share	Rs.	<b>0.96</b>	0.17	<b>4.6 Times</b>
Total Revenue	Rs. In Million	<b>5,853</b>	4,274	<b>36.94%</b>
Return on Equity	%	<b>8.42%</b>	1.61%	<b>422.98%</b>
Return on Capital Employed	%	<b>10.52%</b>	3.07%	<b>242.67%</b>
Trade Business	Rs. In Million	<b>226,703</b>	193,720	<b>17.03%</b>
Number of Accounts	(In '000)	<b>378</b>	336	<b>12.50%</b>

## 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 214 branches and 216 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 needs.

## PRODUCTS AND SERVICES

### A Complete Banking Experience

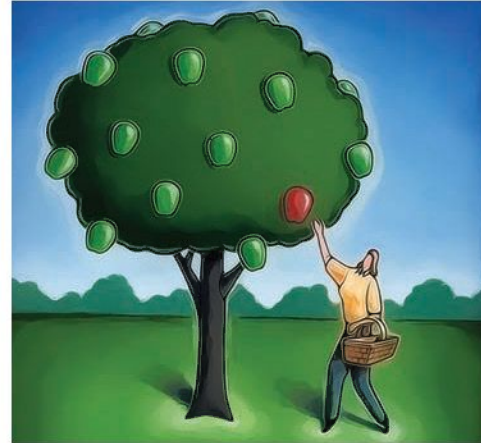
Soneri Bank prides itself on serving the needs of every type of banking customer, all under one roof. This is the essence of our business philosophy. Our branches are capable of providing a complete solution, depending on the customer's needs and profile. From an array of savings and investment options to insurance to loan facilities and trade finance options, we have products to cater to individuals, SMEs and corporate banking customers. Our renowned personalized service and a growing menu of Alternate Delivery Channels, ensure that our customers are looked after and enjoy unmatched convenience.

From technology to innovation to a commitment to excellence, Soneri Bank believes in offering the best to its customers, no matter who they are.

**Deposit Products:**

Deposits are at the core of our product offerings. For customers with varying financial needs, Soneri Bank offers a variety of Savings and Deposit products with which you have access to a variety of flexible accounts and special benefits.

Our Deposits product portfolio includes accounts like Soneri Savings, which is a daily product account offering a tiered profit structure, which gives attractive returns as the account balance grows. Our fixed deposit accounts give you added flexibility to invest your money at varying tenors and choose from a range of profit payment frequencies at attractive rates, which provide a hedge against rising inflation. Our Soneri Ikhtiar Current Account offers amazing convenience and multiple free benefits to our business customers, to make their business grow and thrive. Then there are the basic transactional and savings accounts, which are aimed at the small savers or customers who require transactional convenience.



**Islamic Banking:**

Modern Islamic banking has spread over the last four decades and the industry now has systemic importance in the global financial order. We at Soneri Bank have a strong commitment to provide Shariah-based banking in the country. Our Islamic Banking products mainly include Murabaha, Musharaka, Salam and Ijara financing facilities, where as on the liability side the Bank offers a variety of options from Current Accounts, Savings Accounts and Term Deposits, all strictly based on Shariah principles.



**Trade Finance**

Trade Finance is one of our main strengths; our dedicated staff and presence in key market areas makes our trade offering one of the best in the market. Our ability to provide tailor-made solutions through an expanding suite of product options additionally provides us with the edge that is needed to be fast and effective in serving our customers. Through a large number of correspondent banks, Soneri Bank stretches worldwide to provide our customers with ease and convenience no matter where they are.



**SME Finance:**

Entrepreneurs can be individuals, proprietors or partners and Soneri's SME product profile caters to all of them equally. Our Small and Medium Enterprise (SME) solutions are cost effective, innovative and tailor-made to provide financing on flexible terms.

**Corporate Banking:**

With a host of innovative products, find out how to get the best out of your business' corporate finance needs with our dedicated staff. Our appetite for large exposures coupled with a dedicated Structured Finance Unit, and an innovative team of professionals who have extensive experience in Corporate & Investment Banking, gives us the right platform to succeed in today's competitive and demanding environment.

**Consumer Finance:**

For the Bank's account holders who require a car loan or a personal loan, Soneri Bank offers the perfect solution at affordable prices with quick processing time. This is offered to individuals only.

**Agriculture Financing:**

Soneri Bank offers the farming community of Pakistan a host of competitive agricultural financing facilities perfectly suited to their particular requirements. Through our multiple branches, we ensure availability of adequate and timely banking credit right at their doorstep for both production and development purposes. Our dedicated Agriculture Finance Officers, deployed in key agricultural areas, ensure better coverage and personalized service.



**Bancassurance:**

Bancassurance continues to be a growing financial services segment. Soneri's Bancassurance services cater to all members of society. Families can save for their children's higher education through Roshan Aghaz. People young and old can plan for financial support at the time of their retirement through Roshan Takmeel. Soneri Saver provides an avenue of saving that is ideal for couples, with the benefits of life insurance covering the life of two individuals to provide financial support in case of any unforeseeable event. And for entrepreneurs in today's uncertain business climate, Karobar Muhafiz gives businesses some much needed added security against financial emergencies.

**Online Banking:**

With a fast growing network of 214 branches country-wide, Soneri Bank also offers fast, reliable and secure service to all customers. Customers can make hassle-free cash payments and deposits into accounts maintained at any of our Soneri Bank branches.



ALTERNATE DELIVERY CHANNELS

**ATM Network**

Soneri Bank's fast growing ATM network has now reached 216 points and has spread out to 74 cities. Our International Visa Debit Card allows unmatched transactional convenience at ATMs within and outside Pakistan with the added advantage of making purchases at Point of Sales machines anywhere in the world.

**Internet Banking:**

SoneriDirect Internet Banking gives customers direct access to their account anytime, anywhere. Through SoneriDirect Internet Banking, customers can get their balance, view their statements, transfer funds, pay utility & mobile bills or view their history.

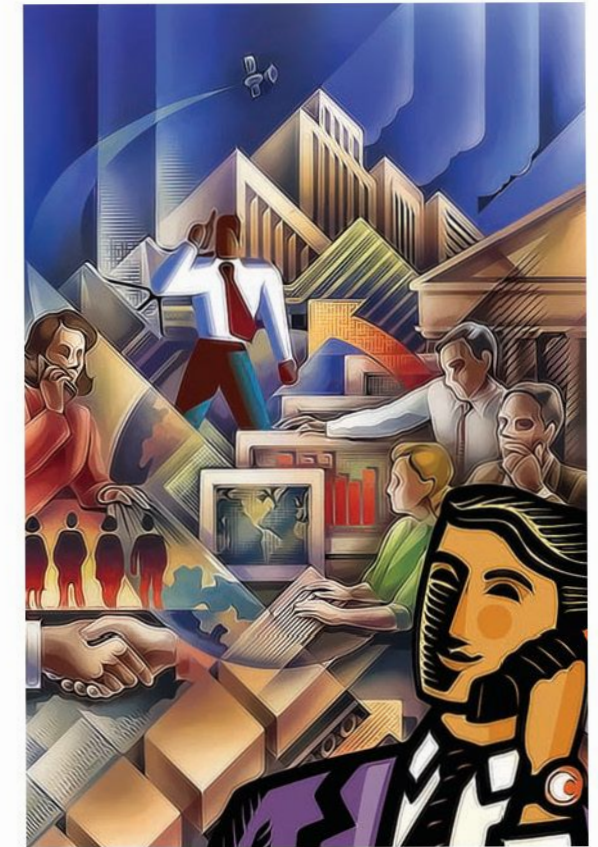
**Phone Banking:**

With Soneri Phone Banking, all you need is a telephone, your card number and the T-PIN to access your bank account, 24 hours a day, 7 days a week. Soneri Bank customers can simply dial 111-SONERI (111-766374) to reach our Customer Services Call Center and gain instant access to all the information they need.

**Mobile Banking:**

Our customers don't just get the best products and services, but also get access to the latest technology. With Soneri Mobile Banking, customers can access their account through their mobile phone. Everything from balance inquiries and mini-statements to fund transfers and bill payments can now be done right over the phone.

Now your Bank is always open.



# CORPORATE INFORMATION

## BOARD OF DIRECTORS

**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** | MR. SHEIKH MUHAMMED MOEEN

**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

5TH FLOOR, AL-RAHIM TOWER,  
I.I. CHUNDRIGAR ROAD,  
KARACHI - 74000

### 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— COMMITTEES 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. Muhammad 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. Muhammad 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. Muhammad Aftab Manzoor	Member
3. Mr. Inam Elahi	Member
4. Mr. Shahid Anwar	Member
Ms. Anita Lalani	Secretary

## MANAGEMENT COMMITTEES

### 1. Management Committee

1. Mr. Muhammad Aftab Manzoor, Chairman
2. Mr. Amin A. Feerasta, Member
3. Mr. Nemat Ali, Member
4. Ms. Mehreen Ahmed, Member
5. Mr. Shahid Abdullah, Member
6. Mr. Zafar Abrar Naqvi, Member
7. Mr. Iqbal Zaidi, Member
8. Mr. Sheikh Muhammed Moeen, Member
9. Ms. Anita Lalani, Member
10. Mr. Muhammad Haider Devjanie, Member
11. Mr. Abbas Hatim, Secretary

### 2. Executive Credit Committee

1. Mr. Muhammad Aftab Manzoor, Chairman
2. Mr. Amin A. Feerasta, Member
3. Mr. Nemat Ali, Member
4. Mr. Zafar Abrar Naqvi, Member / Secretary
5. Mr. Iqbal Zaidi, Member
6. Mr. Sheikh Muhammed Moeen, Member

### 3. Assets and Liability Committee

1. Mr. Muhammad Aftab Manzoor, Chairman
2. Mr. Amin A. Feerasta, Member
3. Ms. Mehreen Ahmed, Member
4. Mr. Shahid Abdullah, Member / Secretary
5. Mr. Zafar Abrar Naqvi, Member
6. Mr. Sheikh Muhammed Moeen, Member
7. Mr. Javaid Hussain Siddiqui, Member
8. Mr. Masood Ahmed Qureshi, Member

### 4. Investment Committee

1. Mr. Muhammad Aftab Manzoor, Chairman
2. Mr. Amin A. Feerasta, Member
3. Mr. Shahid Abdullah, Member
4. Mr. Sheikh Muhammed Moeen, Member
5. Mr. Masood Ahmed Qureshi, Member
6. Mr. Muhammad Imran Khan, Member / Secretary

### 5. I.T. Steering Committee

1. Mr. Muhammad Aftab Manzoor, Chairman
2. Mr. Amin A. Feerasta, Member
3. Ms. Mehreen Ahmed, Member
4. Mr. Sheikh Muhammed Moeen, Member
5. Mr. Muhammad Haider Devjanie, Member
6. Mr. Siraj Baquer Jaffri, Member / Secretary

### 6. Credit Risk Management Committee

1. Mr. Muhammad Aftab Manzoor, Chairman
2. Mr. Amin A. Feerasta, Member
3. Mr. Zafar Abrar Naqvi, Member
4. Mr. Sheikh Muhammed Moeen, Member
5. Mr. Javaid Hussain Siddiqui, Member / Secretary

### 7. Market Risk Management Committee

1. Mr. Muhammad Aftab Manzoor, Chairman
2. Mr. Shahid Abdullah, Member
3. Mr. Sheikh Muhammed Moeen, Member
4. Mr. Affan Shamim, Member
5. Mr. Javaid Hussain Siddiqui, Member / Secretary

# KEY PERFORMANCE INDICATORS

## KEY PERFORMANCE INDICATORS

		2011	2010	Variance Compared to 2010	
				Amount	%
<b>Financial</b>					
Investments-Gross	Rs. In Million	46,027	35,275	10,752	30.48%
Advances-Gross	"	71,072	59,293	11,779	19.87%
Deposits	"	99,734	82,017	17,717	21.60%
Shareholders' Equity	"	10,977	8,918	2,059	23.09%
Net Interest Income	"	3,898	3,047	851	27.94%
Non Interest Income	"	1,955	1,228	727	59.15%
Operating Expenses	"	3,503	2,682	821	30.59%
Profit Before Provisions	"	2,350	1,593	757	47.55%
Provisions	"	1,272	1,452	(180)	-12.41%
Profit Before Taxation	"	1,078	140	938	6.7 times
Profit After Taxation	"	784	125	659	5.2 times
<b>Non Financial</b>					
No. of Customers	Absolute	331,572	290,143	41,429	14.28%
No. of New Branches Opened	"	30	30	-	0.00%
No. of New Accounts Opened	"	77,193	52,899	24,294	45.93%
No. of ATM Cards Issued	"	65,001	61,929	3,072	4.96%
No. of Permanent Employees	"	2,286	2,042	244	11.95%
No. of Virtual Banking Customers	"	11,566	5,563	6,003	107.91%
No. of Mobile Banking Customers	"	336	-	336	
<b>Key Financial Ratios</b>					
Earnings Per Share	Re.	0.96	0.17		
Book Value Per Share	Rs.	12.75	13.92		
Share Price	"	3.90	8.31		
Market Capitalization	Rs. In Million	3,521	5,005		
Price Earning Ratio	Times	4.06	48.89		
Return on Equity	%	8.42%	1.61%		
Return on Assets	%	0.66%	0.12%		
Capital Adequacy Ratio	%	12.64%	12.61%		

## SIX YEARS' FINANCIAL SUMMARY 2006-2011

(Rs. in Million)

	2011	2010	2009	2008	2007	2006
<b>Profit &amp; Loss Account</b>						
Mark-up / Return / Interest Earned	12,895	10,250	9,337	7,823	6,272	5,536
Mark-up / Return / Interest Expensed	8,997	7,203	6,603	4,878	4,334	3,768
Fund based Income	3,898	3,047	2,734	2,945	1,938	1,768
Fee, Commission , Brokerage and Exchange Income	915	603	673	638	472	392
Dividend Income and Capital Gain	428	175	120	268	331	144
Other Income	612	450	375	320	263	219
Total Income	5,853	4,275	3,902	4,171	3,004	2,523
Operating Expenses	3,503	2,683	2,079	1,952	1,293	1,037
Profit Before Tax and Provisions	2,350	1,592	1,823	2,219	1,711	1,486
Provisions	1,272	1,452	1,633	1,266	235	37
Profit Before Tax	1,078	140	190	953	1,477	1,449
Profit After Tax	784	125	145	701	1,000	985
Bonus Shares	1,003	-	905	-	997	926
Right Shares	1,001	1004	-	-	-	537
<b>Statement of Financial Position</b>						
Paid up Capital	8,028	6,023	5,019	4,114	4,114	3,117
Reserves	1,183	2,029	2,004	2,017	1,877	1,677
Unappropriate Profit	1,026	329	158	835	239	401
Shareholders' Equity	10,237	8,381	7,181	6,966	6,230	5,194
Surplus on Revaluation of Assets	740	537	622	147	380	418
Net Assets	10,977	8,918	7,803	7,113	6,610	5,612
Total Assets	129,732	108,106	95,310	80,977	76,854	70,730
Earning Assets	111,929	92,194	81,420	65,699	64,512	59,430
Gross Advances	71,072	59,293	51,939	49,465	40,805	35,828
Advances-Net of Provisions	65,340	54,676	48,727	47,575	40,154	35,412
Non-Performing Loans (NPLs)	8,942	7,096	5,002	3,190	1,277	352
Investments	45,776	34,986	29,537	14,053	19,182	16,724
Total Liabilities	118,755	99,188	87,507	73,864	70,244	65,118
Deposits and Other Accounts	99,734	82,017	73,548	61,634	60,150	53,001
Current and Saving Deposits (CASA)	62,033	50,179	41,991	35,357	39,975	31,927
Borrowings	14,557	12,371	9,386	8,441	5,865	8,916
Interest Bearing Liabilities	94,364	77,788	70,300	56,550	55,096	52,538
Contingencies and Commitments	41,731	55,550	39,838	30,132	44,251	39,058

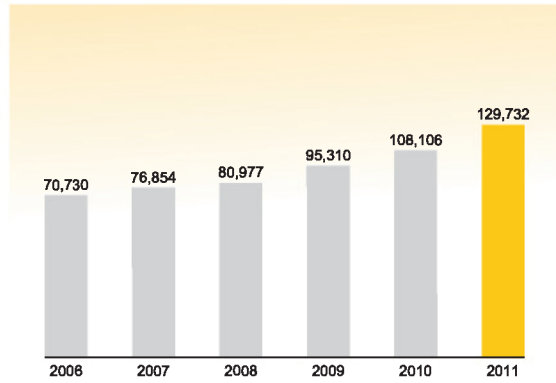
## SIX YEARS' FINANCIAL SUMMARY 2006-2011

	2011	2010	2009	2008	2007	2006
<b>Financial Ratios</b>						
Profit Before Tax Ratio (PBT / total income)	18.42%	3.29%	4.88%	22.86%	49.14%	57.44%
Gross Spread (NIM / Interest Income)	30.23%	29.72%	29.29%	37.64%	30.89%	31.93%
Non interest income to total income	33.40%	28.73%	29.93%	29.40%	35.53%	29.92%
Income / expense ratio ( excluding provisions) Times	1.67	1.59	1.88	2.14	2.32	2.43
Return on Average Equity (ROE)	8.42%	1.61%	2.05%	10.63%	17.51%	21.90%
Return on Average Assets (ROA)	0.66%	0.12%	0.16%	0.89%	1.36%	1.47%
Return on Capital Employed ( ROCE)	10.52%	3.07%	4.18%	13.28%	20.74%	23.26%
Earnings Per Share (EPS before tax) (Rs.)	1.34	0.23	0.38	2.32	3.59	4.65
Earnings Per Share ( EPS after tax) (Rs.)	0.96	0.17	0.29	1.70	2.43	3.16
Gross Advances to Deposit Ratio	71.26%	72.29%	70.62%	80.26%	67.84%	67.60%
Net Advances to Deposit Ratio	65.51%	66.66%	66.25%	77.19%	66.76%	66.81%
Break up Value Per Share (excl. surplus on revaluation of assets) (Rs.)	12.75	13.92	14.31	16.93	15.14	16.67
Break up Value Per Share (incl. surplus on revaluation of assets) (Rs.)	13.67	14.81	15.55	17.29	16.07	18.01
Earning Assets to Total Assets	86.28%	85.28%	85.43%	81.13%	83.94%	84.02%
CASA to Total Deposits	62.20%	61.18%	57.09%	57.37%	66.46%	60.24%
NPLs to Total Advances Ratio	12.58%	11.97%	9.63%	6.45%	3.13%	0.98%
Coverage Ratio (Specific Provisions/NPLs)	64.01%	64.95%	63.98%	58.61%	49.41%	98.54%
Assets to Equity Times	12.67	12.90	13.27	11.63	12.34	13.62
Total Assets per Share Times	161.60	179.48	189.89	196.82	186.80	226.93
Deposits to Shareholders' Equity Times	9.74	9.79	10.24	8.85	9.66	10.20
<b>Risk Adequacy</b>						
Tier I Capital (Rs. in Million)	10,048	8,358	7,169	6,621	6,125	5,107
Risk Weighted Assets (RWA) (Rs. in Million)	84,045	73,255	65,358	62,626	61,554	49,391
Tier I to RWA	11.96%	11.41%	10.97%	10.57%	9.95%	10.34%
Capital Adequacy Ratio	12.64%	12.61%	12.75%	12.66%	12.30%	13.39%
Net Return on Average RWA	0.93%	0.17%	0.22%	1.12%	1.63%	1.99%
<b>Stock Dividend</b>						
Bonus Shares Issued	12.50%	-	22%	-	20%	12%
<b>Industry Share</b>						
Deposits	1.70%	1.60%	1.71%	1.63%	1.68%	1.77%
Advances	2.03%	1.69%	1.59%	1.56%	1.55%	1.49%
<b>Non Financial Information</b>						
No. of Branches	214	184	154	117	89	72
No. of Permanent Employees	2,286	2,042	1,815	1,587	1,340	1,171
ATMs	216	184	154	117	88	69

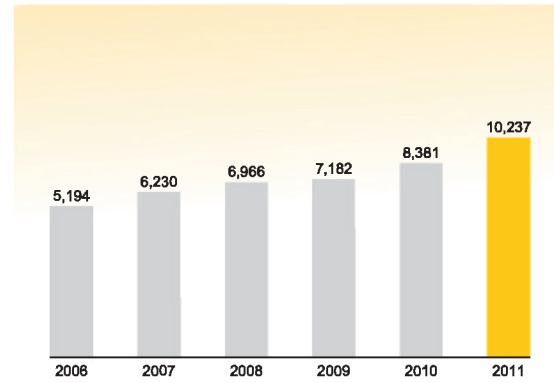
SIX YEARS' GROWTH SUMMARY 2006 - 2011

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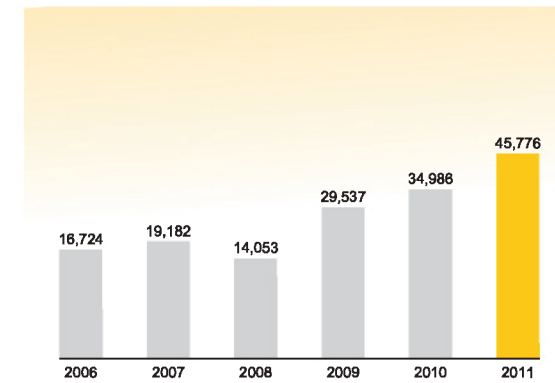
**Total Assets**  
(Rs. in Millions)



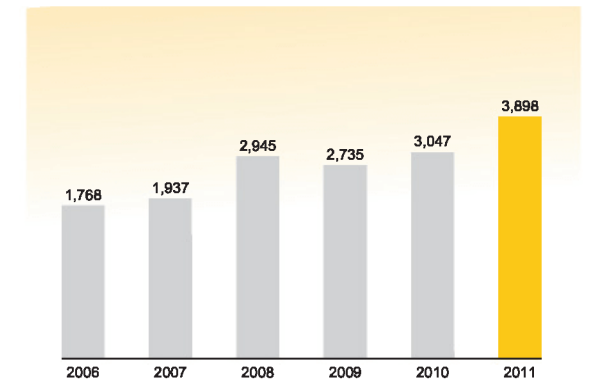
**Shareholders' Equity**  
(Rs. in Millions)



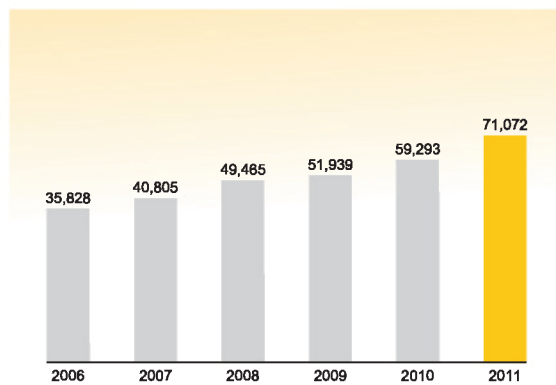
**Investments**  
(Rs. in Millions)



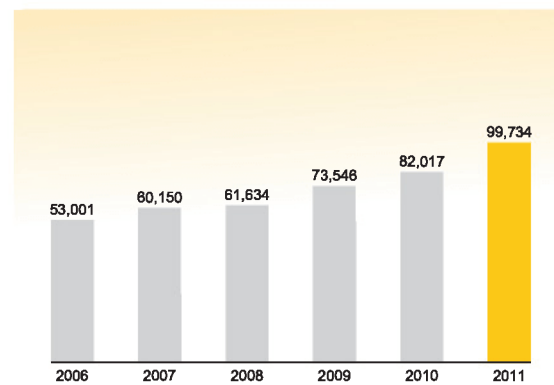
**Fund Based Income**  
(Rs. in Millions)



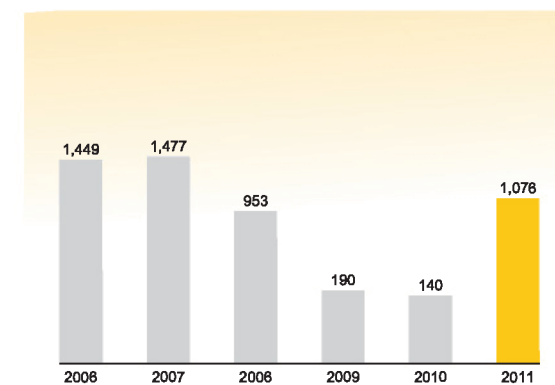
**Gross Advances**  
(Rs. in Millions)



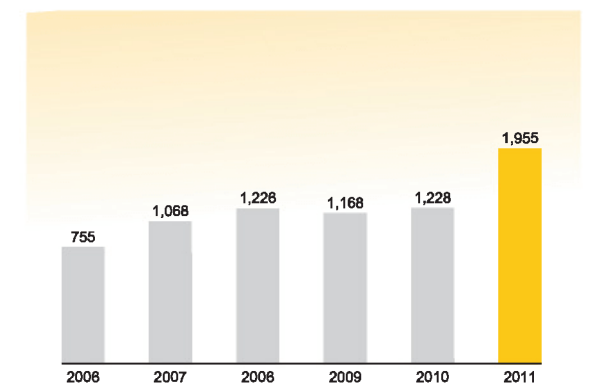
**Deposits**  
(Rs. in Millions)



**Profit Before Tax**  
(Rs. in Millions)



**Non-Markup Income**  
(Rs. in Millions)



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

	2011		2010	
	Rs.in Mln	%	Rs.in Mln	%
<b>Statement of Financial Position</b>				
<b>Assets</b>				
Cash and balances with treasury banks	8,959	6.91%	7,248	6.70%
Balances with other banks	879	0.68%	1,400	1.30%
Lendings to financial institutions	813	0.63%	2,532	2.34%
Investments-net	45,776	35.29%	34,986	32.36%
Advances-net	65,340	50.36%	54,676	50.58%
Operating fixed assets	3,834	2.95%	3,469	3.21%
Deferred tax assets-net	362	0.27%	385	0.36%
Other assets	3,769	2.91%	3,410	3.15%
	129,732	100.00%	108,106	100.00%
<b>Liabilities</b>				
Customer deposits	99,734	76.88%	82,017	75.87%
Borrowings	14,557	11.22%	12,371	11.44%
Bills payable	1,571	1.21%	1,858	1.72%
Other liabilities	1,995	1.54%	1,745	1.61%
Deferred tax liabilities-net	-	0.00%	-	0.00%
Sub-ordinated loans	898	0.69%	1,197	1.11%
	118,755	91.54%	99,188	91.75%
<b>Net Assets</b>				
	10,977	8.46%	8,918	8.25%
<b>Represented by</b>				
Share capital (net of discount on issue of right shares)	8,028	6.19%	6,023	5.57%
Reserves	1,183	0.91%	2,029	1.88%
Un-appropriated profit	1,026	0.79%	329	0.30%
Surplus on revaluation of assets	740	0.57%	537	0.50%
	10,977	8.46%	8,918	8.25%
<b>Profit &amp; loss account</b>				
Mark-up / Return / Interest Earned	12,895	86.84%	10,250	89.30%
Fee, commission , brokerage and exchange income	915	6.16%	603	5.25%
Capital gain and dividend income	428	2.88%	175	1.53%
Other income	612	4.12%	450	3.92%
<b>Total Income</b>	14,850	100.00%	11,478	100.00%
Mark-up / Return / Interest Expensed	8,997	60.59%	7,203	62.76%
Operating expenses	3,503	23.59%	2,683	23.37%
Provisions	1,272	8.57%	1,452	12.65%
Taxation	294	1.98%	15	0.13%
<b>Total Expenses</b>	14,066	94.73%	11,353	98.91%
<b>Profit after taxation</b>	784	5.27%	125	1.09%

	2009		2008		2007		2006	
	Rs.in Mln	%	Rs.in Mln	%	Rs.in Mln	%	Rs.in Mln	%
<b>Statement of Financial Position</b>								
<b>Assets</b>								
Cash and balances with treasury banks	6,471	6.79%	5,647	6.97%	5,861	7.63%	5,551	7.85%
Balances with other banks	1,497	1.57%	3,909	4.83%	4,350	5.66%	6,603	9.34%
Lendings to financial institutions	2,755	2.89%	3,990	4.93%	3,175	4.13%	3,193	4.51%
Investments-net	29,537	30.99%	14,053	17.35%	19,182	24.96%	16,724	23.64%
Advances-net	48,727	51.12%	47,575	58.75%	40,154	52.25%	35,412	50.07%
Operating fixed assets	3,334	3.50%	3,127	3.86%	2,151	2.80%	1,930	2.73%
Deferred tax assets-net	108	0.11%	126	0.16%	-	0.00%	-	0.00%
Other assets	2,881	3.03%	2,550	3.15%	1,981	2.57%	1,317	1.86%
	95,310	100.00%	80,977	100.00%	76,854	100.00%	70,730	100.00%
<b>Liabilities</b>								
Customer deposits	73,548	77.17%	61,634	76.11%	60,150	78.27%	53,001	74.93%
Borrowings	9,386	9.85%	8,441	10.42%	5,865	7.63%	8,916	12.61%
Bills payable	1,763	1.85%	1,255	1.55%	1,641	2.13%	958	1.35%
Other liabilities	1,612	1.69%	1,336	1.65%	964	1.25%	705	1.00%
Deferred tax liabilities-net	-	0.00%	-	0.00%	425	0.55%	339	0.48%
Sub-ordinated loans	1,198	1.26%	1,198	1.48%	1,199	1.56%	1,199	1.69%
	87,507	91.82%	73,864	91.21%	70,244	91.39%	65,118	92.06%
<b>Net Assets</b>								
	7,803	8.18%	7,113	8.79%	6,610	8.61%	5,612	7.94%
<b>Represented by</b>								
Share capital (net of discount on issue of right shares)	5,019	5.27%	4,114	5.08%	4,114	5.35%	3,117	4.41%
Reserves	2,004	2.10%	2,017	2.49%	1,877	2.44%	1,677	2.37%
Un-appropriated profit	158	0.17%	835	1.03%	239	0.13%	400	0.57%
Surplus on revaluation of assets	622	0.64%	147	0.19%	380	0.51%	418	0.59%
	7,803	8.18%	7,113	8.79%	6,610	8.61%	5,612	7.94%
<b>Profit &amp; loss account</b>								
Mark-up / Return / Interest Earned	9,337	88.88%	7,823	86.45%	6,272	85.45%	5,536	88.00%
Fee, commission , brokerage and exchange income	673	6.41%	638	7.05%	472	6.44%	392	6.23%
Capital gain and dividend income	120	1.14%	268	2.96%	331	4.53%	144	2.29%
Other income	375	3.57%	320	3.54%	263	3.58%	219	3.48%
<b>Total Income</b>	10,505	100.00%	9,049	100.00%	7,338	100.00%	6,291	100.00%
Mark-up / Return / Interest Expensed	6,603	62.85%	4,878	53.91%	4,334	59.06%	3,768	59.90%
Operating expenses	2,079	19.79%	1,952	21.57%	1,293	17.62%	1,037	16.48%
Provisions	1,633	15.55%	1,266	13.99%	235	3.20%	37	0.59%
Taxation	45	0.43%	252	2.79%	476	6.49%	464	7.38%
<b>Total Expenses</b>	10,360	98.62%	8,348	92.26%	6,338	86.37%	5,306	84.35%
<b>Profit after taxation</b>	145	1.38%	701	7.74%	1,000	13.63%	985	15.65%

**SIX YEARS' HORIZONTAL ANALYSIS -STATEMENT OF FINANCIAL POSITION / PROFIT & LOSS ACCOUNT**

	2011	2011 vs 2010	2010	2010 vs 2009
	Rs.in Min	%	Rs.in Min	%
<b>Statement of Financial Position</b>				
<b>Assets</b>				
Cash and balances with treasury banks	8,959	23.61%	7,248	12.00%
Balances with other banks	879	-37.23%	1,400	-6.46%
Lendings to financial institutions	813	-67.89%	2,532	-8.11%
Investments-net	45,776	30.84%	34,986	18.45%
Advances-net	65,340	19.50%	54,676	12.21%
Operating fixed assets	3,834	10.52%	3,469	4.05%
Deferred tax assets -net	362	-5.89%	385	254.75%
Other assets	3,769	10.51%	3,410	18.43%
	129,732	20.00%	108,106	13.43%
<b>Liabilities</b>				
Customer deposits	99,734	21.60%	82,017	11.51%
Borrowings	14,557	17.67%	12,371	31.80%
Bills payable	1,571	-15.44%	1,858	5.35%
Other liabilities	1,995	14.29%	1,745	8.28%
Deferred tax liabilities	-	0.00%	-	0.00%
Sub-ordinated loans	898	-25.00%	1,197	-0.04%
	118,755	19.73%	99,188	13.35%
<b>Net Assets</b>				
	10,977	23.09%	8,918	14.28%
<b>Represented by</b>				
Share capital (net of discount on issue of right shares)	8,028	33.28%	6,023	20.00%
Reserves	1,183	-41.70%	2,029	1.25%
Un-appropriated profit	1,026	211.76%	329	107.93%
Surplus on revaluation of assets	740	37.98%	537	-13.72%
	10,977	23.09%	8,918	14.28%
<b>Profit &amp; Loss Account</b>				
Mark-up / Return / Interest Earned	12,895	25.80%	10,250	9.78%
Fee, commission, brokerage and exchange income	915	51.74%	603	-10.44%
Capital gain and dividend income	428	144.38%	175	46.15%
Other income	612	35.92%	450	20.06%
<b>Total Income</b>	14,850	29.37%	11,478	9.27%
Mark-up / Return / Interest Expensed	8,997	24.89%	7,203	9.10%
Operating expenses	3,503	30.59%	2,683	29.03%
Provisions	1,272	-12.41%	1,452	-11.09%
Taxation	294	1859.09%	15	-66.69%
<b>Total Expenses</b>	14,066	23.90%	11,353	9.58%
Profit after taxation	784	525.00%	125	-13.70%

	2009	2009 vs 2008	2008	2008 vs 2007	2007	2007 vs 2006	2006	2006 vs 2005
	Rs.in Min	%	Rs.in Min	%	Rs.in Min	%	Rs.in Min	%
<b>Statement of Financial Position</b>								
<b>Assets</b>								
Cash and balances with treasury banks	6,471	14.60%	5,647	-3.66%	5,861	5.58%	5,551	27.56%
Balances with other banks	1,497	-61.70%	3,909	-10.13%	4,350	-34.13%	6,603	169.18%
Lendings to financial institutions	2,755	-30.95%	3,990	25.68%	3,175	-0.58%	3,193	-34.09%
Investments-net	29,537	110.18%	14,053	-26.74%	19,182	14.69%	16,724	2.03%
Advances-net	48,727	2.42%	47,575	18.48%	40,154	13.39%	35,412	10.48%
Operating fixed assets	3,334	6.62%	3,127	45.37%	2,151	11.46%	1,930	9.28%
Deferred tax assets -net	108	-13.84%	126	100.00%	-	0.00%	-	0.00%
Other assets	2,881	12.93%	2,550	28.72%	1,981	50.43%	1,317	-11.31%
	95,310	17.70%	80,977	5.36%	76,854	8.66%	70,730	11.66%
<b>Liabilities</b>								
Customer deposits	73,548	19.33%	61,634	2.47%	60,150	13.49%	53,001	11.33%
Borrowings	9,386	11.18%	8,441	43.92%	5,865	-34.22%	8,916	8.17%
Bills payable	1,763	40.57%	1,255	-23.53%	1,641	71.32%	958	10.83%
Other liabilities	1,612	20.71%	1,336	38.53%	964	36.74%	705	-12.20%
Deferred tax liabilities	-	0.00%	-	-100.00%	425	25.37%	339	41.25%
Sub-ordinated loans	1,198	-0.04%	1,198	-0.04%	1,199	-0.04%	1,199	0.02%
	87,507	18.47%	73,864	5.15%	70,244	7.87%	65,118	10.45%
<b>Net Assets</b>								
	7,803	9.70%	7,113	7.60%	6,610	17.79%	5,612	27.83%
<b>Represented by</b>								
Share capital (net of discount on issue of right shares)	5,019	22.00%	4,114	0.00%	4,114	32.00%	3,117	88.56%
Reserves	2,004	-0.64%	2,017	7.47%	1,877	11.93%	1,677	20.19%
Un-appropriated profit	158	-81.04%	835	249.56%	239	-40.43%	400	-46.84%
Surplus on revaluation of assets	622	322.02%	147	-61.32%	380	-8.81%	418	-28.98%
	7,803	9.70%	7,113	7.60%	6,610	17.79%	5,612	27.83%
<b>Profit &amp; Loss Account</b>								
Mark-up / Return / Interest Earned	9,337	19.36%	7,823	24.74%	6,272	13.29%	5,536	50.40%
Fee, commission, brokerage and exchange income	673	5.54%	638	35.05%	472	20.50%	392	18.08%
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Other income	375	17.00%	320	21.84%	263	20.32%	219	17.56%
<b>Total Income</b>	10,505	16.09%	9,049	23.30%	7,338	16.66%	6,291	46.57%
Mark-up / Return / Interest Expensed	6,603	35.35%	4,878	12.55%	4,334	15.02%	3,768	87.11%
Operating expenses	2,079	6.52%	1,952	50.89%	1,293	24.73%	1,037	29.30%
Provisions	1,633	29.02%	1,266	439.12%	235	539.04%	37	-51.65%
Taxation	45	-82.13%	252	-47.06%	476	2.75%	464	-3.42%
<b>Total Expenses</b>	10,360	24.10%	8,348	31.70%	6,338	19.47%	5,306	57.35%
Profit after taxation	145	-79.27%	701	-29.91%	1,000	1.53%	985	7.10%

# DIRECTORS' REPORT TO SHAREHOLDERS

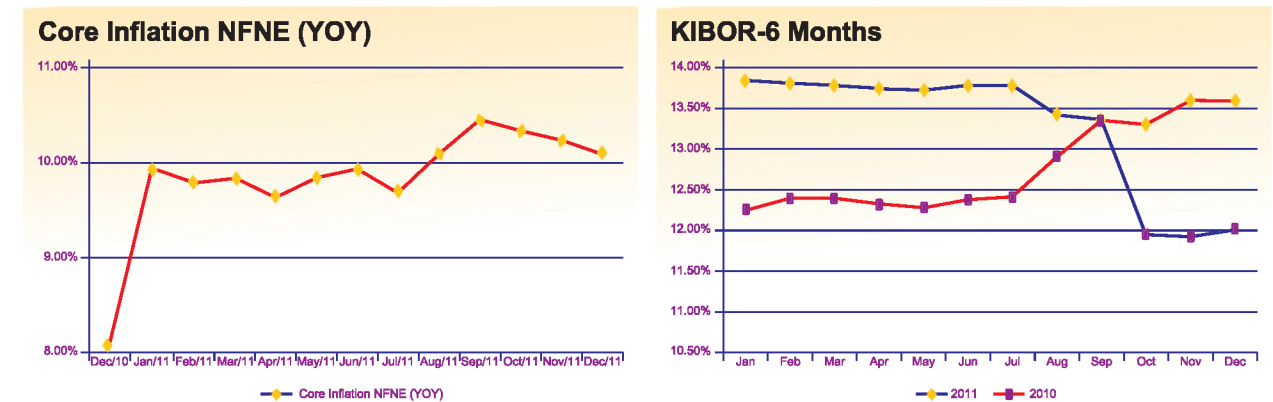
## DIRECTORS' REPORT TO SHAREHOLDERS

I am pleased to present before you the twentieth annual audited financial statements of Soneri Bank Limited (Bank) for the year ended 31 December 2011.

### ECONOMY OVERVIEW

The year 2011 has been another challenging year on national economic front. In addition to the impact of the prevailing grim situation on the international financial markets, the Pakistan's economy remained exposed to the challenges on its domestic front. The overall GDP growth missed the target by 88% to close at 2.4% (target: 4.5%) which was partially due to the impact of the 2010 havoc floods and uncertain political situation.

Additionally, issues such as energy crises, rising circular debts, tight fiscal state and fragile balance of payment situation coupled with deteriorating law and order and political situation continued to make headlines throughout the year 2011. This economic scenario however was partially balanced out by the consistent support provided by the flow of foreign remittances and the resetting of the inflation benchmarking, which enabled the State Bank of Pakistan to revise downward the discount rate twice by a net 200bps during the year 2011.

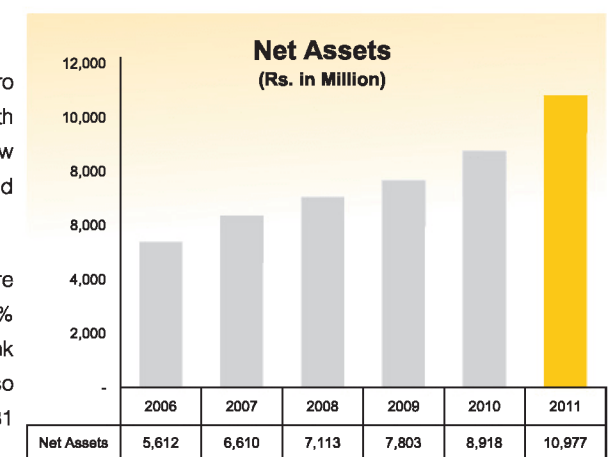


While the impact of the above revision in the State Bank's discount rate was not fully felt in year 2011 the banks continued to face the challenges on the front of writing new business where private sector off take remained thin and non-performing loans portfolio continued to swell (rose to Rs. 613 billion in Q3 2011). While the deposits grew by 15% on an industry-wide basis, the overall growth in advances was not proportional to this rise and consequently most of these funds were invested in the Government Securities.

### BUSINESS REVIEW - 2011

Your Bank continued to face the challenges both on the macro and micro economic fronts and stood firm in these tough times. In line with the growth strategy the Bank expanded its branch footprint by adding 30 new branches to take the total network size to over 200 branches at the end of year 2011.

Similarly, the planned growth targets for Deposits and Advances were also met which recorded a year on year double digit growth (21.60% and 19.86% respectively). Consequently the profitability of your Bank has registered an impressive increase and the net assets have also crossed the Rs. 10 billion mark and stood at Rs. 10.98 billion as at 31 December 2011.



With consistent focus on increasing trade business services, your Bank maintained its core focus on extending secured lending and was successful in increasing the volumes by a decent margin. Soneri Bank has taken a cautious approach in growing its funded exposures and new policies have been implemented ensuring that the credit quality of loan book is improved. Amidst this growth, the Bank continued to follow a proactive approach for restructuring and rescheduling of the infected loans and have laid special attention on expediting recovery of non-performing loans.

Following the strategy to provide value added services to the customers your Bank has launched mobile banking operations and has revamped the bancassurance services and entered in some fresh tie ups on this front. Besides this, the Bank has been successful in serving an increased number of satisfied customers with its robust and reliable information systems and easy to use online banking applications. Soneri Bank is one of the few banks in the country to have ATMs in excess of its branches and that too with an impeccable record up-time.

The management is consistently striving to add value in its service standards and product offerings and in this regard has been investing heavily in strengthening its Information Technology and Service platform. The impact of this investment and the planned expansion is expected to be seen in the years to come where the new branches and business lines will be operational for the entire full year.

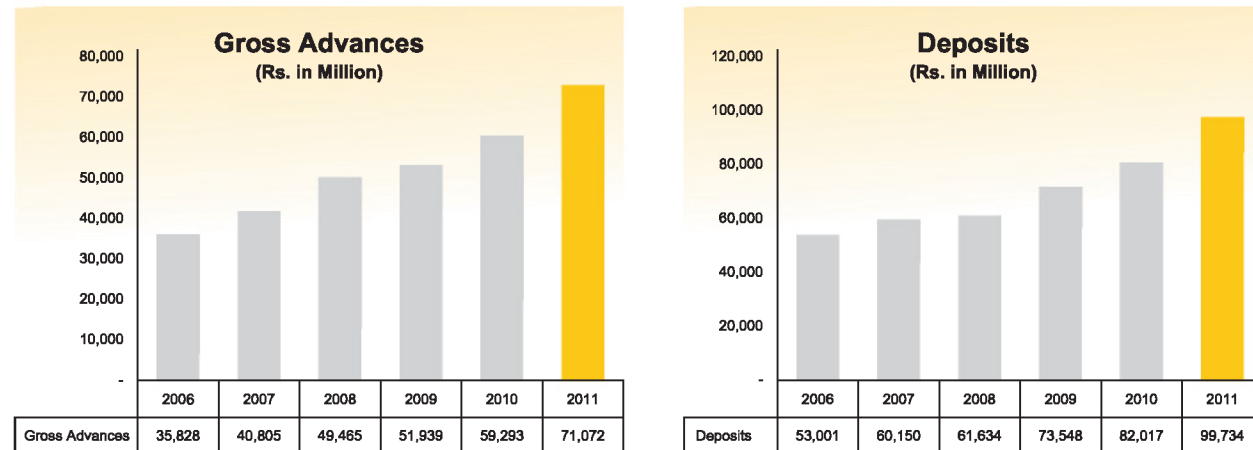
**FINANCIAL RESULTS - 2011**

Summary of financial highlights for the year ended 31 December 2011 are presented as follows:

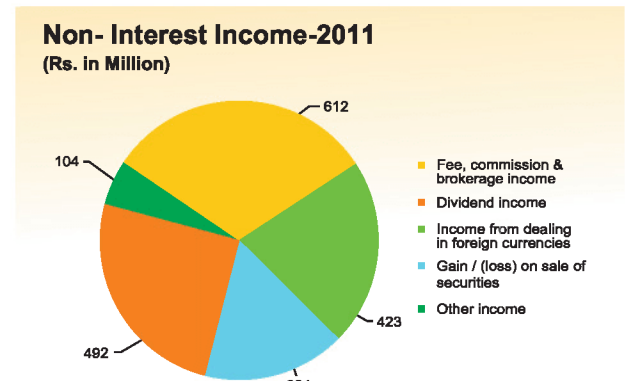
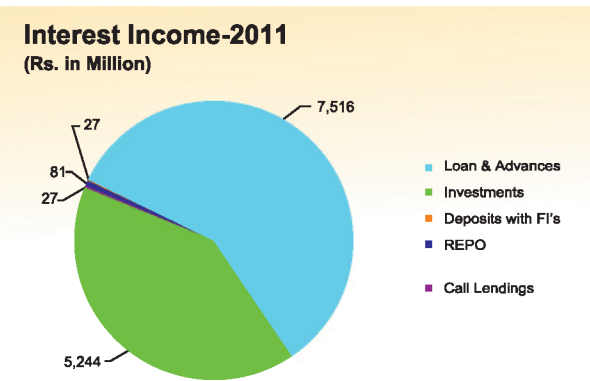
Profit & Loss Account	2011	2010	variance %
(Rupees in '000)			
Total Revenue	5,853,124	4,275,083	36.91%
Non Markup Expenses	3,502,675	2,682,400	30.58%
Operating Profit	2,350,449	1,592,683	47.58%
Net Provisions on NPLs & Investments	1,272,178	1,452,236	-12.40%
Profit before tax	1,078,271	140,447	7.68 times
Profit after tax	783,533	125,440	6.25 times
Earnings per share - Rupee	0.96	0.17	5.65 times

Financial Position	2011	2010	variance %
(Rupees in '000)			
Paid up Capital (net of discount on issue of right shares)	8,027,824	6,023,221	33.28%
Equity (excluding surplus)	10,236,801	8,381,360	22.14%
Deposits	99,733,970	82,016,811	21.60%
Advances - gross	71,071,622	59,293,364	19.86%
Investments - net	45,775,969	34,985,663	30.48%

The growth strategy adopted by your Bank continued in the year 2011 wherein besides increasing the branch network your Bank managed to increase the net assets by 23.09%. This was primarily driven by an increase in total deposits, which after registering an impressive 21.6% growth touched the all-time record high of Rs. 99,734 million as at 31 December 2011. Consequently the loan book and investment portfolio also registered proportionate growth and recorded an increase of 19.86% and 30.84% and closed at Rs. 71,072 million and Rs. 45,776 million respectively.



As a result of above growth, the net interest income recorded an increase of 27.94% on a year on year basis. Similarly the enlarged branch network size and continued focus on trade business activities and value added services supported the non-markup income share to grow by a substantial margin which constituted 33.4% of the total revenues (FY2010: 28.73%). The management of your Bank is continuously striving to increase the market share in the overall trade business volumes and regain the lead on this sphere.



As a result of continued growth and expansion of service horizon the expense base was also seen to be rising in the year 2011 and the non-markup expenses rose to Rs. 3,503 million in 2011 from Rs. 2,682 million in 2010. Besides the expansion strategy being followed by your Bank, the continuous technological up-gradation, system enhancement and human resource development have been the few key drivers of this rise in costs. These expenses are expected to continue registering similar growth trend in the next few years to come before being tapered down in the long run. The Board of your Bank is cognizant of the importance of cost rationalization and is cautious in approving expansion plans and new projects. Additionally the management is working very closely for ensuring that due investment in training and skill development activities is continued so that the business growth is adequately catered by professionally trained resources.

Despite taking a substantial charge of Rs. 1,272 million on account of provision on non-performing loans and investments (FY2010: Rs. 1,452 million) the profitability position of your Bank has recorded 6.68 times rise from the previous year's level and has posted a pre-tax profit of Rs. 1,078 million for the financial year 2011 (FY2010: Rs. 140.45 million). This translates into a post tax profit of Rs. 783.53 million as compared to Rs. 125.44 million recorded in financial year 2010, thus resulting in a year-on-year increase of almost 5.25 times and consequently improving the earnings per share from Re. 0.17 to Re. 0.96 in 2011.

**FUTURE OUTLOOK**

Economic environment in 2012 is likely to remain tough owing the persistent pressure on inflation, fiscal position and structural issues like energy shortages and political situation. This will lead to continuing pressure on private sector credit demand and is expected to continue to impact borrower's repayment capacities.

Under this scenario Soneri Bank shall continue its strategy of consolidating its growth momentum, continue its focus to increase its core deposit base as well as writing fresh loans and at the same time ensuring on improving the quality of assets and continuing with proactive approach on NPLs recovery. Besides the above the Bank shall continue to launch value added and innovative products and services for which the Bank has planned to establish dedicated business and support units within its organizational structure. Additionally, with the focus on trade business and allied value added services the Bank plans to consolidate and strengthen its non-markup income stream.

Your Bank also plans to roll out bank-wide centralization of branch operations in year 2012, thus converting the branches into smart service centers and enhancing its service quality standards further. In line with the strategy of enhancing operational and technical capabilities and maintaining the existing edge over transaction processing and the Bank shall continue to invest in upgrading the Information Technology workspace also.

The above is expected to have a positive impact on improving the overall revenue base, which coupled with the recovery drive and close NPLs monitoring, is expected to result in increased profitability.

**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 2011 (Un-audited)	31 December 2010 (Audited)
Investments of Provident Fund	174,376	128,231
Investments of Gratuity Fund	95,438	80,003

**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 30 June 2011 [2010: long term AA- (Double A Minus): short term A1+ (A One Plus) and instrument rating A+ (A Plus)].

**MINIMUM CAPITAL REQUIREMENTS**

Your Bank during the year has concluded the fourth issue of rights shares amounting to Rs. 1,008 million which was duly subscribed. In addition to this the Bank has also issued 12.5% bonus shares to its shareholders during the year 2011. As a result of this the paid up capital of the Bank as at 31 December 2011 stood at Rs. 8,028 million which is in compliance with the State Bank's requirements of Rs. 8,000 million. On behalf of the Bank I would like to thank the shareholders for their continued confidence and support to the Bank.

**BOARD OF DIRECTORS**

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

**BOARD MEETINGS**

Nine Board meetings were held during the year 2011 attendance by each director is as follows:

Name of Director	No. of Meetings attended
Mr. Alauddin Feerasta	9
Mr. Mohammad Aftab Manzoor (president/Chief Executive Office)*	6
Mr. Atif Bajwa (Ex-President/Chief Executive Officer)**	2
Mr. Noorudin Feerasta	8
Mr. Abdul Hayee**	Nil
Mr. Mohammad Rashid Zahir***	5
Mr. Inam Elahi	9
Mr. Syed Ali Zafar	2
Mr. Manzoor Ahmed (NIT Nominee)	9
Mr. Shahid Anwar (NIT Nominee)	9
Leave of absence was granted to directors by the Board who could not attend some of the meetings. *Appointed with effect from 01 April 2011. ** Held position till 30 March 2011 *** Elected on 30 March 2011	

**CHANGE OF CHIEF EXECUTIVE OFFICER**

The Bank is privileged to have Mr. Mohammad Aftab Manzoor as the new President and Chief Executive Officer, who replaced Mr. Atif Bajwa.

**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.
- 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**

In the financial industry, a bank's ability to manage, monitor, and steer its risk profile comprehensively has become a decisive act and a critical success factor for its strategic stability. Your 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. The discipline and core-competence of the Bank demonstrates that risk management has always been an integral part of its strategic objective and the way of doing business.

**Risk governance**

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 the State Bank of Pakistan risk management guidelines in managing the risks by ensuring that:

- Risks are identified, monitored, understood and effectively managed
- 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

**Risk management culture and environment**

Risk management is an integral component of the Bank's business, operations and decision-making process. In ensuring that the Bank achieves optimum returns whilst operating within a sound business environment. The Bank has initiated the risk management at the early stage of risk taking process by providing independent inputs such as the relevant qualitative and quantitative valuations, pre-fact credit risk view, new product assessments and VaR/LaR/CaR quantifications. These inputs enable business functions to align their business strategies with the Bank's risk appetite.

Soneri Bank employs the "Enterprise Wide Risk Management Framework" -EWRM to manage its risks and opportunities effectively. It is an on-going process of identifying, evaluating, monitoring, managing and reporting significant risks affecting the bank which is implemented through various committees.

The EWRM framework is centered on resilient risk and capital management pillars which requires the Bank to identify, evaluate, measure, manage and control its significant risks and risk appetite and relate these to its capital requirements and at all times ensure capital adequacy.

The foundation of the EWRM framework is made up of following three major building blocks:

- Limits and Controls;
- Analysis and Reports; and
- Stress Testing

The above constitute the key mechanism to control allowable risk taking activities and are regularly reviewed in the face of changing business needs, market conditions, and regulatory changes.

Your Bank has over the years invested in building risk management infrastructure, methodology and tools to improve the capability of managing risk. Substantiation to the Bank's commitment and its philosophy towards risk management, a significant investment was made to add value to the risk management framework by acquiring the license of Enterprise Risk Management (ERM) solution of SAS Corporation. The said solution will provide solid grounds to enhance and integrate the risk management practices and to draw amplified confidence and comfort of the stakeholders of the Bank.

**Pre-emptive risk planning**

Close monitoring of major and relevant economies through selective economic indicators are used as early warning signals to manage the Bank's exposures. These indicators are also taken into accounts to develop the Bank's long term lending strategy and assets growth planning.

**Preventive measure through operational risk management**

The Bank continues to drive a robust enhancement of control measures to manage people, products and process through granular risk discovery and root cause analysis. This enables the Bank to tailor differentiated risk policy as well as business action plan that is relevant and competitive.

**Stress testing**

The Bank 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.

**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 28 February 2012 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. The audit committee of the Board has recommended their re-appointment.

**CORPORATE SOCIAL RESPONSIBILITY**

Your Bank is committed with 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 generous contributor in the national disaster relief and philanthropic activities which for the year ended 31 December 2011 amounted to Rs. 8,851 million (2010: Rs. 2,000 million).

**SIX YEARS' OPERATING AND FINANCIAL DATA**

The requisite information is presented at page No. 18

**PATTERN OF SHARE HOLDING**

A statement showing the pattern of shareholding in the Bank as at 31 December 2011 appears on page No. 103

**ACKNOWLEDGEMENT**

The Board would like to express its sincere appreciation to the customers and shareholders for their constant trust and patronage, the State Bank of Pakistan, Securities and Exchange Commission of Pakistan and other regulatory bodies for their continued guidance and support and also record its appreciation for all employees for their dedication, devotion and hard work.

On behalf of the Board of Directors

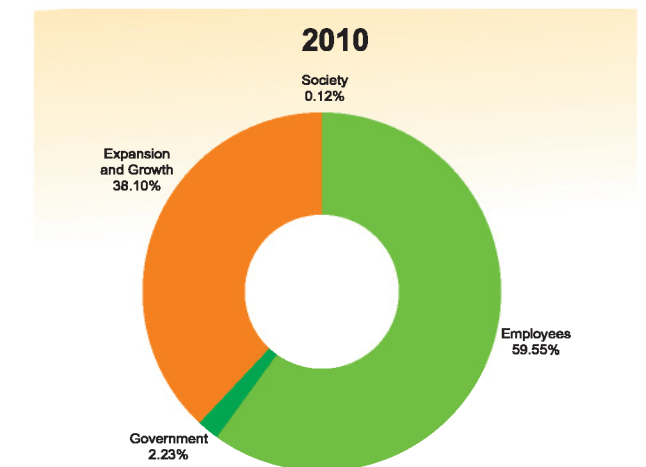
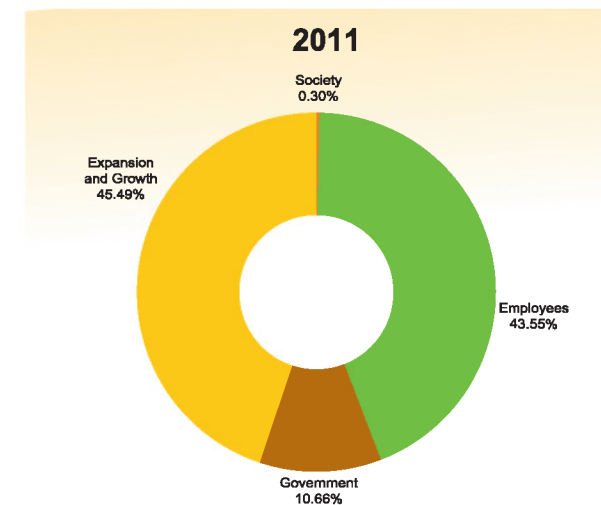
**ALAUDDIN FEERASTA**

Chairman

Lahore: 28 February 2012

**STATEMENT OF VALUE ADDITION**

31 DECEMBER	2011		2010	
	(Rs. in Min)	%	(Rs. in Min)	%
<b>Value added</b>				
Net Interest Income	3,898		3,047	
Non interest income	1,955		1,228	
Operating expenses excluding staff costs, depreciation, amortization, donation and WWF	(1,541)		(1,199)	
Provision against advances, investments & others	(1,293)		(1,465)	
<b>Value added available for distribution</b>	<b>3,019</b>		<b>1,611</b>	
<b>Distribution of value added</b>				
<b>To Employees</b>				
- Salaries, allowances and other benefits	1,315	43.55%	960	59.55%
<b>To Government</b>				
- Income tax	295	9.77%	15	0.93%
- Workers' Welfare fund	27	0.89%	21	1.30%
<b>To Society</b>				
- Donations	9	0.30%	2	0.12%
<b>To Expansion and Growth</b>				
- Depreciation	542	17.95%	470	29.18%
- Amortization	47	1.56%	18	1.13%
- Retained in business	784	25.98%	125	7.79%
	<b>3,019</b>	<b>100%</b>	<b>1,611</b>	<b>100%</b>



**STATEMENT OF INTERNAL CONTROLS**

Soneri Bank Limited  
Year ended: 31 December 2011

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

- Efficiency with 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.

Although the existing internal control system provides essential support that is needed for the safe and sound banking operations, the Bank as required by the SBP, initiated an exercise to review the system of Internal Controls and for that purpose has adopted the COSO (Committee of Sponsoring Organization of Tread way Commission) Framework of Internal Controls.

The Bank engaged an accounting firm for providing professional guidance in documenting, assessing and testing the existing key Processes and Controls in line with requirements of the SBP guidelines and International Best Practices.

The Bank, as part of the exercise, also initiated measures to remediate areas wherever the internal controls were deemed necessary for strengthening or improving ways to address the related risks especially in the area of financial reporting.

The Bank, as required, submitted to the SBP a detailed report on status of the exercise as at 30 September 2010.

The Bank's external auditors, as required by the SBP's BSD Circular No. 03 of 2010, submitted a "Long Form Report" on 30 June 2011 through the Bank's management to the SBP after their review of the status of implementation of the SBP guidelines on internal controls as at 31 December 2010.

The SBP advised the Bank on 16 January 2012 to submit the Statutory Auditors' Long Form Report (LFR) for the year ended 31 December 2011 to the Banking Surveillance Department latest by 30 June 2012.

**MOHAMMAD AFTAB MANZOOR**

President & Chief Executive Officer

Lahore: 28 February 2012

**STATEMENT OF INTERNAL CONTROLS**

Soneri Bank Limited  
Year ended: 31 December 2011

The Board of Directors acknowledges 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: 28 February 2012

## STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

Soneri Bank Limited

Year ended: 31 December 2011

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 35, Chapter XI and Section 36 of Chapter XII of Listing Regulations of Karachi Stock Exchange (Guarantee) Limited, Lahore Stock Exchange (Guarantee) Limited and Islamabad Stock Exchange (Guarantee) Limited respectively 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 Code in the following manner:

1. The Bank encourages representation of independent non-executive directors on its Board of Directors. At present the Board includes seven non-executive directors including one independent director.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including our Bank.
3. All the 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 NBFC. No director in the Board is a member of any stock exchanges in Pakistan and hence the question of declaring any of our directors' as a defaulter by any stock exchange does not arise.
4. No casual vacancies occurred in the Board during the year 2011. The present Board of Directors of the Bank was elected on 30 March 2011 in the Annual General Meeting of the shareholders.
5. The Bank has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and employees of the Bank.
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. Materiality level has also been set by the Board.
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 Chief Executive Officer has been taken by the Board.
8. All 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. The directors are aware about their fiduciary responsibilities and most of them have attended formal orientation courses.
10. Since the election during the year 2011, there has been no change in the composition of the Board of Directors. However, consequential to resignation of Mr. Atif Bajwa, the Board appointed Mr. Mohammad Aftab Manzoor as President/Chief Executive Officer of the Bank who took over from the out-going President w.e.f. 01 April 2011. Further, the Board of Directors in its meeting held on 13 August 2011 appointed a new Chief Financial Officer on the terms and conditions as recommended by the Chief Executive Officer of the Bank. The existing Chief Financial Officer was re-designated as Financial Controller on the same terms and conditions.
11. The Directors' report for this year has been prepared in compliance with the requirements of the Code 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 Code.
15. The Board has formed an Audit Committee. It comprises four members, and all of whom are non-executive Directors including the Chairman of the committee.
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 Code. The terms of reference of the committee have been framed by the Board and the audit committee operates within the defined terms of reference.
17. The Board has set-up an effective Internal Audit Department.
18. 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.
19. 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.
20. We confirm that all other material principles contained in the Code have been complied with.

**MOHAMMAD AFTAB MANZOOR**  
President & Chief Executive Officer

Lahore: 28 February 2012



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## REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the Best Practices contained in the Code of Corporate Governance prepared by the Board of Directors of Soneri Bank Limited ("the Bank") to comply with listing regulations of the Karachi, Lahore and Islamabad Stock Exchanges where the Bank is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Bank. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Bank's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Bank personnel and review of various documents prepared by the Bank to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Further sub-regulation (xiii a) of Listing Regulations 35 (previously Regulation No. 37) notified by the Karachi Stock Exchange (Guarantee) Limited vide circular no. KSE/N-269 dated January 19, 2009 requires the Bank to place before the Board of Directors for their consideration and approval of related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the board of directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Bank's Compliance, in all material respects, with the best practices contained in the Code of Corporate Governance for the year ended 31 December 2011.

Karachi: 28 February 2012

**KPMG Taseer Hadl & Co.**  
Chartered Accountants



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## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed statement of financial position of **Soneri Bank Limited** ("the Bank") as at 31 December 2011 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the 'financial statements') for the year ended 31 December 2011, in which are incorporated the unaudited certified returns from the branches except for 40 branches which have been audited by us and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Bank's Board of Directors to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with the approved accounting standards and the requirements of the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984). Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the International Standards on Auditing as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, which in case of loans and advances covered more than 60% of the total loans and advances of the Bank, we report that:

- a) in our opinion, proper books of account have been kept by the Bank as required by the Companies Ordinance, 1984 (XLVII of 1984), and the returns referred to above received from the branches have been found adequate for the purposes of our audit;
- b) in our opinion:
  - i) the statement of financial position and the related profit and loss account together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), and are in agreement with the books of account and are further in accordance with the accounting policies consistently applied;
  - ii) the expenditure incurred during the year was for the purpose of the Bank's business; and
  - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank;
- c) in our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), in the manner so required and give a true and fair view of the state of the Bank's affairs as at 31 December 2011 and its true balance of profit, its cash flows and its changes in equity for the year then ended; and
- d) in our opinion Zakat deductible at source, under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Karachi: 28 February 2012

**KPMG Taseer Hadl & Co.**  
Chartered Accountants  
Muhammad Taufiq

**STATEMENT OF FINANCIAL POSITION**

AS AT 31 DECEMBER 2011

	Note	2011 (Rupees in '000)	2010 (Rupees in '000)
<b>ASSETS</b>			
Cash and balances with treasury banks	6	8,959,130	7,247,711
Balances with other banks	7	879,000	1,400,451
Lendings to financial and other institutions	8	813,190	2,531,900
Investments - net	9	45,775,969	34,985,663
Advances - net	10	65,339,947	54,675,721
Fixed assets	11	3,833,916	3,468,923
Deferred tax assets - net	12	362,156	384,655
Other assets - net	13	3,769,078	3,410,654
		129,732,386	108,105,678
<b>LIABILITIES</b>			
Bills payable	15	1,571,314	1,857,810
Borrowings	16	14,557,179	12,370,528
Deposits and other accounts	17	99,733,970	82,016,811
Sub-ordinated loans	18	897,840	1,197,360
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities - net	12	-	-
Other liabilities	19	1,994,796	1,745,496
		118,755,099	99,188,005
<b>NET ASSETS</b>		<b>10,977,287</b>	<b>8,917,673</b>
<b>REPRESENTED BY</b>			
Share capital	20	9,029,185	6,023,221
Reserves		1,182,501	2,029,036
Discount on issue of right shares		(1,001,361)	-
Unappropriated profit		1,026,476	329,103
		10,236,801	8,381,360
Surplus on revaluation of assets - net of tax	21	740,486	536,313
		10,977,287	8,917,673
<b>CONTINGENCIES AND COMMITMENTS</b>			
	22		

The annexed notes 1 to 43 and Annexures I, II &amp; III form an integral part of these financial statements.

**PROFIT AND LOSS ACCOUNT**

FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	2011 (Rupees in '000)	2010 (Rupees in '000)
Mark-up / return / interest earned	23	12,895,306	10,250,494
Mark-up / return / interest expensed	24	8,997,385	7,203,842
Net mark-up / return / interest income		3,897,921	3,046,652
Provision against non-performing loans and advances - net	10.3	1,243,538	1,405,305
Provision for diminution in the value of investments	9.3	28,640	46,675
Bad debts written off directly	10.5	-	256
		1,272,178	1,452,236
Net mark-up / return / interest income after provisions		2,625,743	1,594,416
<b>Non mark-up / interest income</b>			
Fee, commission and brokerage income		422,853	367,766
Dividend income		324,417	149,128
Income from dealing in foreign currencies		492,154	235,253
Gain on sale of securities - net	25	104,225	26,007
Unrealised gain / (loss) on revaluation of investments classified as 'held for trading'		-	-
Other income	26	611,554	450,277
Total non-markup / interest income		1,955,203	1,228,431
		4,580,946	2,822,847
<b>Non mark-up / interest expenses</b>			
Administrative expenses	27	3,447,925	2,623,991
Provision against other assets - net	13.2	21,445	12,971
Other charges	28	33,305	45,438
Total non-markup / interest expenses		3,502,675	2,682,400
		1,078,271	140,447
Extra ordinary / unusual items		-	-
<b>Profit before taxation</b>		<b>1,078,271</b>	<b>140,447</b>
Taxation - Current	29	374,000	325,000
- Prior years	29	-	-
- Deferred	29	(79,262)	(309,993)
		294,738	15,007
<b>Profit after taxation</b>		<b>783,533</b>	<b>125,440</b>
		Restated	
<b>Basic and diluted earnings per share (Rupee)</b>	30	<b>0.96</b>	<b>0.17</b>

The annexed notes 1 to 43 and Annexures I, II &amp; III form an integral part of these financial statements.

**STATEMENT OF COMPREHENSIVE INCOME**

FOR THE YEAR ENDED 31 DECEMBER 2011

	2011 (Rupees in '000)	2010 (Rupees in '000)
<b>Profit after taxation for the year</b>	783,533	125,440
Other comprehensive income	-	-
<b>Total Comprehensive income transferred to equity</b>	<u>783,533</u>	<u>125,440</u>

Surplus / deficit on revaluation of "Available-for-Sale" securities is presented under a separate head below equity as "surplus / deficit on revaluation of assets" in accordance with the requirements specified by the State Bank of Pakistan vide its BSD Circular 20 dated 4 August 2000 and BSD Circular 10 dated 13 July 2004.

The annexed notes 1 to 43 and Annexures I, II & III form an integral part of these financial statements.

**CASH FLOW STATEMENT**

FOR THE YEAR ENDED 31 DECEMBER 2011

Note	2011 (Rupees in '000)	2010 (Rupees in '000)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
	1,078,271	140,447
Profit before taxation	324,417	149,128
Less: Dividend income	<u>753,854</u>	<u>(8,681)</u>
<b>Adjustments:</b>		
Depreciation	541,733	470,131
Amortisation of intangible assets	46,892	18,190
Operating fixed assets written off directly	18	2
Provision for diminution in the value of investments	28,640	46,675
Reversal of provision for diminution in the value of investments against recognised in capital gains	(67,366)	(109,115)
Provision against non-performing loans and advances	1,243,538	1,405,305
Provision against other assets	19,684	12,971
Gain on sale of fixed assets	(21,885)	(17,317)
Bad debts written off directly	-	256
	<u>1,791,254</u>	<u>1,827,098</u>
	2,545,108	1,818,417
<b>(Increase) / decrease in operating assets</b>		
Lendings to financial and other institutions	1,718,710	223,477
Advances	(11,907,764)	(7,354,179)
Others assets (excluding advance taxation)	(76,931)	(346,353)
	<u>(10,265,985)</u>	<u>(7,477,055)</u>
<b>Increase / (decrease) in operating liabilities</b>		
Bills payable	(286,496)	94,409
Borrowings	2,186,651	2,985,006
Deposits and other accounts	17,717,159	8,468,585
Other liabilities	249,301	133,414
	<u>19,866,615</u>	<u>11,681,414</u>
	12,145,738	6,022,776
Income tax paid	(663,714)	(525,634)
Net cash flow from operating activities	<u>11,482,024</u>	<u>5,497,142</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net investments in available for sale securities	(11,885,833)	(5,374,335)
Net investments in held to maturity securities	1,298,266	7,220
Dividend received	312,955	152,419
Purchase of operating fixed assets	(792,558)	(630,969)
Sale proceeds on disposal of fixed assets	73,273	24,929
Net cash used in investing activities	<u>(10,993,897)</u>	<u>(5,820,736)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments of sub-ordinated loan	(299,520)	(480)
Issue of right shares	1,001,361	1,003,870
Net cash flow from financing activities	<u>701,841</u>	<u>1,003,390</u>
<b>Increase in cash and cash equivalents</b>		
Cash and cash equivalents at beginning of the year	1,189,968	679,796
<b>Cash and cash equivalents at end of the year</b>	<u>8,648,162</u>	<u>7,968,366</u>
	9,838,130	8,648,162

The annexed notes 1 to 43 and Annexures I, II & III form an integral part of these financial statements.

ALAUDDIN FEERASTA  
CHAIRMAN

MOHAMMAD AFTAB MANZOOR  
PRESIDENT AND  
CHIEF EXECUTIVE OFFICER

S. ALI ZAFAR  
DIRECTOR

SHAHID ANWAR  
DIRECTOR

ALAUDDIN FEERASTA  
CHAIRMAN

MOHAMMAD AFTAB MANZOOR  
PRESIDENT AND  
CHIEF EXECUTIVE OFFICER

S. ALI ZAFAR  
DIRECTOR

SHAHID ANWAR  
DIRECTOR

**STATEMENT OF CHANGES IN EQUITY**  
FOR THE YEAR ENDED 31 DECEMBER 2011

	Share capital	Capital reserves			General reserve	Unappropriated profit (b)	Total
		Discount on issue of shares	Share premium	Statutory reserve (a)			
(Rupees in '000)							
Balance as at 31 December 2009	5,019,351	-	1,405	1,438,333	564,210	158,278	7,181,577
<b>Transactions with owners recognised directly in equity</b>							
Issue of right shares	1,003,870	-	-	-	-	-	1,003,870
	1,003,870	-	-	-	-	-	1,003,870
Total comprehensive income for the year ended 31 December 2010 - profit for the year	-	-	-	-	-	125,440	125,440
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax (note 21.1)	-	-	-	-	-	70,473	70,473
Transfer to statutory reserve	-	-	-	25,088	-	(25,088)	-
Balance as at 31 December 2010	6,023,221	-	1,405	1,463,421	564,210	329,103	8,381,360
<b>Transactions with owners recognised directly in equity</b>							
Issue of right shares	2,002,722	(1,001,361)	-	-	-	-	1,001,361
Issue of bonus shares	1,003,242	-	-	(1,003,242)	-	-	-
	3,005,964	(1,001,361)	-	(1,003,242)	-	-	1,001,361
Total comprehensive income for the year ended 31 December 2011 - profit for the year	-	-	-	-	-	783,533	783,533
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax (note 21.1)	-	-	-	-	-	70,547	70,547
Transfer to statutory reserve	-	-	-	156,707	-	(156,707)	-
Balance as at 31 December 2011	9,029,185	(1,001,361)	1,405	616,886	564,210	1,026,476	10,236,801

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

(b) As more fully explained in note 9.6 and 10.4 of these financial statements the amount of Rs.1,120.59 million net of tax as at 31 December 2011 represents additional profit arising from availing forced sale value benefit for determining provisioning requirement is not available for the purpose of distribution of dividend to shareholders.

The annexed notes 1 to 43 and Annexures I, II & III form an integral part of these financial statements.

**ALAUDDIN FEERASTA**  
CHAIRMAN

**MOHAMMAD AFTAB MANZOOR**  
PRESIDENT AND  
CHIEF EXECUTIVE OFFICER

**S. ALI ZAFAR**  
DIRECTOR

**SHAHID ANWAR**  
DIRECTOR

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2011

**1 STATUS AND NATURE OF BUSINESS**

Soneri Bank Limited ("the Bank") was incorporated in Pakistan on 28 September 1991 as a public limited company under the Companies Ordinance, 1984 with registered office situated at Rupali House 241-242, Upper Mall Scheme, Anand Road, Lahore, Punjab. Its shares are quoted on all the stock exchanges in Pakistan. The Bank is engaged in banking services as described in the Banking Companies Ordinance, 1962 and operates with 214 branches including seven Islamic banking branches (2010: 184 branches including six Islamic banking branches) in Pakistan.

**1.1** In accordance with BSD Circular No. 07 dated 15 April 2009 the minimum paid up capital requirement (net of losses) of the Bank at 31 December 2011 is Rs. 8 billion. The paid up capital of the Bank at 31 December 2011 amounts to Rs 8.02 billion.

**2 BASIS OF PRESENTATION**

In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these financial statements as such but are restricted to the amount of facility actually utilised and the appropriate portion of mark-up thereon.

The financial results of the Islamic banking branches of the Bank have been consolidated in these financial statements for reporting purposes, after eliminating material intra branch transactions / balances. The financial results of the Islamic banking branches are disclosed in Annexure II to these financial statements.

**3 STATEMENT OF COMPLIANCE**

**3.1** These financial statements are prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962, and the directives issued by the State Bank of Pakistan. In case the requirements differ, the provisions of and directives issued under the Companies Ordinance, 1984, and the Banking Companies Ordinance, 1962, and the directives issued by the State Bank of Pakistan shall prevail.

**3.2** The State Bank of Pakistan has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for Banking Companies through BSD Circular No. 10 dated 26 August 2002 till further instructions. In addition the Securities and Exchange Commission of Pakistan has deferred the applicability of International Financial Reporting Standard 7, Financial Instruments: Disclosures (IFRS 7) vide SRO 411(I) / 2008 till further orders. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.

**3.3 Standards, interpretations and amendments to published approved accounting standards that are not yet effective:**

Amendments to IAS 12 – deferred tax on investment property (effective for annual periods beginning on or after 1 January 2012). The 2010 amendment provides an exception to the measurement principle in respect of investment property measured using the fair value model in accordance with IAS 40 Investment Property. The measurement of deferred tax assets and liabilities, in this limited circumstance, is based on a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. The presumption can be rebutted only if the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset. The amendment has no impact on financial statements of the Bank.

IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated Financial Statements, IFRS 11- Joint Arrangements and IFRS 12- Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective 1 January 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendment has no impact on financial statements of the Bank.

IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendment has no impact on financial statements of the Bank.

IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after 1 January 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognised immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognized in profit or loss is calculated based on the rate used to discount the defined benefit obligation. The impact of these amendments (if any) have not yet been quantified.

(Amendments to IAS 1) Presentation of Items of Other Comprehensive Income - (effective for annual periods beginning on or after 1 July 2012). The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other IFRSs continue to apply in this regard. The impact of these amendments (if any) have not yet been quantified.

IFRIC 20 - Stripping cost in the production phase of a surface mining (effective for annual periods beginning on or after 1 January 2013). The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met. The amendment has no impact on financial statements of the Bank.

#### 4 BASIS OF MEASUREMENT

##### 4.1 Accounting convention

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

##### 4.2 Critical accounting estimates and judgements

The preparation of financial statements in conformity with approved accounting standards as applicable in Pakistan requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and income and expenses. It also requires management to exercise judgement in application of its accounting policies. The estimates and associated 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 recognised 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.

Significant accounting estimates and areas where judgements were made by the management in the application of accounting policies are as follows:

- i) classification and provisioning against investments (notes 5.3 and 9)
- ii) classification and provisioning against advances (notes 5.4, 10.3 and 10.4)
- iii) income taxes (notes 4.3, 5.9, 22.6.1 and 29)
- iv) accounting for defined benefit plan (notes 5.11 and 33)

- v) depreciation, amortization methods and revaluation of operating fixed assets (note 5.5 and 11)
- vi) fair value of derivatives (Note 5.18.2)

- 4.3 Through Finance Act, 2010 certain amendments have been introduced in Seventh Schedule to the Income Tax Ordinance, 2001. The provision for advances & off balance sheet items will now be allowed at 5% of total gross advances for consumer and SMEs (as defined in SBP prudential Regulation). The provision for advances and off balance sheet items other than those falling in definition of consumer & SMEs will be allowed upto 1% of such total gross advances.

Further a new Rule 8(A) has been introduced in Seventh Schedule to allow for amounts provided for in tax year 2008 and prior to said tax year for doubtful debts, which were neither claimed nor allowed as tax deductible in any year shall be allowed as deduction in tax year in which such doubtful debts are written off.

With reference to allowability of provision, the management has carried out an exercise at year end and concluded that full deduction of provision in succeeding years would be allowed and accordingly recognized deferred tax asset on such provision amounting to Rs. 1,088.628 million.

#### 5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented.

##### 5.1 Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement represent cash and balances with treasury banks and balances with other banks in current and deposit accounts.

##### 5.2 Lendings to / borrowings from financial and other institutions

The Bank enters into repurchase agreements (repo) and reverse repurchase agreements (reverse repo) at contracted rates for a specified period of time. These are recorded as under:

###### (a) Sale under repurchase agreements

Securities sold subject to a repurchase agreement (repo) are retained in the financial statements as investments and the counter party liability is included in borrowings. The differential in sale and repurchase value is accrued on time proportion basis over the period of the contract and recorded as an expense.

###### (b) Purchase under resale agreements

Securities purchased under agreement to resell (reverse repo) are included in lendings to financial institutions or financing as appropriate. The underlying security is not recognised as a separate asset in the financial statements. The difference between the contracted price and resale price is amortised over the period of the contract and recorded as income.

###### (c) Other borrowings

These are recorded at the proceeds received. Mark-up on such borrowings is charged on time proportion basis to the profit and loss account over the period of borrowings.

##### 5.3 Investments

The Bank classifies its investments as follows:

###### (a) Held for trading

These represent securities, which are either acquired for the purpose of generating profit from short-term fluctuations in prices or dealer's margin or are securities included in the portfolio in which a pattern of short-term profit making exists.

**(b) Held to maturity**

These are securities with fixed or determinable payments and maturity in respect of which the Bank has the positive intent and ability to hold till maturity.

**(c) Available for sale**

These are investments, other than those in subsidiaries and associates, if any, that do not fall under the held for trading or held to maturity categories.

Investments other than those categorised as held for trading are initially recognised at fair value which includes transaction costs associated with the investment. Investments classified as held for trading are initially recognised at fair value, and transaction costs are expensed in the profit and loss account.

All purchases and sales of investments that require delivery within the time frame established by regulations or market convention are recognised at the trade date. Trade date is the date on which the Bank commits to purchase or sell the investment.

Premium or discount on acquisition of investments is amortised through the profit and loss account over the remaining period till maturity using effective interest method.

In accordance with the requirements of the State Bank of Pakistan, quoted securities other than those classified as 'held to maturity' are subsequently re-measured to market value. Surplus / (deficit) arising on revaluation of quoted securities classified as 'available for sale', is taken to a separate account shown in the balance sheet below equity. Surplus / (deficit) arising on revaluation of quoted securities which are classified as 'held for trading', is taken to the profit and loss account. Cost of investment is determined on weighted average basis.

In accordance with the BSD circular No. 14 dated 24 September 2004 issued by the State Bank of Pakistan, investments classified as 'held to maturity' are carried at amortised cost less impairment, if any.

Unquoted equity securities excluding investments in subsidiaries and associates are valued at the lower of cost and break-up value. Break-up value of unquoted equity securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. Investments in subsidiaries and associates if any (which qualify for accounting under International Accounting Standard - 28) are carried at cost less impairment, if any.

Impairment loss in respect of investments charged as available for sale (except term finance certificates) and held to maturity is recognised based on management's assessment of objective evidence of impairment as a result of one or more events that may have an impact on the estimated future cash flows of the investments. A significant or prolonged decline in fair value of an investment below its cost is also considered an objective evidence of impairment. Provisions for diminution in the value of term finance certificates, bonds and sukus is made as per the Prudential Regulations issued by the State Bank of Pakistan. In case of impairment of available for sale securities, the cumulative loss that has been recognised directly in equity is removed from equity and recognised in the profit and loss account. For investments classified as held to maturity, the impairment loss is recognised in profit and loss account.

Profit / loss on sale of investments is credited / charged to the profit and loss account currently.

**5.4 Advances**

Advances are stated at cost less specific and general provisions. Specific provision for non performing advances is determined on the basis of the Prudential Regulations and the other directives issued by the State Bank of Pakistan and charged to the profit and loss account. General provision against consumer financing portfolio is maintained as per the requirements of the Prudential Regulations issued by the State Bank of Pakistan. Advances are written off when there is no realistic prospect of recovery.

Murabaha financings are reflected as receivables at the invoiced amount. Actual sale and purchase are not reflected as the goods are purchased by the customer as agent of the Bank and all documents relating to purchase are in customer name. However, the profit on that sale revenue not due for payment is deferred by recording a credit to the "Deferred Murabaha Income" account. Funds

disbursed under Murabaha financing arrangements for purchase of goods are recorded as "Advance Against Murabaha".

In Diminishing Musharakah based financing, the Bank enters into a Musharakah based on Shirkat-ul-milk for financing an agreed share of fixed asset (e.g. house, land, plant or machinery) with its customers and enters into periodic profit payment agreement for the utilization of the Bank's Musharakah share by the customer.

**5.5 Fixed assets and depreciation****Owned**

Property and equipment, other than freehold land and capital work-in-progress are stated at cost or revalued amount less accumulated depreciation and impairment losses, if any. Freehold land and capital work-in-progress are stated at cost or revalued amount less impairment losses, if any.

Depreciation on all operating fixed assets is charged using the straight line method in accordance with the rates specified in note 11.2 to the financial statements after taking into account residual value, if any. The residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

Land and buildings are revalued by professionally qualified valuers with sufficient regularity to ensure that the net carrying amount does not differ materially from their fair value.

Surplus arising on revaluation is credited to the surplus on revaluation of fixed assets account. Deficit arising on subsequent revaluation of fixed assets is adjusted against the balance in the above mentioned surplus account as allowed under the provisions of the Companies Ordinance, 1984. The surplus on revaluation of fixed assets to the extent of incremental depreciation charged on the related assets is transferred to unappropriated profit.

Depreciation on additions is charged from the month the assets are available for use while in the case of assets disposed off, it is charged up to the month of disposal.

Maintenance and normal repairs are charged to income as and when incurred. Renewals and improvements are included in an asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably.

Gains and losses on sale of fixed assets are charged / credited to the profit and loss account currently, except that the related surplus on revaluation of fixed assets (net of deferred taxation) is transferred directly to unappropriated profit.

**Leased (under finance lease)**

Assets held under finance lease, if any, are stated at lower of fair value or present value of minimum lease payments at inception less accumulated depreciation. The outstanding obligations under the lease agreements are shown as a liability net of finance charges allocable to future periods.

The finance charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of return on the outstanding liability.

Depreciation on assets held under finance lease is charged in a manner consistent with that for depreciable assets which are owned by the Bank.

**Leased (Ijarah)**

Assets leased out under 'Ijarah' are stated at cost less accumulated depreciation and impairment losses, if any. Assets under Ijarah are depreciated over the period of lease term. However, in the event the asset is expected to be available for re-ijarah, depreciation is charged over the economic life of the asset using straight line basis.

Ijarah income is recognised in income on accrual basis as and when the rental becomes due.

**Impairment of operating fixed assets**

The carrying amounts of the Bank's operating fixed assets are regularly reviewed to determine whether there is any indication of impairment. An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Such losses are recognised directly in the profit and loss account.

An impairment loss is reversed if there has been a change in the estimate used to determine the recoverable amount. Such reversals are only made to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

**5.6 Operating leases**

Lease payments, if any, under operating leases are charged to income on a straight line basis over the lease term.

**5.7 Intangible assets**

Intangible assets having a finite useful life are stated at cost less accumulated amortisation and impairment losses, if any. Intangible assets are amortised from the month, when these assets are available for use, using the straight line method, whereby the cost of the intangible asset is amortised on the basis of the estimated useful life over which economic benefits are expected to flow to the Bank. The residual value, useful life and amortisation method is reviewed and adjusted, if appropriate, at each balance sheet date.

**5.8 Impairment**

The carrying amount of assets is reviewed at each balance sheet date to determine whether there is any indication of impairment of any asset or group of assets. If any such indication exists, the recoverable amount of such assets is estimated and impairment losses are recognised immediately in the financial statements. The resulting impairment loss is taken to the profit and loss account except for impairment loss on revalued assets, which is adjusted against related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of that asset.

**5.9 Taxation****Current**

Provision for current taxation is based on the taxable income at the current rates of taxation after taking into account available tax credit and rebates, if any. The charge for current tax also includes adjustments, where considered necessary relating to prior years, which arises from assessments / developments made during the year.

**Deferred**

Deferred tax is recognised using the balance sheet liability method on all temporary differences between the carrying amounts of assets and liabilities used for financial reporting purposes and amounts used for taxation purposes. Deferred tax is calculated at the rates that are expected to apply to the period when the differences are expected to reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

The carrying amount of deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilised.

The Bank also recognises deferred tax asset / liability on deficit / surplus on revaluation of fixed assets and securities which is adjusted against the related deficit / surplus in accordance with the requirements of International Accounting Standard (IAS) 12, 'Income Taxes'.

**5.10 Provisions**

Provisions are recognised when the Bank has a legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and are adjusted to reflect the current best estimate.

**5.11 Staff retirement benefits****Defined benefit plan**

The Bank operates a recognized gratuity fund for all its permanent employees. Annual contributions are made to the scheme in accordance with the actuarial recommendations. The actuarial valuation is carried out using the projected unit credit method. The cumulative unrecognised actuarial gains and losses at each valuation date are amortised over the average remaining working lives of the employees in excess of the higher of the following corridor limits at the end of the last reporting year:

- (i) 10% of the present value of the defined benefit obligation; and
- (ii) 10% of the fair value of the plan assets

Gratuity is payable to staff on completion of the prescribed qualifying period of service under the scheme.

**Defined contribution plan**

The Bank operates an approved funded provident fund scheme for all its permanent employees. Equal monthly contributions are made, both by the Bank and its employees, to the fund at the rate of 8.33 percent of basic salaries of the employees.

**5.12 Employees' compensated absences**

Employees' entitlement to annual leave is recognised when they accrue to employees. A provision is made for estimated liability in respect of unavailed leaves earned up to the date of balance sheet.

**5.13 Borrowings / deposits and their cost**

- Borrowings / deposits are recorded at the proceeds received.
- Borrowing / deposit costs are recognised as an expense in the period in which these are incurred using effective mark-up / interest rate method.

**5.14 Revenue recognition**

- Mark-up income / interest on advances and return on investments are recognised on a time proportion basis using the effective yield on the instrument.
- Mark-up / return on classified advances and investments is recognised on receipt basis. Interest / return / mark-up on rescheduled / restructured advances and investments is recognised as permitted by the Prudential Regulations issued by the State Bank of Pakistan, except where in the opinion of the management, it would not be prudent to do so.
- Fee, commission and brokerage income is recognised on accrual basis.
- Dividend income from investments is recognised when the Bank's right to receive the dividend is established.
- Premium or discount on acquisition of investments is capitalised and amortised through the profit and loss account over the remaining period till maturity.

**5.15 Foreign currencies****(a) Foreign currency transactions**

Foreign currency transactions are translated into rupees at the exchange rates prevailing on the date of the transaction. Monetary assets and liabilities in the foreign currencies are expressed in rupee terms at the exchange rates ruling on the balance sheet date. Outstanding forward foreign exchange contracts and foreign bills purchased are valued at the forward rates applicable to the respective maturities. Exchange gains and losses are included in income.

**(b) Functional and presentation currency**

Items included in the financial statements are measured using the currency of the primary economic environment in which the Bank operates. The financial statements are presented in Pakistani Rupees, which is the Bank's functional and presentation currency.

**(c) Translation gains and losses**

Translation gains and losses are included in the profit and loss account.

**(d) Commitments**

Commitments for outstanding forward foreign exchange contracts are disclosed in the financial statements at the contracted rates. Contingent liabilities / commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in rupee terms at the rates of exchange ruling on the date of the transaction.

**5.16 Provision for guarantee claims and other off balance sheet obligations**

Provision for guarantee claims and other off balance sheet obligations are recognised when intimated and reasonable certainty exists for the Bank to settle the obligation. Charge to profit and loss account is stated net of expected recoveries.

**5.17 Acceptances**

Acceptances comprise undertakings by the Bank to pay bills of exchange drawn on customers. The Bank expects most acceptances to be simultaneously settled with the reimbursement from the customers. Acceptances are accounted for as off-balance sheet transactions and are disclosed as contingent liabilities and commitments.

**5.18 Financial instruments****5.18.1 Financial assets and liabilities**

Financial instruments carried on the balance sheet include cash and balances with treasury banks, balances with other banks, lendings to financial and other institutions, investments, advances, certain receivables, bills payable, borrowings from financial institutions, deposit accounts and other payables. The particular recognition methods adopted for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with them.

**5.18.2 Derivative financial instruments**

Derivative financial instruments, if any, are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value using appropriate valuation techniques. All derivative financial instruments are carried as assets when fair value is positive and liability when fair value is negative. Any change in the fair value of derivative financial instruments is taken to the profit and loss account.

**5.18.3 Off-setting**

Financial assets and financial liabilities are off-set and the net amount is reported in the financial statements when there exists a legally enforceable right to set-off and the Bank intends either to settle on a net basis or to realise the assets and to settle the liabilities simultaneously. Income and expense items of such assets and liabilities are also off-set and the net amount is reported in the financial statements.

**5.19 Segment Reporting**

A segment is a distinguishable component of the Bank that is engaged either in providing product or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The operations of the Bank are currently based in Pakistan, therefore, geographical segment is not relevant.

**Business segments****a) Corporate finance**

Corporate banking includes syndicated financing and services provided in connection with mergers and acquisition, underwriting, privatisation, securitisation, research, debts (government, high yield), equity, syndication, IPO and secondary private placements.

**b) Trading and sales**

It includes fixed income, equity, foreign exchanges, commodities, credit, funding, own position securities, lending and repos, brokerage debt and prime brokerage.

**c) Retail banking**

It includes retail lendings and deposits (including staff and consumer financings), banking services, trust and estates, private lending and deposits, banking service, trust and estates investment advice, merchant / commercial / corporate cards and private labels and retail.

**d) Commercial banking**

Commercial banking includes project finance, real estate, export finance, trade finance, factoring, leasing, lending, guarantees, bills of exchange and deposits.

**5.20 Dividend and appropriation to reserves**

Dividend and appropriation to reserves, except appropriation which are required by law after the balance sheet date, are recognised as liability in the Bank's financial statements in the year in which these are approved.

**5.21 Basic and diluted earnings per share**

The Bank presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period / year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any. There were no convertible dilutive potential ordinary shares in issue at 31 December 2011.

	Note	2011 (Rupees in '000)	2010
<b>6 CASH AND BALANCES WITH TREASURY BANKS</b>			
In hand			
Local currency	6.1	2,581,419	2,047,127
Foreign currencies		377,154	531,681
In transit			
Local currency		-	23,000
With State Bank of Pakistan in			
Local currency current account	6.2	3,374,324	3,002,330
Foreign currency current account	6.3	469,200	317,115
Foreign currency deposit account against foreign currency deposits mobilised	6.4	1,449,212	985,365
With National Bank of Pakistan in			
Local currency current account		707,821	341,093
		<u>8,959,130</u>	<u>7,247,711</u>

- 6.1** This includes National Prize Bonds of Rs. 6.288 million (2010: Rs. 4.622 million).
- 6.2** The local currency current account is maintained with the State Bank of Pakistan (SBP) as per the requirements of Section 36 of the State Bank of Pakistan Act, 1956. This section requires banking companies to maintain a local currency cash reserve in current account opened with the SBP at a sum not less than such percentage of its time and demand liabilities as may be prescribed by SBP.
- 6.3** This represents foreign currency current account maintained with SBP as per its requirements.
- 6.4** This represents foreign currency cash reserve maintained with SBP at an amount equivalent to at least 20% of the Bank's foreign currency deposits mobilised under FE-25 scheme and carry Nil return (2010: Nil return)

## 7 BALANCES WITH OTHER BANKS

	Note	2011 (Rupees in '000)	2010
In Pakistan			
In current accounts		467,875	1,037,220
In deposit accounts		-	1,176
Outside Pakistan			
In current accounts	7.1	411,125	362,055
		<u>879,000</u>	<u>1,400,451</u>

- 7.1** This includes Rs. 207.988 million (2010: Rs. 84.092 million) held in Automated Investment Plans. This balance is current by nature and which, if increased over a specified amount entitles the Bank to earn interest income from the correspondent banks at agreed upon rates.

## 8 LENDINGS TO FINANCIAL AND OTHER INSTITUTIONS

	Note	2011 (Rupees in '000)	2010
Call money lendings	8.2	400,000	700,000
Repurchase agreement lendings	8.3	413,190	1,831,900
		<u>813,190</u>	<u>2,531,900</u>
<b>8.1 Particulars of lendings</b>			
In local currency		813,190	2,531,900
In foreign currencies		-	-
		<u>813,190</u>	<u>2,531,900</u>

- 8.2** This represents lending to a commercial bank in the inter bank money market. It carries mark-up at rate of 12.20% per annum (2010: 12.75% to 13.40% per annum) and have a maturity period of upto one month.
- 8.3** Securities held as collateral against lendings to financial and other institutions

Note	2011			2010		
	Held by bank	Further given as collateral	Total	Held by bank	Further given as collateral	Total
	(Rupees in '000)					
Market Treasury Bills	413,190	-	413,190	-	-	-
Pakistan Investment Bonds	-	-	-	1,831,900	-	1,831,900
	<u>413,190</u>	<u>-</u>	<u>413,190</u>	<u>1,831,900</u>	<u>-</u>	<u>1,831,900</u>

- 8.3.1** The above lending carry mark-up at the rate of 11.90% per annum (2010: 12.80% per annum) and have a maturity period of upto one month.

## 9 INVESTMENTS

### 9.1 Investments by types

#### Available for sale securities

Note	2011			2010		
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
	(Rupees in '000)					
Market Treasury Bills	31,627,635	5,870,878	37,498,513	21,530,047	4,395,347	25,925,394
Pakistan Investment Bonds Government of Pakistan Ijarah Sukuk	2,312,135	-	2,312,135	2,147,179	-	2,147,179
Fully paid-up ordinary shares	-	-	-	25,000	-	25,000
Units of mutual funds	275,760	-	275,760	165,636	-	165,636
Fully paid up preference shares	2,363,934	-	2,363,934	2,255,879	-	2,255,879
	-	-	-	45,421	-	45,421
	<u>36,579,464</u>	<u>5,870,878</u>	<u>42,450,342</u>	<u>26,169,162</u>	<u>4,395,347</u>	<u>30,564,509</u>

#### Held to maturity securities

Pakistan Investment Bonds	1,492,036	-	1,492,036	1,507,297	-	1,507,297
Term Finance Certificates, Bonds and Sukuks	2,028,906	-	2,028,906	3,311,911	-	3,311,911
	<u>3,520,942</u>	<u>-</u>	<u>3,520,942</u>	<u>4,819,208</u>	<u>-</u>	<u>4,819,208</u>

Investments at cost 40,100,406 5,870,878 45,971,284 30,988,370 4,395,347 35,383,717

Less: Provision for diminution in the value of investments 9.3 (250,756) - (250,756) (289,482) - (289,482)

Investments (net of provision) 39,849,650 5,870,878 45,720,528 30,698,888 4,395,347 35,094,235

Surplus / (deficit) on revaluation of available for sale securities 21.2 61,392 (5,951) 55,441 (106,885) (1,687) (108,572)

Total investments 39,911,042 5,864,927 45,775,969 30,592,003 4,393,660 34,985,663

9.2 Investments by segments	Note	2011 (Rupees in '000)	2010 (Rupees in '000)
<b>Federal Government Securities</b>			
- Market Treasury Bills	9.8	37,498,513	25,925,394
- Pakistan Investment Bonds	9.5 & 9.8	3,804,171	3,654,476
- Government of Pakistan Ijarah Sukuk		500,163	285,765
		41,802,847	29,865,635
<b>Fully paid up ordinary shares of Rs. 10 each</b>			
<b>Listed companies</b>			
- Fauji Fertilizer Company Limited [600,000 (2010: 177,256)]		68,528	15,656
- Engro Corporation Limited (formerly Engro Chemical Pakistan Limited [175,254 (2010: 308,000)])		25,040	67,857
- Askari Bank Limited [NIL (2010: 533,532)]		-	24,015
- MCB Bank Limited [39,000 (2010: NIL)]		7,139	-
- Kot Addu Power Company Limited [156,395 (2010: NIL)]		7,086	-
- Pakistan Oilfields Limited [18,800 (2010: NIL)]		7,039	-
- United Bank Limited [118,000 (2010: 42,350)]		7,021	4,904
- The Hub Power Company Limited [604,000 (2010: NIL)]		25,010	-
- Arif Habib Investments Limited [535,000 (2010: NIL)]		12,224	-
- National Bank of Pakistan [NIL (2010: 202,500)]		-	18,025
- Nishat Power Limited [2,350,000 (2010: NIL)]		40,552	-
- Nishat Chunian Power Limited [2,477,000 (2010: NIL)]		40,942	-
- Nishat Mills Limited [47,125 (2010: 47,125)]		4,479	4,479
<b>Un-listed companies</b>			
- Khushhali Bank Limited [2,500,000 (2010: 2,500,000)] (President: Mr. M. Ghalib Nishtar)	9.7	25,000	25,000
- Pakistan Export Finance Guarantee Agency Limited [569,958 (2010: 569,958)] (Chief Executive: Mr. S. M. Zaeem)	9.9	5,700	5,700
		275,760	165,636
<b>Fully paid up preference shares of Rs. 10 each</b>			
<b>Listed companies</b>			
- Shakarganj Mills Limited [NIL (2010: 4,542,067)]		-	45,421
<b>Term Finance Certificates, Debentures, Bonds and Participation Term Certificates</b>			
<b>Listed Term Finance Certificates of Rs. 5,000 each</b>			
- Faysal Bank Limited [6,000 (2010: 6,000)]		29,952	29,964
- Pak Arab Fertilizer Limited [5,000 (2010: 5,000)]		17,830	22,046
- Bank AL Habib Limited 1st issue [5,000 (2010: 5,000)]		16,623	24,940
- Bank AL Habib Limited 2nd issue [8,000 (2010: 8,000)]		38,879	38,635
- United Bank Limited 1st issue [8,000 (2010: 8,000)]		26,600	39,908
- United Bank Limited 2nd issue [7,000 (2010: 7,000)]		34,991	34,992
- United Bank Limited 3rd issue [9,716 (2010: 9,716)]		48,483	48,502
- United Bank Limited 4th issue [5,000 (2010: 5,000)]		22,344	22,118
Balance carried forward		235,702	261,105

Note	2011 (Rupees in '000)	2010 (Rupees in '000)
	235,702	261,105
<b>Balance brought forward</b>		
- Askari Bank Limited 1st Issue[5,000 (2010: 5,000)]	24,935	24,945
- Askari Bank Limited 2nd Issue[12,961 (2010: 12,961)]	64,649	64,675
- Askari Bank Limited 3rd Issue[7,000 (2010: 7,000)]	34,972	34,986
- Jahangir Siddiqui & Company Limited 4th issue [4,000 (2010: 4,000)]	9,982	19,968
- Bank Alfalah Limited [3,000 (2010: 3,000)]	14,965	14,971
- Azgard Nine Limited [10,000 (2010: 10,000)]	37,449	37,449
- Standard Chartered Bank (of Pakistan) Limited 3rd Issue [5,000 (2010: 5,000)]	17,480	23,710
- IGI Investment Bank Limited [NIL (2010: 3,000)]	-	3,749
- Pakistan Mobile Communication Limited [5,000 (2010: 5,000)]	12,480	20,800
- WorldCall Communication Limited [NIL (2010: 4,227)]	-	7,039
- Allied Bank Limited 1st Issue[11,000 (2010: 11,000)]	53,678	53,293
- Allied Bank Limited 2nd Issue[12,973 (2010: 12,973)]	64,814	64,839
- Engro Fertilizers Limited (formerly Engro Chemical Pakistan Limited [10,000 (2010: 10,000)])	46,460	45,868
- Engro Fertilizers Limited (formerly Engro Chemical Pakistan Limited [6,325 (2010: 6,325)])	31,600	31,612
- Escorts Investment Bank Limited [2,000 (2010: 2,000)]	2,998	4,997
- JS-ABAMCO Financial Receivables Securitization Limited [5,000 (2010: 5,000)]	10,413	14,578
<b>Un-listed Term Finance Certificates of Rs. 5,000 each, unless otherwise specified</b>		
- Gharibwal Cement Limited [13,100 (2010: 13,100)]	63,465	65,102
- Bank Alfalah Limited- 4th Issue [10,000 (2010: 10,000)]	49,960	49,980
- Orix Leasing Pakistan Limited [1,500 units of Rs. 100,000 each (2010: 1,500 of Rs. 100,000 each)]	75,000	125,000
- Avari Hotels Limited [25,000 (2010: 25,000)]	106,143	106,143
- Al-Abbas Sugar Mills Limited [6,000 (2010: 6,000)]	11,988	17,988
- Power Holding (Private) Limited [NIL (2010: 252,400)]	-	1,262,000
- Faysal Bank Limited- 2nd Issue [15,000 (2010: 15,000)]	74,970	75,000
- Dewan Farooque Spinning Mills Limited [5,000 (2010: 5,000)]	6,250	6,250
- Jahangir Siddiqui & Company Limited 2nd Issue [4 certificates of Rs. 5,000,000 each (2010: 4 certificates of Rs.5,000,000 each)]	19,940	19,948
- Tandlianwala Sugar Mills Limited [NIL (2010: 5,000)]	-	2,500
- JDW Sugar Mills Limited [16,600 (2010: 16,600)]	46,111	64,555
<b>Sukuk Certificates and Bonds of Rs. 5,000 each, unless otherwise specified</b>		
- Century Paper & Board Mills Limited [10,000 (2010: 10,000)]	30,000	40,000
- New Allied Electronics Industries (Private) Limited [NIL (2010: 20,000)]	-	50,000
- Eden Housing Limited [10,000 (2010: 10,000)]	33,740	37,500
- Amreli Steels Limited [10,000 (2010: 10,000)]	50,000	50,000
- Three Star Hosiery Mills (Private) Limited [5,100 (2010: 5,100)]	25,215	25,215
- Liberty Power Tech Limited [1,099,430 certificates of Rs.100 each (2010: 1,010,970 certificates of Rs.100 each)]	106,380	101,097
- House Building Finance Corporation Limited "A" [10,000 (2010: 10,000)]	25,000	35,000
- House Building Finance Corporation Limited "B" [3,000 (2010: 3,000)]	6,734	9,186
- Haq Bahu Sugar Mills (Private) Limited [NIL (2010: 4,000)]	-	10,000
- Sui Southern Gas Company Limited [20,000 (2010: 20,000)]	50,000	80,000
- Shah Murad Sugar Mills Limited [NIL (2010: 25 certificates of Rs.1,000,000 each)]	-	16,667
- Pak Elektron Limited [10,000 (2010: 10,000)]	21,429	28,571
- WAPDA bonds [4,000 (2010: 4,000)]	19,860	19,860
- WAPDA bonds [5,000 (2010: 5,000)]	25,000	25,000
<b>Commercial Paper</b>		
- Tameer Micro Finance Bank Limited	18,981	-
	1,528,743	3,051,146

	Note	2011 (Rupees in '000)	2010 (Rupees in '000)
<b>Others: Units of Mutual Funds</b>			
<b>Open ended</b>			
- National Investment (Unit) Trust [4,859,065 (2010: 4,859,065)] (Managed by National Investment Trust Limited)		204,059	204,059
- Askari Sovereign Cash Fund [2,361,440 (2010: 988,000)] (Managed by Askari Investment Management Limited)		239,000	100,000
- ABL Cash Fund [9,829,363 (2010: NIL)] (Managed by ABL Asset Management Company Limited)		100,000	-
- Metrobank Perpetual Scheme [1,995,186 (2010: NIL)] (Managed by Arif Habib Investments Limited)		100,997	-
- Al Falah GHP Cash Fund [NIL (2010: 202,501)] (Managed by Alfalah GHP Investment Management Limited)		-	100,847
- Metrobank Pakistan Sovereign Fund [1,018,123 (2010: NIL)] (Managed by Arif Habib Investments Limited)		50,000	-
- ABL Income Fund [19,699,034 (2010: 19,699,034)] (Managed by ABL Asset Management Company Limited)		199,542	199,542
- Faysal Saving Growth Fund [NIL (2010: 2,933,798)] (Managed by Faysal Asset Management Limited)		-	300,000
- MCB Cash Management Optimizer Fund [2,487,117 (2010: 3,473,327)] (Managed by MCB Asset Management Company Limited)		250,622	350,000
- NAFA Government Securities Liquid Fund [7,641,206 (2010: 20,203,527)] (Managed by National Fullerton Asset Management Limited)		75,804	200,425
- Lakson Money Market Fund [1,983,229 (2010: 2,490,073)] (Managed by Lakson Investments Limited)		199,639	250,660
- NIT Government Bond Fund [10,000,000 (2010: 10,000,000)] (Managed by National Investment Trust Limited)		100,000	100,000
- NIT Income Fund [9,540,933 (2010: 5,000,000)] (Managed by National Investment Trust Limited)		99,262	50,000
- IGI Money Market Fund [494,500 (2010: NIL)] (Managed by IGI Funds Limited)		50,000	-
- PICIC Income Fund [485,854 (2010: NIL)] (Managed by PICIC Asset Management Company Limited)		50,000	-
- PICIC Cash Fund [495,868 (2010: NIL)] (Managed by PICIC Asset Management Company Limited)		50,000	-
- Pakistan Cash Management Fund [NIL (2010: 2,004,405)] (Managed by Arif Habib Investments Limited)		-	100,066
- HBL Money Market Fund [980,716 (2010: NIL)] (Managed by HBL Asset Management Limited)		100,000	-
- Al Meezan Mutual Fund Limited [2,550,000 (2010: NIL)] (Managed by Al Meezan Investment Management Limited)		24,278	-
- Atlas Money Market Fund [99,304 (2010: 99,304)] (Managed by Atlas Asset Management Limited)		50,000	50,000
- UBL Government Securities Fund [974,812 (2010: NIL)] (Managed by UBL Fund Managers Limited)		100,000	-
- UBL Savings Income Fund [946,908 (2010: NIL)] (Managed by UBL Fund Managers Limited)		100,000	-
- UBL Liquidity Plus Fund [1,454,717 (2010: 2,508,444)] (Managed by UBL Fund Managers Limited)		145,145	250,280
<b>Closed-end</b>			
- PICIC Growth Fund [2,420,000 (2010: NIL)]		34,321	-
- JS Value Fund Limited [4,338,000 (2010: NIL)]		24,996	-
- Meezan Balanced Fund [1,872,197 (2010: NIL)]		16,269	-
		2,363,934	2,255,879
<b>Investments at cost</b>		45,971,284	35,383,717
Less: Provision for diminution in the value of investments	9.3	(250,756)	(289,482)
<b>Investments (net of provision)</b>		45,720,528	35,094,235
Surplus / (deficit) on revaluation of available for sale securities	21.2	55,441	(108,572)
<b>Total Investments</b>		45,775,969	34,985,663

**9.3 Particulars of provision for diminution in the value of investments**

	Note	2011 (Rupees in '000)	2010 (Rupees in '000)
Opening balance		289,482	351,922
Charge for the year		28,640	46,675
Reversals recognised in capital gains		(67,366)	(109,115)
Closing balance		250,756	289,482

**9.3.1 Particulars of provision for diminution in the value of investments by type and segment****Available for sale securities****Listed companies including closed end funds**

- Fully paid up ordinary shares of Rs. 10 each	43,619	43,513
- Fully paid up preference shares of Rs. 10 each	-	31,749

**Unlisted companies**

- Fully paid up ordinary shares of Rs. 10 each - Pakistan Export Finance Guarantee Agency Limited	5,700	5,700
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**Open ended mutual funds**

	75,198	61,953
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**Held to maturity securities****Term Finance Certificates of Rs. 5,000/- each**

- Gharibwal Cement Limited	63,465	65,102
- Dewan Farooque Spinning Mills Limited	6,250	6,250
- Azgard Nine Limited	11,449	-

**Sukuk Certificates and Bonds of Rs. 5,000/- each**

- Eden Housing Limited	-	-
- Three Stars Hosiery Mills (Private) Limited	25,215	25,215
- WAPDA Sukuk Bonds	19,860	-
- New Allied Electronics Industries (Private) Limited	-	50,000
	250,756	289,482

**9.4** Investments include certain approved government securities which are held by the Bank to comply with the Statutory Liquidity Requirement determined on the basis of the Bank's demand and time liabilities as set out under section 29 of the Banking Companies Ordinance, 1962.

**9.5** This includes securities having book value of Rs. 30.700 million (2010: 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.

**9.6** The Bank has considered a forced sale value (FSV) benefit of Rs. 33.740 million against Eden Housing Limited sukuk, secured against the mortgaged property in respect of provision for diminution in the value of held to maturity investments. The impact on profitability arising from availing the benefit of FSV under the revised guidelines resulted in reduction of provision for diminution in the value of investments by Rs. 33.740 million (2010: Rs. 37.500 million).

**9.7** This includes the Bank's initial subscription towards the paid-up capital of Khushhali Bank Limited, under the scheme of transfer of assets and liabilities of the Khushhali Bank to Khushhali Bank Limited, as approved by the State Bank of Pakistan, vide sanction order dated 18 March 2008 and by the shareholders in their Second Extra Ordinary General Meeting held on 17 December 2007. The Khushhali Bank Limited has been granted license to operate under the Micro Finance Institution Ordinance, 2001. Further, as required under SBP BPRD Circular No. 4 dated 22 May 2008, the shares owned by the Bank have been deposited in a blocked account with the Central Depository Company of Pakistan Limited (CDC).

**9.8** Market Treasury Bills and Pakistan Investment Bonds are eligible for discounting with the State Bank of Pakistan.

**9.9** This investment is fully provided and as per 'shares subscription agreement' this can only be sold to an existing investor.

**9.10** The Bank purchased 4,000 certificates (on 29 September 2009) of WAPDA Sukuk certificates through a market based transaction for a cash consideration of Rs. 19.8 million having a face value of Rs. 20 million. These certificates were available in the seller's CDC account and on completion of the transaction were transferred to the Bank's CDC account. A periodic Ijarah rental was due on 22

October 2009, which was not paid to the Bank on the plea that certain discrepancy in the Central Depository Register was the reason for non payment.

The Bank through a legal notice has clarified the position that the Bank has purchased the aforesaid Sukuk Certificates from the market for a valuable consideration when these Sukuks were already entered in the Central Depository Register of seller's account. However the Bank has fully provided the outstanding amount against these Sukuks. During the year 2010, the Bank has filed a recovery suit which is pending before the Sindh High Court, Karachi.

9.11 Significant particulars relating to government securities, term finance certificates and sukuk bonds are as follows:

Name of investment	Maturity	Principal payments	Yield / Coupon rate (%)	Coupon payments
Market Treasury Bills	April 2012 to November 2012	On maturity	11.76 to 13.91	At maturity
Pakistan Investment Bonds	February 2012 to January 2024	On maturity	8.00 to 11.25	Semi-annually
Term Finance Certificates	May 2012 to November 2019	Semi-annually/ quarterly	8.00 to 15.80	Semi-annually quarterly
Sukuk Bonds	March 2012 to January 2021	Semi-annually/ quarterly	11.79 to 16.52	Semi-annually quarterly

9.12 Quality of available for sale securities

Securities (at market value)	2011		2010	
	Amount	Rating	Amount	Rating
(Rupees in '000)				
<b>Federal Government Securities</b>				
- Market Treasury Bills	37,602,766	N / A	25,897,550	N / A
- Pakistan Investment Bonds	2,240,521	N / A	1,987,360	N / A
- Ijarah Sukuk Bonds	-	N / A	25,000	N / A
<b>Fully paid up ordinary shares of Rs. 10 each</b>				
<b>Listed companies</b>				
- Fauji Fertilizer Company Limited	89,724	N / A	22,309	N / A
- Engro Corporation Limited (Formerly Engro Chemical Pakistan Limited)	16,246	AA(L), A1+ (S)	59,693	AA(L), A1+ (S)
- Askari Bank Limited	-	-	9,438	AA(L), A1+(S)
- MCB Bank Limited	5,249	AA+(L), A1+ (S)	-	-
- Kot Addu Power Company Limited	6,462	AA+(L), A1+ (S)	-	-
- Pakistan Oilfields Limited	6,513	N / A	-	-
- United Bank Limited	6,182	AA+(L), A1+ (S)	2,890	AA+(L), A1+ (S)
- Arif Habib Investments Limited	7,683	A(L), A1+ (S)	-	-
- The Hub Power Company Limited	20,657	AA+(L), A1+ (S)	-	-
- National Bank of Pakistan	-	-	15,556	AAA(L), A1+(S)
- Nishat Power Limited	30,433	AA(L), A1+ (S)	-	-
- Nishat Chunian Power Limited	31,582	A-(L), A2 (S)	-	-
- Nishat Mills Limited	1,906	AA-(L), A1+ (S)	3,024	A+(L), A1 (S)
<b>Un-listed companies - at cost</b>				
- Khushhali Bank Limited	25,000	A(L), A-1(S)	25,000	A-(L), A-2(S)
- Pakistan Export Finance Guarantee Agency Limited	5,700	N / A	5,700	N / A
<b>Balance carried forward</b>	<b>40,096,624</b>		<b>28,053,520</b>	

Balance brought forward

Fully paid up preference shares of Rs. 10 each

Listed companies

- Shakarganj Mills Limited

Units of Mutual Funds

Open-ended

- National Investment (Unit) Trust  
- Pakistan Cash Management Fund  
- MCB Cash Management Optimizer Fund  
- NAFA Government Securities Liquid Fund  
- UBL Liquidity Plus Fund  
- Lakson Money Market Fund  
- NIT Government Bond Fund  
- Alfalah GHP Cash Fund  
- ABL Cash Fund  
- Metrobank Perpetual Scheme  
- UBL Government Securities Fund  
- IGI Money Market Fund  
- PICIC Income Fund  
- PICIC Cash Fund  
- HBL Money Market Fund  
- Al Meezan Mutual Fund Limited  
- Atlas Money Market Fund  
- Metrobank Pakistan Sovereign Fund  
- ABL Income Fund  
- Faysal Saving Growth Fund  
- NIT Income Fund  
- Askari Sovereign Cash Fund  
- UBL Savings Income Fund

Closed-end

- Meezan Balanced Fund  
- PICIC Growth Fund  
- JS Value Fund

Total

L represents Long Term Rating  
S represents Short Term Rating  
N/A represents Not Available

10 ADVANCES

Loans, cash credits, running finances, etc.

In Pakistan  
Outside Pakistan

Bills discounted and purchased (excluding treasury bills)

Payable in Pakistan  
Payable outside Pakistan

Advances - gross

Provision for non-performing advances  
Advances - net of provision

	2011		2010	
	Amount	Rating	Amount	Rating
(Rupees in '000)				
Balance brought forward	40,096,624		28,053,520	
Fully paid up preference shares of Rs. 10 each				
Listed companies				
- Shakarganj Mills Limited	-	-	21,711	D
Units of Mutual Funds				
Open-ended				
- National Investment (Unit) Trust	125,850	AM2	152,672	3-Star/2-Star
- Pakistan Cash Management Fund	-	-	100,870	AAA-FS
- MCB Cash Management Optimizer Fund	255,888	N / A	355,000	AA(f)
- NAFA Government Securities Liquid Fund	77,804	N / A	208,260	AAA(f)
- UBL Liquidity Plus Fund	146,177	AA+(f)	258,061	AA+(f)
- Lakson Money Market Fund	198,520	N / A	249,167	AA(f)
- NIT Government Bond Fund	106,861	N / A	105,200	AM2
- Alfalah GHP Cash Fund	-	-	101,479	AA(f)
- ABL Cash Fund	98,477	AA+(f)	-	-
- Metrobank Perpetual Scheme	102,114	N / A	-	-
- UBL Government Securities Fund	97,836	N / A	-	-
- IGI Money Market Fund	49,787	AA+	-	-
- PICIC Income Fund	49,008	A+	-	-
- PICIC Cash Fund	49,781	AA+	-	-
- HBL Money Market Fund	101,192	AA+	-	-
- Al Meezan Mutual Fund Limited	26,061	AM2	-	-
- Atlas Money Market Fund	50,008	N / A	51,191	AA+(f)
- Metrobank Pakistan Sovereign Fund	50,682	N / A	-	-
- ABL Income Fund	197,300	A+(f)	197,179	A+(f)
- Faysal Saving Growth Fund	-	-	308,371	A(f)
- NIT Income Fund	102,862	N / A	52,800	AM2
- Askari Sovereign Cash Fund	237,315	N / A	103,241	AA+(f)
- UBL Savings Income Fund	100,976	AA	-	-
Closed-end				
- Meezan Balanced Fund	17,037	N / A	-	-
- PICIC Growth Fund	30,153	N / A	-	-
- JS Value Fund	18,654	N / A	-	-
<b>Total</b>	<b>42,386,967</b>		<b>30,318,722</b>	

Note

2011  
2010  
(Rupees in '000)

64,709,899	51,096,958
-	-
64,709,899	51,096,958
1,283,182	1,578,156
5,078,541	6,618,250
6,361,723	8,196,406
71,071,622	59,293,364
(5,731,675)	(4,617,643)
65,339,947	54,675,721

10.1	Particulars of advances (Gross)	2011 (Rupees in '000)	2010
10.1.1	In local currency	62,740,572	49,906,037
	In foreign currencies	8,331,050	9,387,327
		<u>71,071,622</u>	<u>59,293,364</u>
10.1.2	Short Term ( for upto one year)	58,778,187	50,062,684
	Long Term ( for over one year)	12,293,435	9,230,680
		<u>71,071,622</u>	<u>59,293,364</u>

10.2 Advances include Rs. 8,941.653 million (2010: Rs. 7,096.036 million) which have been placed under non-performing status as detailed below:

Category of Classification	2011							
	Classified Advances			Provision Required			Provision Held	
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas
	(Rupees in '000)							
OAEM*	26,542	-	26,542	-	-	-	-	-
Substandard	158,601	-	158,601	26,350	-	26,350	26,350	-
Doubtful	1,899,812	-	1,899,812	610,827	-	610,827	610,827	-
Loss	6,856,698	-	6,856,698	5,085,972	-	5,085,972	5,085,972	-
	<u>8,941,653</u>	<u>-</u>	<u>8,941,653</u>	<u>5,723,149</u>	<u>-</u>	<u>5,723,149</u>	<u>5,723,149</u>	<u>-</u>
	(Rupees in '000)							
Category of Classification	2010							
	Classified Advances			Provision Required			Provision Held	
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas

\* The Other Assets Especially Mentioned category pertains to agricultural finance only.

### 10.3 Particulars of provision against non-performing loans and advances

Note	2011				2010			
	Specific	Consumer	General	Total	Specific	Consumer	General	Total
	(Rupees in '000)							
Opening balance	4,609,089	8,554	-	4,617,643	3,200,338	12,000	-	3,212,338
Charge for the year	1,920,272	-	-	1,920,272	1,691,531	54	-	1,691,585
Reversals	(676,706)	(28)	-	(676,734)	(282,780)	(3,500)	-	(286,280)
	<u>1,243,566</u>	<u>(28)</u>	<u>-</u>	<u>1,243,538</u>	<u>1,408,751</u>	<u>(3,446)</u>	<u>-</u>	<u>1,405,305</u>
Amount written off	10.5	(129,506)	-	(129,506)	-	-	-	-
Closing balance	<u>5,723,149</u>	<u>8,526</u>	<u>-</u>	<u>5,731,675</u>	<u>4,609,089</u>	<u>8,554</u>	<u>-</u>	<u>4,617,643</u>

10.3.1 Provision against consumer financing represents provision maintained at an amount equal to 1.5% of the fully secured performing portfolio and 5% of the unsecured performing portfolio as required under the Prudential Regulations issued by the State Bank of Pakistan.

### 10.3.2 Particulars of provision against non-performing loans and advances

	2011				2010			
	Specific	Consumer	General	Total	Specific	Consumer	General	Total
	(Rupees in '000)							
In local currency	5,723,149	8,526	-	5,731,675	4,609,089	8,554	-	4,617,643
In foreign currencies	-	-	-	-	-	-	-	-
	<u>5,723,149</u>	<u>8,526</u>	<u>-</u>	<u>5,731,675</u>	<u>4,609,089</u>	<u>8,554</u>	<u>-</u>	<u>4,617,643</u>

### 10.4 Amendments in Prudential Regulations in respect of provisioning against non-performing loans

The State Bank of Pakistan vide BSD Circular No. 2 dated: 27 January 2009 introduced certain amendments in the Prudential Regulations in respect of maintenance of provisioning requirements against non-performing loans and advances. During the year 2009 the said amendments were again revised by the State Bank of Pakistan vide BSD Circular No. 10 dated: 20 October 2009 by which the banks were allowed to avail the benefit of 40% (instead of 30%) of forced sales value of pledged stocks and mortgaged commercial, residential and industrial properties (previously not allowed) held as collateral against all non-performing loans for 4 years from the date of classification for calculating provisioning requirement with effect from 31 December 2009. The impact on profitability arising from availing the benefit of forced sales value under the revised guidelines resulted in reduction of specific provisions against non-performing loans and advances of approximately Rs. 1,686.485 million (2010: Rs. 1,083.151 million). During the year 2011, the SBP has issued another BSD Circular No. 1 dated: 21 October 2011 which increases the benefit of FSV. The Bank has not taken the impact / benefit of this circular in these financial statements and has maintained the policy as was consistently applied before the issuance of BSD Circular of No.1 of 2011.

Had the benefit of FSV not availed by the Bank, the specific provision against non-performing advances and profit before tax would have been lower by approximately Rs. 1,686.485 million as at 31 December 2011 and advances (net off provision) would have been lower by same amount. Further the net of tax profit, amounted to Rs. 1,096.215 million arising from availing the benefit of forced sale value is not available for distribution amongst the shareholders either in the form of cash or stock dividend.

10.4.1 Although the Bank has made provision against its non-performing portfolio as per the category of the loans forming part thereof, the Bank still holds enforceable collateral in the event of recovery through litigation. These securities comprise of charge against various tangible assets of the borrower including land, building and machinery, stock in trade, etc.

### 10.5 Particulars of write offs:

	Note	2011 (Rupees in '000)	2010
10.5.1	Against provisions	129,506	-
	Directly charged to profit and loss account	-	256
		<u>129,506</u>	<u>256</u>
10.5.2	Write offs of Rs. 500,000 and above	128,629	-
	Write offs of below Rs. 500,000	877	256
		<u>129,506</u>	<u>256</u>

### 10.6 Details of loan write offs of Rs. 500,000 and above

In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962 the statement in respect of written-off loans or any other financial relief of five hundred thousand rupees or above allowed to a person(s) during the year ended 31 December 2011 is given at Annexure - I. However, this write off does not affect the Bank's right to recover the debts from these customers.

### 10.7 Particulars of loans and advances to directors, associated companies, etc.

	2011 (Rupees in '000)	2010
Debts due by directors, executives or officers of the Bank or any of them either severally or jointly with any other persons*		
Balance at beginning of the year	229,091	208,142
Loans granted during the year	227,966	71,530
Repayments	(65,891)	(50,581)
Balance at end of the year	<u>391,166</u>	<u>229,091</u>

\* Represents loans given by the Bank to its executives and other employees as per the terms of their employment.

11	FIXED ASSETS	Note	2011		2010	
			(Rupees in '000)			
	Capital work-in-progress	11.1	133,246	268,290		
	Property and equipments	11.2	3,511,447	3,177,603		
	Intangible assets	11.3	189,223	23,030		
			<u>3,833,916</u>	<u>3,468,923</u>		
<b>11.1</b>	<b>Capital work-in-progress</b>					
	Civil works		120,067	235,769		
	Advances to suppliers and contractors		12,563	27,403		
	Advance against purchase of premises		-	1,802		
	Consultants' fee and other charges		616	3,316		
			<u>133,246</u>	<u>268,290</u>		

**11.2 Property and equipments**

	2011										
	COST / REVALUATION					ACCUMULATED DEPRECIATION					
	At 01 January 2011	Additions / (deletions)	Revaluation surplus	Adjustments	At 31 December 2011	At 01 January 2011	Charge for the year / (depreciation on deletions)	Adjustments	At 31 December 2011	Book value at 31 December 2011	Rate of depreciation %
	(Rupees in '000)										
Free hold land	86,087	320	(13,982)	5,222	77,647	-	-	-	-	77,647	-
Leasehold land and buildings on leasehold land	2,144,451	73,711 (739)	226,451	(5,222)	2,438,652	371,115	169,797 (92)	-	540,820	1,897,832	5
Leasehold improvements	366,218	151,328 (5,495)	-	-	512,051	73,010	23,947 (3,440)	-	93,517	418,534	5
Furniture and fixtures	159,606	44,758 (72)	-	(17)	204,275	66,352	16,298 (59)	-	82,591	121,684	10
Electrical, office and computer equipment	1,322,889	358,114 (17,761)	-	(5,182)	1,658,060	709,384	230,170 (14,392)	(5,182)	919,980	738,080	20
Vehicles	208,314	43,692 (117,211)	-	-	134,795	109,611	21,961 (71,889)	-	59,683	75,112	20
<b>Assets held under Ijarah</b>											
Motor vehicles	107,535	42,608	-	-	150,143	28,672	24,237	-	52,909	97,234	Over the Ijarah period
Plant and machinery	197,131	- (11,985)	-	-	185,146	56,484	55,323 (11,985)	-	99,822	85,324	
	<u>4,592,231</u>	<u>714,531 (153,263)</u>	<u>212,469</u>	<u>(5,199)</u>	<u>5,360,769</u>	<u>1,414,628</u>	<u>541,733 (101,857)</u>	<u>(5,182)</u>	<u>1,849,322</u>	<u>3,511,447</u>	

	2010										
	COST / REVALUATION				ACCUMULATED DEPRECIATION						
	At 01 January 2010	Additions / (deletions)	Revaluation surplus	Adjustments	At 31 December 2010	At 01 January 2010	Charge for the year / (depreciation on deletions)	Reversal due to revaluation	At 31 December 2010	Book value at 31 December 2010	Rate of depreciation %
	(Rupees in '000)										
Free hold land	86,087	-	-	-	86,087	-	-	-	-	86,087	-
Leasehold land and buildings on leasehold land	2,120,965	24,406	-	(920)	2,144,451	202,564	168,601	(50)	371,115	1,773,336	5
Leasehold improvements	326,734	42,163 (3,599)	-	920	366,218	60,820	15,294 (3,154)	50	73,010	293,208	5
Furniture and fixtures	150,107	14,259 (4,783)	-	23	159,606	58,550	12,050 (4,248)	-	66,352	93,254	10
Electrical, office and computer equipment	1,118,940	249,285 (31,286)	-	(14,050)	1,322,889	562,227	183,414 (30,408)	(5,849)	709,384	613,505	20
Vehicles	188,169	41,918 (21,773)	-	-	208,314	94,199	31,404 (15,992)	-	109,611	98,703	20
<b>Assets held under Ijarah</b>											
Motor vehicles	61,831	45,704	-	-	107,535	7,844	20,828	-	28,672	78,863	Over the Ijarah period
Plant and machinery	76,687	120,444 (61,441)	-	(14,027)	197,131	17,944	38,540 (53,802)	(5,849)	56,484	140,647	
	<u>4,129,520</u>	<u>538,179 (61,441)</u>	<u>-</u>	<u>(14,027)</u>	<u>4,592,231</u>	<u>1,004,148</u>	<u>470,131 (53,802)</u>	<u>(5,849)</u>	<u>1,414,628</u>	<u>3,177,603</u>	

**11.2.1** The cost of fully depreciated property and equipment still in use amounts to Rs. 462.223 million (2010: Rs. 389.443 million).

**11.2.2** During December 2011 the Bank's freehold / leasehold land and buildings on leasehold land were revalued by M/s Harvester Services (Private) Limited (Valuation and Engineering Consultants) on the basis of their professional assessment of the present market value. The revaluation resulted in a net surplus of Rs. 212.469 million over the book value which was incorporated in the books of the Bank on 31 December 2011.

Had there been no revaluation, the carrying amount of revalued assets at 31 December 2011 would have been Rs.896.118 million (2010: Rs. 883.997 million).

**11.2.3** The Islamic banking branches of the Bank have entered into Ijarah transactions with customers during the year. The Ijarah transactions have been entered in respect of motor vehicles and plant and machinery.

The Ijarah payments receivable from customers for each of the following period under the terms of respective arrangements are given below:

	2011	2010
	(Rupees in '000)	
Not later than one year	11,260	2,274
Later than one year but not later than five years	171,298	217,236
Later than five years	-	-
	<u>182,558</u>	<u>219,510</u>

**11.2.4** Disposals / deletion of property and equipment with original cost or book value in excess of Rs 1 million or Rs 250,000 respectively (which ever is less) are given in Annexure - III which is an integral part of these financial statements.

**11.3 Intangible assets**

	2011									
	Cost			Accumulated Amortization						
	At 01 January 2011	Additions / (deletions)	Other adjustments	At 31 December 2011	At 01 January 2011	Charge for the year / (amortisation on deletion)	Other adjustments	At 31 December 2011	Net Book value at 31 December 2011	Annual rate amortisation %
	(Rupees in '000)									
Software	62,877	212,784	5,182	280,843	42,294	45,990	5,182	93,466	187,377	33.33
Trademark	2,517	301	-	2,818	70	902	-	972	1,846	33.33
	<u>65,394</u>	<u>213,085</u>	<u>5,182</u>	<u>283,661</u>	<u>42,364</u>	<u>46,892</u>	<u>5,182</u>	<u>94,438</u>	<u>189,223</u>	

	2010										
	Cost			Accumulated Amortization							Annual rate amortisation %
	At 01 January 2010	Additions / (deletions)	Other adjustments	At 31 December 2010	At 01 January 2010	Charge for the year / (amortisation on deletion)	Other adjustments	At 31 December 2010	Net Book value at 31 December 2010		
(Rupees in '000)											
Software	30,488	18,339	14,050	62,877	18,325	18,120	5,849	42,294	20,583	33.33	
Trademark	-	2,517	-	2,517	-	70	-	70	2,447	33.33	
	30,488	20,856	14,050	65,394	18,325	18,190	5,849	42,364	23,030		

11.4 The additions mainly represent licence fee in respect of acquisition of various softwares amounting to Rs. 175.414 million (2010: Rs. 18.339 million) for support of the new core banking software namely Sonaware Dot Net.

	Note	2011 (Rupees in '000)	2010 (Rupees in '000)
<b>12 DEFERRED TAX ASSETS - NET</b>			
<b>Deferred debits arising in respect of:</b>			
Provision for diminution in the value of investments		46,179	53,293
Provision against non-performing advances		1,088,628	982,446
Deficit on revaluation of securities	21.2	-	10,857
		1,134,807	1,046,596
<b>Deferred credits arising in respect of:</b>			
Accelerated tax depreciation		(378,335)	(320,543)
Surplus on revaluation of fixed assets	21.1	(377,775)	(341,398)
Surplus on revaluation of securities	21.2	(16,541)	-
		(772,651)	(661,941)
<b>Deferred tax asset - net</b>		362,156	384,655
<b>13 OTHER ASSETS</b>			
Income / mark-up accrued in local currency		1,768,952	1,620,593
Income / mark-up accrued in foreign currency		7,964	8,649
Dividend receivable		24,631	13,169
Advances, deposits and prepayments		429,495	452,383
Unrealised gain on forward foreign exchange contracts		122,042	271,842
Branch adjustment account		-	189,635
Suspense account	13.2.1	187,947	23,638
Advance taxation (provisions less payments)		1,127,310	837,596
Non-banking assets acquired in satisfaction of claim	13.3	17,400	-
Stationery and stamps in hand		93,260	75,403
Due from the State Bank of Pakistan		58,736	15,673
Membership Card of Islamabad Stock Exchange (Guarantee) Limited	13.1	11,100	11,100
Amount due in respect of payment made for acquisition of premises at Faisalabad		-	6,272
Others		82,466	27,242
		3,931,303	3,553,195
Less: Provision held against other assets	13.2	(162,225)	(142,541)
Other assets (net of provision)		3,769,078	3,410,654

13.1 During the year 2008, the Bank was elected as member of the Islamabad Stock Exchange (Guarantee) Limited. The management intends to retain this membership for a possible future utilisation subject to necessary approvals.

### 13.2 Provision against other assets

	2011 (Rupees in '000)	2010 (Rupees in '000)
Opening balance	142,541	129,570
Charge for the year	31,301	16,487
Reversal	(9,856)	(3,516)
	21,445	12,971
Write-offs	(1,761)	-
Closing balance	162,225	142,541

13.2.1 This includes an amount of Rs. 142.032 million (2010: Rs. 129.532 million) in respect of fraud and forgery claims relating to cash embezzlement made in the Bank. The Bank has initiated legal proceedings against alleged and has also taken necessary steps to further strengthen the internal control system.

	Note	2011 (Rupees in '000)	2010 (Rupees in '000)
<b>13.3</b>	Market value of non-banking assets acquired in satisfaction of claim	17,224	-
<b>14 CONTINGENT ASSETS</b>			
There were no contingent assets as at the balance sheet date.			
<b>15 BILLS PAYABLE</b>			
In Pakistan		1,571,314	1,857,810
Outside Pakistan		-	-
		1,571,314	1,857,810
<b>16 BORROWINGS</b>			
In Pakistan		14,323,130	12,245,443
Outside Pakistan		234,049	125,085
		14,557,179	12,370,528
<b>16.1 Particulars of borrowings with respect to currencies</b>			
In local currency		14,323,130	12,245,443
In foreign currencies		234,049	125,085
		14,557,179	12,370,528
<b>16.2 Details of borrowings secured / unsecured</b>			
<b>Secured</b>			
Borrowings from the State Bank of Pakistan			
Under Export Refinance Scheme	16.2.1	7,081,595	6,795,352
Long Term Financing Facility for plant & machinery	16.2.2	869,523	377,508
Long Term Finance - export oriented projects	16.2.3	477,335	637,147
Modernization of SME-Rice Husking	16.2.4	32,349	43,230
Repurchase agreement borrowings	16.2.5	5,763,540	994,329
Repurchase agreement borrowings - other banks	16.2.6	98,788	3,397,877
		14,323,130	12,245,443
<b>Unsecured</b>			
Murabaha borrowings		-	-
Overdrawn nostro accounts		234,049	125,085
		234,049	125,085
		14,557,179	12,370,528

- 16.2.1** The Bank has entered into agreement for financing with the State Bank of Pakistan (SBP) for extending Export Finance to its customers. Borrowings under the Export Refinance Scheme of SBP carry interest at rate of 9.50% to 10.00% per annum (2010: 7.00% to 9.50% per annum). These are secured against demand promissory notes.
- 16.2.2** This represent borrowings from the SBP under scheme for Long Term Financing Facility at rates ranging from 9.70% to 11.00% per annum (2010: 8.20% to 9.50% per annum), and have varying long term maturities as stipulated by SBP. Under the agreement, SBP has a right to recover the outstanding amount from the Bank at the respective maturity date of each finance by directly debiting the current account of the Bank maintained with SBP.
- 16.2.3** These borrowings have been obtained from the SBP to provide financing facilities to the export oriented units for import of machinery, plant, equipment and accessories thereof (not manufactured locally).
- 16.2.4** This represents borrowings from the SBP under scheme for modernisation of SME Rice Husking at the rate ranging from 5.50% to 6.25% per annum (2010: 6.00% to 6.50% per annum).
- 16.2.5** This represents repurchase agreement at rate of 11.70% per annum (2010: 12.75%), and have maturity date upto 6 January 2012.
- 16.2.6** This represents repurchase agreement at rate of 11.6% per annum (2010: 12.6% to 13.40% per annum), and having maturity date upto 30 March 2012.

	Note	2011 (Rupees in '000)	2010 (Rupees in '000)
<b>17 DEPOSITS AND OTHER ACCOUNTS</b>			
<b>Customers</b>			
Remunerative			
Fixed deposits		37,701,362	31,837,893
Savings deposits		40,892,198	32,158,780
Non-Remunerative			
Current Accounts		19,089,607	16,375,714
Call deposits		85,739	93,333
Margin deposits		1,100,124	1,065,335
Others		314,677	136,568
		<u>99,183,707</u>	<u>81,667,623</u>
<b>Financial Institutions</b>			
Remunerative - savings deposits		550,085	348,910
Remunerative - fixed deposits		-	-
Non-remunerative current deposits		178	278
		<u>550,263</u>	<u>349,188</u>
		<u>99,733,970</u>	<u>82,016,811</u>
<b>17.1 Particulars of deposits</b>			
In local currency		90,627,996	76,020,536
In foreign currencies		9,105,974	5,996,275
		<u>99,733,970</u>	<u>82,016,811</u>
<b>18 SUB-ORDINATED LOANS - UNSECURED (NON-PARTICIPATORY)</b>			
Listed Term Finance Certificates	18.1	897,840	1,197,360
<b>18.1</b>			
Liability against Term Finance Certificates is stated at nominal amount. The liability is subordinated as to payment of principal and profit to all other indebtedness of the Bank (including deposits) and is not redeemable before maturity without prior approval of the State Bank of Pakistan. Mark-up rate on the liability is based on the floating rate of six months KIBOR prevailing immediately preceding the date before the start of each six month period for the profit due at the end of the semi-annual period plus 1.60% (subject to no floor and cap) per annum payable semi-annually. The credit rating of the instrument is AA-			

The major redemption has commenced from the 78th month of the issue in November 2011 being the 25% of the issue amount. Remaining redemptions will be in the following manner:-

Month	Redemption
- May 2012	25% of the issue amount
- November 2012	25% of the issue amount
- May 2013	25% of the issue amount

## 19 OTHER LIABILITIES

	2011 (Rupees in '000)	2010 (Rupees in '000)
Mark-up / return / interest payable in local currency	1,389,328	1,189,392
Mark-up / return / interest payable in foreign currencies	52,001	170,817
Unearned commission and income on bills discounted	35,820	36,705
Accrued expenses	207,175	110,769
Branch adjustment account	33,452	-
Provision for employees' compensated absences	134,267	86,711
Others	142,753	151,102
	<u>1,994,796</u>	<u>1,745,496</u>

## 20 SHARE CAPITAL

### 20.1 Authorised capital

	2011 (Number of shares)	2010 (Number of shares)		2011 (Rupees in '000)	2010 (Rupees in '000)
1,000,000,000	1,000,000,000	Ordinary shares of Rs. 10/- each		10,000,000	10,000,000

### 20.2 Issued, subscribed and paid-up capital

	2011			2010			2011 (Rupees in '000)	2010 (Rupees in '000)
	Issued for cash	Issued as bonus shares	Total	Issued for cash	Issued as bonus shares	Total		
	Number of shares							
Opening balance	187,125,552	415,196,563	602,322,115	86,738,533	415,196,563	501,935,096	6,023,221	5,019,351
Shares issued during the year	200,272,103	100,324,277	300,596,380	100,387,019	-	100,387,019	3,005,964	1,003,870
Closing balance	<u>387,397,655</u>	<u>515,520,840</u>	<u>902,918,495</u>	<u>187,125,552</u>	<u>415,196,563</u>	<u>602,322,115</u>	<u>9,029,185</u>	<u>6,023,221</u>

**20.2.1** The Bank during the year concluded the fourth issue of 33.25% right shares at Rs. 5 per share amounting to Rs.1,001 million (200,272,103 shares) which was duly subscribed by the shareholders. In addition to this the Bank has also issued 12.5% bonus shares (100,324,277 shares) to all its shareholders during the year, as a result of which the paid up capital of the Bank as at 31 December 2011 stood at Rs. 8,028 million as against the requirement by the State Bank of Pakistan of Rs. 8,000 million.

**20.3** Major shareholders as at 31 December 2011 are as follows:

Name of shareholder	Number of shares held	Percentage of shareholding
National Investment (Unit) Trust	161,196,111	17.85%
Trustees - Alauddin Feerasta Trust	199,678,993	22.11%
Trustees - Feerasta Senior Trust	196,684,455	21.78%
Trustees - Alnu Trust	98,387,756	10.90%
	<u>655,947,315</u>	<u>72.64%</u>

	Note	2011 (Rupees in '000)	2010 (Rupees in '000)
<b>21 SURPLUS ON REVALUATION OF ASSETS - NET OF TAX</b>			
<b>Surplus / (deficit) on revaluation (net of tax) of:</b>			
- Fixed assets	21.1	701,586	634,028
- Securities	21.2	38,900	(97,715)
		<u>740,486</u>	<u>536,313</u>
<b>21.1 Surplus on revaluation of fixed assets - net of tax</b>			
Surplus on revaluation of fixed assets		975,426	1,083,846
Adjustment arising in respect of revaluation of fixed assets		212,469	-
Transferred to unappropriated profit in respect of incremental depreciation charge on related assets - net of deferred tax		(70,547)	(70,473)
Related deferred tax liability		(37,987)	(37,947)
		<u>(108,534)</u>	<u>(108,420)</u>
Surplus on revaluation of fixed assets		1,079,361	975,426
Less: Related deferred tax liability	12	(377,775)	(341,398)
		<u>701,586</u>	<u>634,028</u>
<b>21.2 Surplus / (deficit) on revaluation of available for sale securities - net of tax</b>			
Federal Government Securities		32,639	(187,663)
Quoted shares / closed end mutual funds		11,454	29,525
Others - open end mutual funds		11,348	49,566
		<u>55,441</u>	<u>(108,572)</u>
Related deferred tax (liability) / assets	12	(16,541)	10,857
		<u>38,900</u>	<u>(97,715)</u>
<b>22 CONTINGENCIES AND COMMITMENTS</b>			
<b>22.1 Direct credit substitutes</b>			
Financial guarantees issued favouring:			
- Government		1,074,311	122,339
- Others		203,257	108,120
		<u>1,277,568</u>	<u>230,459</u>
<b>22.2 Transaction-related contingent liabilities</b>			
Guarantees issued favouring:			
- Government		2,728,740	3,302,763
- Financial institutions		49,839	22,989
- Others		1,992,485	1,719,223
		<u>4,771,064</u>	<u>5,044,975</u>
<b>22.3 Trade-related contingent liabilities</b>			
Letters of credit		13,509,800	14,267,230
Acceptances		3,323,087	2,791,416

**22.4 Commitments in respect of forward lending**

Commitments to extend credit

The Bank has certain other commitments to extend credit that represent revocable commitments and will not attract any significant penalty or expense in case the facility is withdrawn unilaterally.

**22.5 Commitments in respect of forward exchange contracts**

Purchase

- From other banks
- From customers

Sale

- To other banks
- To customers

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

**22.6 Other Contingencies**

**22.6.1** For the tax years 2010, 2009 and 2008 the Bank had filed returns under self assessment scheme as envisaged in section 120 of the Income Tax Ordinance, 2001. The income tax department have amended the assessment of tax years 2010, 2009 and 2008 under section 122(5A), 122(5A) and 122(5) respectively of the Income Tax Ordinance, 2001. The amended assessment orders have been passed by adding / disallowing certain expenses / deductions resulting in additional tax liability of Rs.309.328 million, Rs. 235.519 million and Rs. 190.450 million respectively.

The Bank has filed appeals before the Appellate Tribunal for the above referred tax years against these disallowances and deductions. The Bank and its tax advisor are of the view that the issues will be decided in Bank's favour as and when the appeals are taken up for hearing by the Appellate Tribunal. Therefore no additional provision has been made in these financial statements.

**22.6.2** Claims against the Bank not acknowledged as debts amounted to Rs. 7.4 million (2010: Rs. 11.5 million).

**23 MARK-UP / RETURN / INTEREST EARNED**

On loans and advances to customers

On investments:

- Available for sale securities
- Held to maturity securities

On deposits with financial institutions and the State Bank of Pakistan

On securities purchased under resale agreements

On call money lendings

**24 MARK-UP / RETURN / INTEREST EXPENSED**

Deposits

Securities sold under repurchase agreements

Call borrowings

Sub -ordinated loans

Borrowings from the State Bank of Pakistan under export re-finance scheme and export oriented projects

**25 GAIN ON SALE OF SECURITIES - NET**

Ordinary shares - Listed companies

Mutual funds' units

Other securities

2011  
(Rupees in '000)

-

2011  
(Rupees in '000)

3,481,970  
6,416,997  
9,898,967

8,783,365  
159,501  
8,942,866

7,085,694  
9,992,408  
17,078,102

16,100,806  
27,668  
16,128,474

2011  
(Rupees in '000)

7,516,314

6,293,075

4,683,601

560,475

26,729

81,481

26,706

12,895,306

10,250,494

7,162,050

951,897

53,177

171,364

658,897  
8,997,385

6,192,834  
171,703  
124,665  
170,250  
544,390  
7,203,842

36,453

13,733

54,039

104,225  
26,007

	Note	2011 (Rupees in '000)	2010
<b>26 OTHER INCOME</b>			
Net profit on sale of property and equipment		21,885	17,317
Rent on lockers		7,299	6,358
Recovery of expenses from customers		81,396	65,066
Service charges		206,650	156,036
Rebate on bank charges on nostro accounts - net		40,461	45,471
Income on Ijarah		109,875	69,913
Utility bills collection fees		13,926	13,614
Interbank funds transfer fees		5,973	2,911
Early withdrawal surcharge		6,766	5,077
Visa debit charges		38,656	17,662
Others		78,667	50,852
		<u>611,554</u>	<u>450,277</u>
<b>27 ADMINISTRATIVE EXPENSES</b>			
Salaries, allowances, etc.		1,167,295	875,303
Charge for employees' compensated absences		74,115	31,429
Charge for defined benefit plan	33.8	43,823	29,838
Contribution to defined contribution plan	34	31,533	22,828
Non-executive directors' fees, allowances and other expenses		1,625	950
Rent, taxes, insurance, electricity, etc.		453,365	345,695
Legal and professional charges		44,603	34,850
Communications		82,942	76,477
Repairs and maintenance		49,710	42,014
Stationery and printing		45,986	42,428
Advertisement and publicity		46,094	22,928
Donations	27.1	8,851	2,000
Auditors' remuneration	27.2	4,172	4,170
Depreciation	11.2	541,733	470,131
Amortisation	11.3	46,892	18,190
Brokerage & commission		9,995	7,807
Automation expenses		263,165	210,787
Entertainment		67,114	49,319
Fees & subscription		33,659	21,486
Motor vehicles running expenses		72,545	53,134
Remittance charges		23,208	28,306
Service charges		190,775	129,528
Training expenses		14,077	5,982
Traveling expenses		37,403	31,838
Others		93,245	66,573
		<u>3,447,925</u>	<u>2,623,991</u>
<b>27.1</b>			
This represents donation given to Chief Minister's Relief Fund for Tameer-e-Pakistan and Pakistan Centre for Philanthropy in which none of the Bank's directors or executives or their spouses had any interest.			
<b>27.2 Auditors' remuneration</b>			
		<b>2011</b>	<b>2010</b>
		<b>(Rupees in '000)</b>	
Audit fee		1,000	1,000
Fee for audit of provident and gratuity funds		55	75
Audit of branches and other certifications		2,420	2,535
Fee for half yearly review of financial statements		250	250
Out-of-pocket expenses		447	310
		<u>4,172</u>	<u>4,170</u>
<b>28 OTHER CHARGES</b>			
Penalties imposed by the State Bank of Pakistan			
- on account of annual inspection		-	22,421
- on account of misreporting, non-compliance etc.		103	-
Operating fixed assets written-off		18	2
Workers' Welfare Fund		27,000	21,000
Zakat paid		6,184	2,015
		<u>33,305</u>	<u>45,438</u>

	2011 (Rupees in '000)	2010
<b>29 TAXATION</b>		
<b>For the year</b>		
Current	374,000	325,000
Deferred	(79,262)	(309,993)
	<u>294,738</u>	<u>15,007</u>
<b>For prior years</b>		
Current	-	-
Deferred	-	-
	<u>294,738</u>	<u>15,007</u>
<b>29.1 Relationship between tax expense and accounting profit</b>		
Profit before taxation	<u>1,078,271</u>	<u>140,447</u>
Tax at the applicable tax rate of 35% (2010: 35%)	377,395	49,156
Income chargeable to tax at reduced rates	(84,023)	(37,282)
Tax effect on permanent differences	(69)	7,847
Others	1,435	(4,714)
	<u>294,738</u>	<u>15,007</u>
<b>30 BASIC / DILUTED EARNINGS PER SHARE</b>		
Profit for the year after taxation	<u>783,533</u>	<u>125,440</u>
		<b>Number of shares</b>
		<b>(Restated)</b>
Weighted average number of ordinary shares	<u>814,828,901</u>	<u>726,739,292</u>
		<b>(Rupee)</b>
		<b>(Restated)</b>
Basic and diluted earnings per share	<u>0.96</u>	<u>0.17</u>

**30.1** Earnings per share for the year 2010 has been restated for the effect of bonus shares issued.

	Note	2011 (Rupees in '000)	2010
<b>31 CASH AND CASH EQUIVALENTS</b>			
Cash and balances with treasury banks	6	8,959,130	7,247,711
Balances with other banks	7	879,000	1,400,451
		<u>9,838,130</u>	<u>8,648,162</u>
<b>32 STAFF STRENGTH</b>			
Permanent		2,286	2,042
Temporary / on contractual basis etc.		86	149
<b>Bank's own staff strength at the end of the year</b>		<u>2,372</u>	<u>2,191</u>
Outsourced	32.1	122	368
<b>Total staff strength at the end of the year</b>		<u>2,494</u>	<u>2,559</u>

**32.1** Outsourced represents employees hired by an outside contractor / agency and posted in the Bank to perform various tasks / activities of the Bank.

**33 DEFINED BENEFIT PLAN****33.1 General description**

As mentioned in note 5.11, the Bank operates a funded gratuity scheme for all its permanent employees. The benefits under the gratuity scheme are payable on retirement at the age of 60 or earlier cessation of service, in lump sum. The benefit is equal to one month's last drawn salary for each year of eligible service or part thereof, subject to a minimum of five years of service.

**33.2 Principal actuarial assumptions**

The latest actuarial valuation was carried out as at 31 December 2011 using the "Projected Unit Credit Actuarial Cost Method". The information provided in notes 33.2 to 33.11 has been obtained from the actuarial valuation carried out as at 31 December 2011. The main assumptions used for actuarial valuation were as follows:

	Note	2011	2010
- Discount rate		12.50%	14.50%
- Expected rate of increase in salaries		12.50%	14.50%
- Expected rate of return on investments		12.50%	11.00%
- Withdrawal rate before normal retirement age		"moderate"	"moderate"

**33.3 Reconciliation of payable to defined benefit plan**

	Note	2011 (Rupees in '000)	2010 (Rupees in '000)
Present value of defined benefit obligations		254,243	183,709
Fair value of any plan assets		(186,331)	(142,546)
Net actuarial losses not recognised	33.6	(67,912)	(41,163)
		<u>-</u>	<u>-</u>

The gratuity plan assets include a deposit maintained by the scheme with the Bank amounting to Rs. 87.383 million (2010: Rs. 59.562 million)

**33.4 Movement in defined benefit obligation**

	2011 (Rupees in '000)	2010 (Rupees in '000)
Obligation at the beginning of the year	183,709	185,129
Current service cost	30,472	23,760
Interest cost	28,225	24,619
Benefits paid by the fund	(20,293)	(48,415)
Actuarial loss / (gain) on obligation	32,130	(1,384)
Obligation at the end of the year	<u>254,243</u>	<u>183,709</u>

**33.5 Movement in fair value of plan assets**

	2011	2010
Fair value at the beginning of the year	142,546	147,142
Expected return on plan assets	17,153	20,039
Contribution by the Bank	43,823	29,838
Benefits paid by the fund	(20,293)	(48,415)
Actuarial gain / (loss) on plan assets	3,102	(6,058)
Fair value at the end of the year	<u>186,331</u>	<u>142,546</u>

**33.6 Movement of actuarial (gain) / loss during the year**

	2011	2010
Remaining loss at previous valuation	41,163	37,987
Annual amortisation amount	2,279	1,498
Remaining unrecognised loss	38,884	36,489
Liability loss / (gain)	32,130	(1,384)
Asset (gain) / loss	(3,102)	6,058
Amount recognised	<u>67,912</u>	<u>41,163</u>

**33.7 Movement in payable to defined benefit plan**

	2011 (Rupees in '000)	2010 (Rupees in '000)
Opening balance	-	-
Charge for the year	43,823	29,838
Bank's contribution to the fund made during the year	(43,823)	(29,838)
Closing balance	<u>-</u>	<u>-</u>

**33.8 Charge for defined benefit plan**

	2011	2010
Current service cost	30,472	23,760
Interest cost	28,225	24,619
Expected return on plan assets	(17,153)	(20,039)
Amortisation of (gain) / loss	2,279	1,498
	<u>43,823</u>	<u>29,838</u>

**33.9 Actual return on plan assets**

	2011	2010
	<u>19,672</u>	<u>17,469</u>

**33.10 Five year data on surplus / deficit of the plan and experience adjustments**

	Gratuity Fund (Rupees in '000)				
	2011	2010	2009	2008	2007
Present value of defined benefit obligation	254,243	183,709	185,129	151,788	121,257
Fair value of plan assets	186,331	142,546	147,142	114,894	87,656
(Deficit)	(67,912)	(41,163)	(37,987)	(36,894)	(33,601)
Experience adjustments on plan liabilities (gain)	32,130	1,384	2,311	8,659	18,108
Experience adjustments on plan assets loss / (gain)	(2,519)	2,570	(4,176)	(3,576)	(1,504)

**33.11 Components of plan assets as a percentage of total plan assets**

	Gratuity Fund (Rupees in '000)			
	2011 (Rupees in '000)	(Percent)	2010 (Rupees in '000)	(Percent)
Debt	148,453	79.67%	83,761	58.76%
Others	37,878	20.33%	58,785	41.24%
	<u>186,331</u>	<u>100.00%</u>	<u>142,546</u>	<u>100.00%</u>

As per the actuarial recommendations the expected return on plan assets was taken as 12.50% per annum. The expected return on plan assets was determined by considering the expected returns on the assets underlying the current investment policy.

**33.12** The expected gratuity expense for the next year commencing 1 January 2012 works out to Rs. 51.911 million.**34 DEFINED CONTRIBUTION PLAN**

The Bank operates a recognized provident fund scheme for all its permanent employees. Equal monthly contributions are made, both by the Bank and its employees, to the fund at the rate of 8.33 percent of basic salaries of the employees. The contribution made by the Bank and its employees during the year amounted to Rs. 31.533 million each (2010: Rs. 22.828 million each). The number of employees as at 31 December 2011 eligible under the scheme were 1,644 (2010: 1,421 employees).

**35 COMPENSATION OF DIRECTORS AND EXECUTIVES**

	President / *Chief Executive Officers		Directors		**Executives	
	2011	2010	2011	2010	2011	2010
	(Rupees in '000)					
Fees	-	-	1,625	950	-	-
Managerial remuneration	24,167	25,933	-	-	157,698	81,474
Charge for defined benefit plan	-	4,505	-	-	13,361	6,882
Contribution to defined contribution plan	1,858	2,160	-	-	10,121	5,593
Rent and house maintenance	10,875	11,820	-	-	63,079	32,590
Utilities	551	767	-	-	15,770	8,147
Medical	142	23	-	-	11,050	4,856
Bonus, leave encashment and others	432	61,725	-	-	15,320	27,733
	<u>38,025</u>	<u>106,933</u>	<u>1,625</u>	<u>950</u>	<u>286,399</u>	<u>167,275</u>
Number of persons	<u>2</u>	<u>2</u>	<u>5</u>	<u>4</u>	<u>194</u>	<u>94</u>

\* This includes managerial remuneration and other benefits of current president / CEO and ex-president and CEO.

The aggregate amount charged to income as fee to directors and remuneration to other key management personnel was Rs. 1.625 million and Rs. 180.106 million (2010: Rs. 0.950 million and Rs. 167.275 million) respectively.

\*\* Executives mean employees, other than the chief executive officer and directors, whose basic salary exceed five hundred thousand rupees in a financial year.

**36 FAIR VALUE OF FINANCIAL INSTRUMENTS**

**36.1** Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

The fair value of traded investments is based on quoted market prices, except for tradable securities classified by banks as 'held to maturity'. These securities are being carried at amortised cost in order to comply with the requirements of BSD Circular No.14 dated 24 September 2004.

The fair value of unquoted equity investments is determined on the basis of break up value of these investments as per the latest available audited financial statements.

Fair value of fixed term loans, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments. The provision for impairment of loans and advances has been calculated in accordance with the Bank's accounting policy as stated in note 5.4 to these financial statements.

The repricing profile, effective rates and maturity are stated in note 41 to these financial statements.

In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since assets and liabilities are either short term in nature or in the case of customer loans and deposits are frequently repriced.

	2011		2010	
	Book value	Fair value	Book value	Fair value
	(Rupees in '000)			
Forward purchase of foreign exchange	<u>9,898,967</u>	<u>10,128,959</u>	<u>17,078,102</u>	<u>17,187,731</u>
Forward sale of foreign exchange	<u>8,942,866</u>	<u>9,050,816</u>	<u>16,128,474</u>	<u>15,966,261</u>

**36.2 Off-balance sheet financial instruments**

Forward purchase of foreign exchange	<u>9,898,967</u>	<u>10,128,959</u>	<u>17,078,102</u>	<u>17,187,731</u>
Forward sale of foreign exchange	<u>8,942,866</u>	<u>9,050,816</u>	<u>16,128,474</u>	<u>15,966,261</u>

**37 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES**

The segment analysis with respect to business activity is as follows:-

	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Total
	(Rupees in '000)				
<b>31 December 2011</b>					
Total income	946,845	6,273,061	1,019,833	6,610,770	14,850,509
Total expenses	854,780	5,377,365	961,144	6,578,949	13,772,238
Net income	92,065	895,696	58,689	31,821	1,078,271
Segment assets (Gross)	3,269,563	49,819,849	6,595,887	76,191,743	135,877,042
Segment non performing loans	158,148	-	646,616	8,136,889	8,941,653
Segment provision required *	158,148	250,756	534,803	5,200,949	6,144,656
Segment liabilities	2,829,014	44,293,467	5,707,140	65,925,478	118,755,099
Segment return on net assets (ROA) (%)	27	18	19	1	11
Segment cost of funds (%)	26	12	14	9	10
<b>31 December 2010</b>					
Total income	444,233	477,296	777,827	9,779,569	11,478,925
Total expenses	386,842	292,953	743,471	9,915,212	11,338,478
Net income / (Loss)	57,391	184,343	34,356	(135,643)	140,447
Segment assets (Gross)	3,234,217	2,798,003	6,171,308	100,951,816	113,155,344
Segment non performing loans	-	-	922,105	6,173,931	7,096,036
Segment provision required *	-	-	498,909	4,550,757	5,049,666
Segment liabilities	4,119,090	3,563,529	7,859,761	83,645,625	99,188,005
Segment return on net assets (ROA) (%)	(6)	(24)	(2)	(1)	2
Segment cost of funds (%)	9	5	7	8	8

\* The provision against each segment represents provision held against advances, investments and other assets.

**37.1** The above analysis includes allocation of items as per the approved mapping policy of the Bank.

**38 TRUST ACTIVITIES**

The Bank is currently not engaged in any trust activities.

**39 RELATED PARTY TRANSACTIONS**

The related parties of the Bank comprise related group companies, major share holders, directors and their close family members, staff retirement funds and key management personnel (including their associates).

Usual transactions with related parties include deposits, advances, acceptances and provision of other banking services are carried out in accordance with agreed terms. Transactions with executives are undertaken at terms in accordance with employment agreements and services rules and includes provision of advances on terms softer than those offered to the customers of the Bank. Contribution to and accruals in respect of staff retirement benefit plan are made in accordance with the actuarial valuation / terms of the benefit plan as disclosed in notes 33 and 34. Remuneration to the key management personnel is disclosed in note 35 to these financial statements.

The details of transactions with related parties during the year other than those which have been disclosed else where in these financial statements, are as follows:

	Key management personnel				Other related parties					
	Bank's Chief Executive / Executives		Directors & their Close Family Members		Related Group Companies		Major Shareholders		Staff Retirement Funds	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	(Rupees in '000)									
<b>Deposits</b>										
At 1 January	13,543	14,486	233,673	266,578	97,374	632,150	331,140	258,904	385,599	410,760
Received during the year	647,466	312,994	1,925,329	2,731,930	23,544,797	17,119,918	824,861	1,002,644	693,204	213,581
Transfers / Reclassification	-	-	-	-	-	-	-	-	-	-
Withdrawn during the year	(645,538)	(313,937)	(1,816,860)	(2,764,835)	(23,468,194)	(17,654,694)	(985,403)	(930,408)	(584,791)	(238,742)
At 31 December	<u>15,471</u>	<u>13,543</u>	<u>342,142</u>	<u>233,673</u>	<u>173,977</u>	<u>97,374</u>	<u>170,598</u>	<u>331,140</u>	<u>494,012</u>	<u>385,599</u>
Profit / interest expense on deposits	283	495	23,687	24,454	22,166	30,817	28,063	36,130	36,001	45,511

**Particulars of loans and advances to directors, associated companies, etc.**

Debts due by key management personnel of the Bank or any of them either severally or jointly with any other persons:

	2011 (Rupees in '000)	2010 (Rupees in '000)
<b>Advances</b>		
Balance at beginning of the year	58,667	56,730
Loans granted during the year	191,329	16,583
Repayments / Reclassification	(158,523)	(14,646)
Balance at end of the year	<u>91,473</u>	<u>58,667</u>

These loans were given to key management personnel as per the terms of their employment. Mark-up on these advances amounts to Rs. 7.413 million (2010: Rs. 2.798 million)

**40 CAPITAL ADEQUACY****40.1 Capital Management**

The objective of managing capital is to safeguard the Bank's ability to continue as a going concern, so that it could continue to provide adequate returns to shareholders by pricing products and services commensurately with the level of risk. It is the policy of the Bank to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

**Goals of managing capital**

The goals of managing capital of the Bank are as follows:

- To be an appropriately capitalised institution, as defined by regulatory authorities and comparable to the peers;
- Maintain strong ratings and to protect the Bank against unexpected events;
- Availability of adequate capital (including the quantum) at a reasonable cost so as to enable the Bank to expand; and achieve low overall cost of capital with appropriate mix of capital elements.

**Statutory minimum capital requirement and management of capital**

The State Bank of Pakistan through its BSD Circular No. 07 dated 15 April 2009 requires the minimum paid up capital (net of losses) for Banks to be raised to Rs. 10 billion by the year ending 31 December 2013. The raise is to be achieved in a phased manner requiring Rs. 8 billion paid up capital (net of losses) by the end of the financial year 2011. The paid up capital (net of losses) of the Bank for the year ended 31 December 2011 stood at Rs. 8,027.824 million. In addition banks are also required to maintain a minimum Capital Adequacy Ratio (CAR) of 10 percent of the risk weighted exposure of the Bank as at 31 December 2011. The Bank's CAR as at 31 December 2011 was approximately 12.64 percent of its risk weighted exposure.

**Bank's regulatory capital analysed into two tiers**

Tier 1 capital, includes fully paid up capital (including the bonus shares), balance in share premium account, general reserves as per the financial statements and net un-appropriated profits, etc after deductions for investments in the equity of subsidiaries engaged in banking and financial activities and deficit on revaluation of available for sale investments.

Tier 2 capital, includes general provisions for loan losses (up to a maximum of 1.25 percent of risk weighted assets), reserves on the revaluation of fixed assets and equity investments (up to a maximum of 50 percent of the balance in the related revaluation reserves), foreign exchange translation reserves, etc.

The capital of the Bank is managed keeping in view the minimum "Capital Adequacy Ratio" required by the SBP through BSD Circular No. 07: dated 15 April 2009. The adequacy of the capital is tested with reference to the risk-weighted assets of the Bank.

The required capital adequacy ratio is achieved by the Bank through improvement in the asset quality at the existing volume level, ensuring better recovery management and striking compromise proposal and settlement and composition of asset mix with low risk. Banking operations are categorised as either trading book or banking book and risk-weighted assets are determined according to specified requirements of the State Bank of Pakistan that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures. The total risk-weighted exposures comprise the credit risk and market risk.

The calculation of capital adequacy enables the Bank to assess the long-term soundness. As the Bank carries on the business on a wide area network basis, it is critical that it is able to continuously monitor the exposure across the entire organisation and aggregate the risks so as to take an integrated approach / view. There has been no material change in the Bank's management of capital during the period.

**40.2 Capital adequacy ratio**

The capital to risk weighted assets ratio, calculated in accordance with the State Bank of Pakistan's guidelines on capital adequacy using Basel II standardised approach is presented below.

	2011 (Rupees in '000)	2010 (Rupees in '000)
<b>Regulatory capital base</b>		
<b>Tier I capital</b>		
Share capital	8,027,824	6,023,221
Share premium	1,405	1,405
Reserves	1,181,096	2,027,631
Unappropriated / unremitted profits (Net of losses)	1,026,476	329,103
Minority in the equity of the subsidiaries	-	-
Innovative and other capital instruments (if any)	-	-
Less: Book value of goodwill and intangibles	(189,223)	(23,030)
Impairment on equity securities - net of tax not charged to profit and loss account	-	-
Calculation difference (expected losses vs eligible provisions)	-	-
<b>Total Tier I Capital</b>	<u>10,047,578</u>	<u>8,358,330</u>
<b>Tier II Capital</b>		
Subordinated debt (upto 50% of total Tier 1 Capital)	59,856	478,944
General provisions subject to 1.25% of total risk weighted assets	8,526	8,554
Revaluation reserve (upto 45%)	510,661	390,084
Less: Calculation difference (expected losses vs eligible provisions)	-	-
Investment in commercial entities (50%)	-	-
<b>Total Tier II capital</b>	<u>579,043</u>	<u>877,582</u>
<b>Eligible Tier III capital</b>	-	-
<b>Total regulatory capital</b>	<u>10,626,621</u>	<u>9,235,912</u>

(a)

**Risk-weighted exposures**

Note

	2011		2010	
	Capital Requirement (Rupees in '000)	Risk adjusted value	Capital Requirement (Rupees in '000)	Risk adjusted value
<b>Credit risk</b>				
<b>Portfolios subject to standardised approach (Simple Approach)</b>				
<b>On-Balance Sheet Items:</b>				
Sovereign and central banks	-	-	-	-
Public Sector Entities (PSEs)	182,116	1,821,160	179,397	1,793,971
Banks and securities firms	265,623	2,656,226	329,211	3,292,108
Corporates portfolio	4,523,627	45,236,268	3,871,688	38,716,884
Retail non mortgages	380,957	3,809,567	316,186	3,161,856
Mortgages – Residential	13,459	134,591	11,190	111,899
Securitized assets	-	-	-	-
Listed equities and regulatory capital issued by banks	92,536	925,359	77,808	778,081
Unlisted equity investments	341,120	3,411,195	342,249	3,422,492
Fixed assets	364,469	3,644,693	344,589	3,445,893
Other assets	224,632	2,246,324	192,096	1,920,963
Past due exposures	338,525	3,385,251	276,676	2,766,671
	<u>6,727,064</u>	<u>67,270,634</u>	<u>5,941,090</u>	<u>59,410,818</u>
<b>Off balance sheet items:</b>				
<b>Non-Market Related:-</b>				
Direct credit substitutes	406,908	4,069,081	283,088	2,830,878
Performance-related contingencies	137,553	1,375,533	139,031	1,390,309
Trade-related contingencies	207,344	2,073,440	229,658	2,296,581
Lending of securities or posting of securities as collateral	-	-	-	-
Other commitments	-	-	-	-
Other commitments with certain drawdown	-	-	-	-
	<u>751,805</u>	<u>7,518,054</u>	<u>651,777</u>	<u>6,517,768</u>

**Risk-weighted exposures**

Note	2011		2010	
	Capital Requirement (Rupees in '000)	Risk adjusted value	Capital Requirement (Rupees in '000)	Risk adjusted value
<b>Market related:-</b>				
Outstanding interest rate contracts	-	-	-	-
Outstanding foreign exchange contracts	37,967	379,674	34,311	343,106
	37,967	379,674	34,311	343,106

Portfolios subject to Internal Rating Based (IRB) Approach

e.g. Corporate, Sovereign, Retail, Securitization etc. N/A

**Equity Exposure Risk in the Banking Book**

Equity portfolio subject to market-based approaches

Under simple risk weight method N/A  
Under internal models approach

Equity portfolio subject to PD / LGD N/A

**Market Risk**

Capital Requirement for portfolios subject to Standardized Approach

Interest rate risk	5,706	71,325	11,403	142,538
Equity position risk	-	-	-	-
Foreign exchange risk	8,823	110,288	7,749	96,863
Position in options	-	-	-	-
	14,529	181,613	19,152	239,401

Capital Requirement for portfolios subject to Internal Models Approach

Interest rate risk N/A  
Foreign exchange risk etc.

**Operational Risk**

Capital Requirement for operational risks	695,569	8,694,613	539,496	6,743,700
<b>TOTAL</b>	<b>8,226,934</b>	<b>84,044,588</b>	<b>7,185,871</b>	<b>73,254,793</b>

**Capital Adequacy Ratio**

Total eligible regulatory capital held	(a) 10,626,621		9,235,912	
Total Risk Weighted Assets	(b) 84,044,588		73,254,793	
Capital Adequacy Ratio	(a / b) 12.64%		12.61%	

**40.3** Cash margin and government securities amounting to Rs. 1,147.343 million have been deducted from gross advances using simple approach to credit risk mitigation under Basel II. Advances are not net off with general provision amounting to Rs. 8.526 million which is reported separately in Tier II (supplementary) capital as per BSD circular letter number 03 dated 20 May 2006.

**40.4** Cash margin and government securities amounting to Rs 1,844.363 million have been deducted from off-balance sheet items.

**40.5** Contracts having original maturities of 14 days or less have been excluded.

**41 RISK MANAGEMENT**

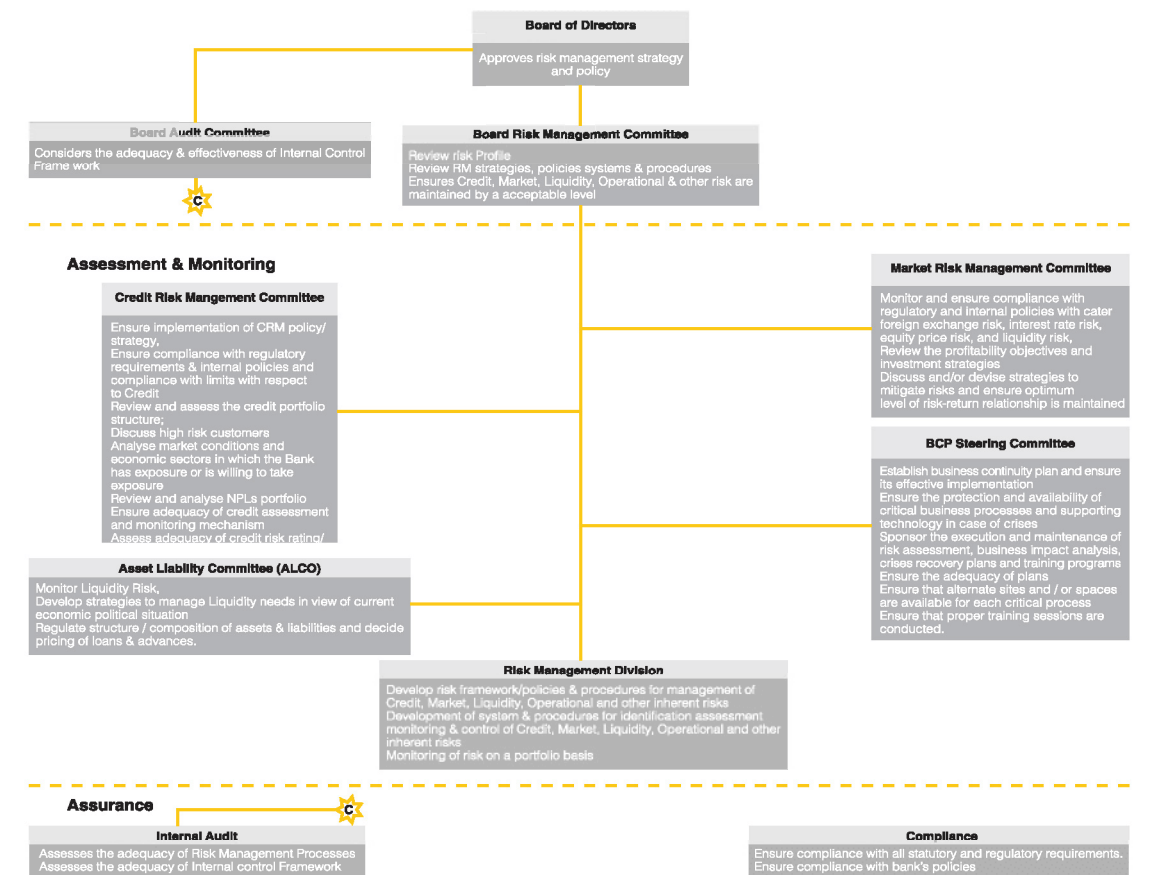
The primary goal of risk management is to identify, assess and monitor risks inherent in the activities of the Bank and take adequate measures to manage and control these risks on timely basis. This will help in achieving sustainable business growth and financial and non-financial targets with better protection and soundness. The Bank's aim is to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Bank's financial performance.

The Bank's risk management framework encompasses the culture, processes and structure and is directed towards the effective management of potential opportunities and threats to the Bank. The prime objective of the Bank's risk management strategy is to abandon the traditional approach of 'managing risk by silos' and to put in place integrated risk and economic capital management capabilities that will enable the Bank to achieve integrated view of risks across its various business operations and to gain strategic advantage from its risk management capabilities.

The Board of Directors (BOD) keeps an oversight on the Bank-wide risk management framework and approves the risk management strategy and policies of the Bank. Furthermore, the Risk Management Committee, a BOD-level sub-committee, ensures that the Bank at all times maintains a complete and prudent integrated risk management framework and ensures that the risk exposures are maintained within acceptable levels. Moreover, the Credit Risk Management Committee (CRMC) and Market Risk Management Committee (MRMC), both senior management committees, are mainly responsible for ensuring the compliance of BOD approved risk management policy and monitor and manage risk levels in each exposure of the Bank.

The Bank's risk management policy, formulated on regulatory guidelines, covers all major types of risk that the Bank is exposed to. The policy is laid on key risk management principles which includes management oversight and control culture, risk recognition and assessment, control activities and segregation of duties, information and communication, and monitoring activities and correcting deficiencies.

**Board's Oversight**



During the financial year, the Bank has undertaken a number of initiatives in the area of assessment, measurement and monitoring of credit risk, market risk, funding liquidity risk and operational risk. These measures are providing competitive advantage to the Bank besides preparing the Bank for the implementation of Basel-II advanced approaches in the coming years.

**Significant developments during the year**

During the financial year, the Bank has reviewed and updated (where required) its risk management policy while keeping abreast of significant changes in business strategy, economic environment and regulatory requirements. The policy has been well communicated down the line and appropriate measures have been taken to ensure its compliance in letter and spirit across the Bank.

In 2010, the Bank took a notable and an essential initiative to add value to its risk management framework and acquired the license of Enterprise Risk Management (ERM) solution of SAS. In this respect, the Bank has taken adequate measures to ensure the timely and effective implementation of the said solution. During the year, SAS OpRisk Monitor and SAS Credit Risk Management System (CRMS) have been implemented, whereas, SAS OpRisk Monitor has gone live while SAS CRMS is in parallel run phase. Moreover, approximately all data gaps with respect to Credit Risk Standardized Approach of the Basel II accord have been filled-in in the core banking system of the Bank and the Bank has started calculating Capital Adequacy Ratio (CAR) for credit risk through SAS CRMS, which will go live after a certain number of parallel run.

On the other hand, the Bank has been working on deriving risk parameters as required in the IRB approach of the Basel II accord, i.e., Probability of Default (PD) and Loss Given Default (LGD). In this respect, using internal data, the Bank has developed credit risk rating models and PD models for corporate and SME customers through the Enterprise Miner tool of SAS, whereas, the same has been initiated for consumer customers. Furthermore, the Bank has also developed LGD model for loan facilities to corporate and SME customers and is in the process of developing the same for loan facilities to consumer customers. These models are currently in validation, calibration and testing phase.

The Bank has established a rigorous (pre-approval) credit risk review function as part of the Risk Management Division. All credit applications, raised across the Bank, that fall in the approving limits of Executive Credit Committee (ECC), are reviewed by the (centralized) credit risk review function before being submitted for approval. During the year, it was decided and has been put in practice that all credit applications within the approving limits of Regional Finance Committee (RFC), having internal credit risk rating of six (6) or worst, will also be reviewed by the credit risk review function before approval.

During the year, two senior management risk committees, namely Credit Risk Management Committee (CRMC) and Market Risk Management Committee (MRMC), have been formulated to effectively and efficiently monitor and manage risks in financial exposures of the Bank. Both the committees are reporting to the Board Risk Management Committee.

Treasury Middle Office (TMO) is actively working under the umbrella of the Risk Management Division and is mainly responsible for monitoring risk in each transaction executed by the Treasury Department. Any deviations, exceptions and/or limit breaches are promptly reported to the Head of Risk Management for further action. Several reports are made part of the TMO framework which includes FX forward gaps, PR-6 monitoring, marked-to-market reports, limit monitoring reports, various concentration reports, FX and MM performance reports, cost of fund analysis, middle office dashboard.

During the year, the Bank has further strengthened the market risk and liquidity risk measurement and monitoring processes by implementing analytical and statistical models in the framework, implementing exception reporting mechanism, enhancing management information process and establishing appropriate controls over the process. During the year, several reports have been made part of the market risk management framework which includes limits monitoring of interest rate ratios, stress testing of fixed income securities through duration and convexity, mutual fund scoring by applying advanced portfolio performance measurement techniques, stress testing of equity portfolio, FX forwards' duration-convexity-PVBP analysis, off market tolerance risk analysis and VaR of fixed income securities.

The Bank has been conducting risk and control self assessment (RCSA) exercise for each of its major process and has developed inventories of risks, controls and key risk indicators (KRI). Gaps identified in the exercise are communicated to the concerned authorities for timely action. Till now, the exercise has been conducted for most of the major processes of the Bank while the remaining few are in different stages of completion.

During the year, the Bank has updated its Business Continuity Plan (BCP) which has been communicated down the line to all the branches and central and regional offices of the Bank. BCP budget has been approved and testing of BCP has been initiated across the Bank.

**41.1 Credit Risk**

Credit risk is a risk arising from the potential that an obligor is either unwilling to perform on an obligation or its ability to perform is impaired resulting in financial loss to the Bank. Credit risk arises from all transactions that give rise to actual, contingent or potential claims against any counterparty, borrower or obligor. The principal source of credit risk arises from the lending and investing activities of the Bank.

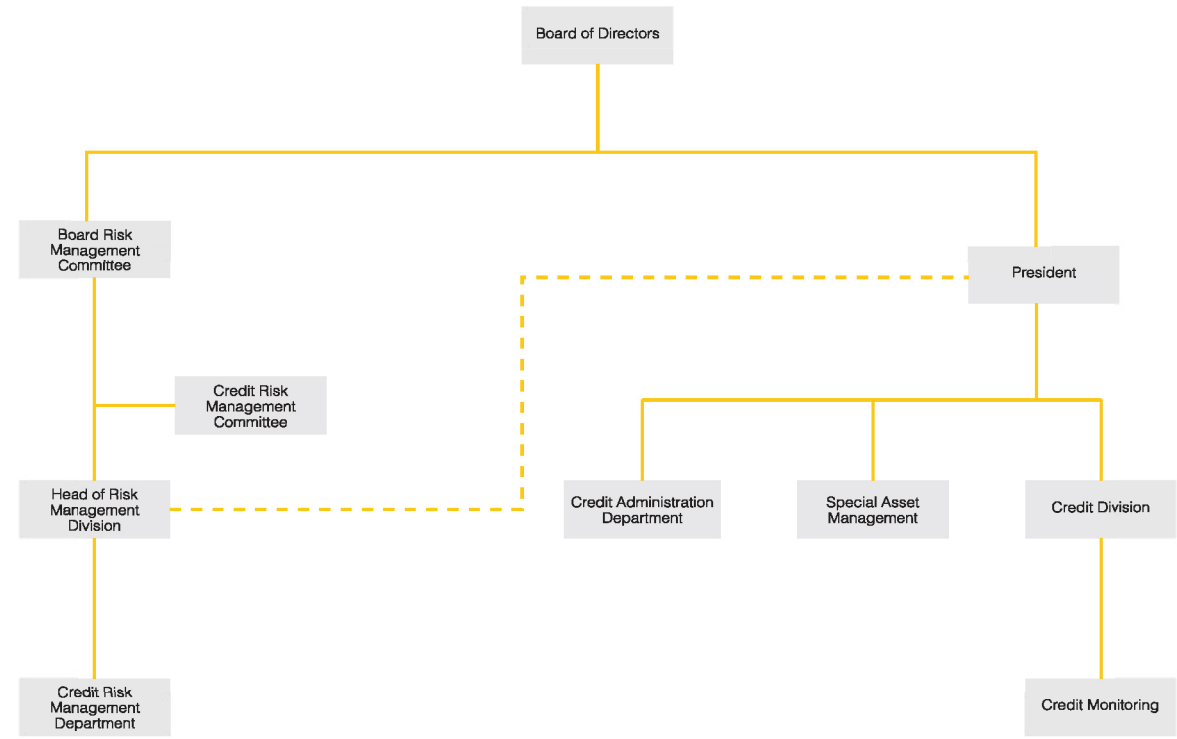
**Credit Risk Management Objectives and Organization**

Lending of money is the core business activity, a major source of revenue and hence a significant exposure of the Bank and all of this lending is mainly constructed from depositors' money. Therefore, in order to protect the stakeholders' wealth, the Bank has deployed considerable resources and adequate controls to manage, monitor and control credit risk throughout the Bank.

The main objective of the credit risk management process is to identify, assess, measure and monitor credit risk in all the financial exposures of the Bank. The Bank has established a rigorous credit risk management framework to timely and effectively manage credit risk in each and every credit transaction as well as at portfolio level. In addition to this, the Bank has purchased the license of the Enterprise Risk Management (ERM) solution of SAS. The said solution will provide adequate grounds in making better credit decisions, measured risk-taking, better loan pricing and efficient capital allocation their against; thus efficient and effective use of funds and increase in profitability of the Bank.

The Bank has a sound organization structure for managing credit risk, established on strong internal control environment and equipped with adequate level of expertise and resources.

CREDIT RISK MANAGEMENT STRUCTURE



**Credit Approval Authorities and Credit Standards**

The Board of Directors has delegated lending powers to different layers of credit approving authorities, constituted at central and regional levels. Extension of credit is executed, in strong internal control environment, in the light of the Bank's credit policy and procedures and regulatory requirements. Details of all loans granted during the period, provisions and write-offs made and recoveries performed are reported to the Board of Directors and Risk Management Committee on quarterly basis.

**Credit Portfolio Management**

Besides managing credit risk at transaction level, the Bank regularly monitors credit risk at portfolio level and ensure that no undue concentration of risk is present in the overall credit exposures at Bank level. The Bank has a well established and rigorous management information set-up which allows efficient and effective assessment, monitoring and management of its credit risk profile in various dimensions.

**Credit Risk Rating**

The Bank has BOD approved Internal Credit Risk Rating System ("the Rating System"), Obligor Risk Rating (ORR) and Facility Risk Rating (FRR), for corporate, retail and consumer customers. The Rating System has been providing solid grounds for the assessment and measurement of credit risk against each obligor as well as in fulfilling regulatory requirements.

ORR assigns risk grades to customers, in accordance with the regulatory requirement, in twelve (12) grades, out of which top nine (9) grades refer to regular customers whereas remaining three (3) grades pertain to defaulted ones. Whereas, FRR assigns each loan facility in six (6) categories, i.e., in accordance with regulatory requirement. Business Units assign credit risk rating to every customer and loan facility as an integral part of the Bank's credit approval process.

#### Credit Risk Management Policy

A sound credit risk management framework forms part of the overall business strategy and credit operations of the Bank. The principles for credit risk management have been laid down in the Bank's credit manual and credit risk management policy. The policy has been developed in accordance with the requirements of the State Bank of Pakistan and is reviewed and updated (where required) on periodic basis.

#### Credit Risk Assessment

The Bank has a well established and rigorous pre-approval evaluation process of credit risk embedded in each credit transaction executed by the Business Units. The entire process broadly encompasses, gathering relevant information on the borrower, credit investigations and visits, detailed credit appraisal, and credit risk assessment and measurement.

#### Credit Risk Limit Structure

In addition to monitoring credit limits specified in the Prudential Regulations of the State Bank of Pakistan, credit limit structure of the Bank includes internal limits as established by the senior management and the BOD. Internal limits include limits with respect to industry / sector, credit approval authority, exposure with banks and NBFIs, exposure with insurance companies, and foreign countries. All these limits are monitored on regular basis and any exceptions are reported to the relevant authorities for their timely action where necessary.

#### Collateral

Collateral acts as a mitigant to credit risk that the credit exposure may realize in case of default by the borrower. Therefore, every credit facility extended by the Bank are backed by appropriate and quality collaterals. Similarly lending to financial institutions and DFIs are backed by securities viz., Treasury Bills and Pakistan Investment Bonds. Clean facilities are provided, under strict control environment, only to the extent permissible under the Prudential Regulations of the State Bank of Pakistan. The credit manual of the Bank contains list of approved collaterals that the Bank can take and internal control standards for the management of collaterals obtained against credit facilities.

#### Early Warning System

The Bank has an effective early warning system which enables the Business Units / credit managers / credit administration personnel to identify and report problem loans on a prompt basis. Reports are received from Business Units on regular basis, which are escalated to the concerned authority for necessary action on timely basis.

#### Remedial Management and Allowances for Impairment

The Bank has standards for identification and classification of credit facilities, restructuring as well as related provisioning requirements and write-off policy, with clear responsibilities pertaining to all processes that are required to be followed.

Loans that have become uncollectible are required to be referred to Special Asset Management (SAM) Division which initiates recovery proceedings against the borrowers in accordance with the Financial Institutions (Recovery of Finances) Ordinance 2001.

#### 41.1.1 Segmental information

##### 41.1.1.1 Segments by class of business

	2011					
	Advances (Gross)		Deposits		Contingencies	
	(Rupees in '000)	(Percent)	(Rupees in '000)	(Percent)	(Rupees in '000)	(Percent)
Agriculture, Forestry, Hunting and Fishing	1,623,409	2.28%	1,907,387	1.91%	977,027	4.27%
Textile	23,286,286	32.76%	2,577,182	2.58%	3,302,354	14.43%
Chemical and Pharmaceuticals	1,979,378	2.79%	911,055	0.91%	2,382,646	10.41%
Cement	1,185,163	1.67%	111,605	0.11%	448,578	1.96%
Sugar	1,324,925	1.86%	151,458	0.15%	33,128	0.14%
Footwear and Leather Garments	839,954	1.18%	1,332,735	1.34%	106,490	0.47%
Automobile and Transportation Equipment	857,626	1.21%	5,005,369	5.02%	772,885	3.38%
Electronics and Electrical Appliances	2,142,581	3.01%	960,902	0.96%	2,579,245	11.27%
Construction	1,666,353	2.34%	3,707,250	3.72%	-	0.00%
Power (electricity), Gas, Water and Sanitary	263,491	0.37%	2,343,735	2.35%	-	0.00%
Wholesale and Retail Trade	1,714,593	2.41%	4,552,556	4.56%	-	0.00%
Exports / Imports	2,290,072	3.22%	2,760,365	2.77%	-	0.00%
Financial	497,122	0.70%	1,822,632	1.83%	1,182,721	5.17%
Insurance	26,500	0.04%	1,386,249	1.39%	-	0.00%
Individuals	2,509,795	3.53%	26,274,429	26.34%	241,637	1.06%
Others*	28,864,374	40.63%	43,929,061	44.06%	10,854,808	47.44%
	71,071,622	100.00%	99,733,970	100.00%	22,881,519	100.00%

##### Segments by class of business

	2010					
	Advances (Gross)		Deposits		Contingencies	
	(Rupees in '000)	(Percent)	(Rupees in '000)	(Percent)	(Rupees in '000)	(Percent)
Agriculture, Forestry, Hunting and Fishing	1,365,997	2.30%	1,224,330	1.49%	667,100	2.99%
Textile	21,838,707	36.83%	3,070,570	3.74%	5,214,573	23.35%
Chemical and Pharmaceuticals	1,422,476	2.40%	930,353	1.13%	2,709,983	12.13%
Cement	1,238,851	2.09%	214,345	0.26%	420,574	1.88%
Sugar	697,148	1.18%	203,083	0.25%	900	0.00%
Footwear and Leather Garments	1,009,484	1.70%	562,448	0.69%	122,712	0.55%
Automobile and transportation equipment	981,118	1.65%	5,304,666	6.47%	1,023,815	4.58%
Electronics and Electrical Appliances	2,742,515	4.63%	431,434	0.53%	3,017,255	13.51%
Construction	1,633,870	2.76%	2,441,023	2.98%	-	0.00%
Power (electricity), Gas, Water and Sanitary	384,370	0.65%	3,016,500	3.68%	-	0.00%
Wholesale and Retail Trade	1,531,267	2.58%	3,400,063	4.15%	-	0.00%
Exports / Imports	1,415,872	2.39%	2,009,154	2.45%	-	0.00%
Financial	380,328	0.64%	2,050,202	2.50%	1,502,767	6.73%
Insurance	119,139	0.20%	597,721	0.73%	-	0.00%
Individuals	2,151,902	3.63%	24,700,662	30.12%	105,464	0.47%
Others*	20,380,320	34.37%	31,860,257	38.83%	7,548,937	33.81%
	59,293,364	100.00%	82,016,811	100.00%	22,334,080	100.00%

\*All other business classes are less than ten percent of the total exposure.

## 41.1.1.2 Segments by sector

	2011					
	Advances (Gross)		Deposits		Contingencies	
	(Rupees in '000)	(Percent)	(Rupees in '000)	(Percent)	(Rupees in '000)	(Percent)
Public / Government	4,423,554	6.22%	15,940,118	15.98%	46,765	0.20%
Private	66,648,068	93.78%	83,793,852	84.02%	22,834,754	99.80%
	71,071,622	100.00%	99,733,970	100.00%	22,881,519	100.00%

	2010					
	Advances (Gross)		Deposits		Contingencies	
	(Rupees in '000)	(Percent)	(Rupees in '000)	(Percent)	(Rupees in '000)	(Percent)
Public / Government	2,203,875	3.72%	10,578,929	12.90%	46,790	0.21%
Private	57,089,489	96.28%	71,437,882	87.10%	22,287,290	99.79%
	59,293,364	100.00%	82,016,811	100.00%	22,334,080	100.00%

## 41.1.1.3 Details of non-performing advances and specific provisions by class of business

	2011		2010	
	Classified Advances	Specific Provision Held	Classified Advances	Specific Provision Held
	(Rupees in '000)			
Agriculture, Forestry, Hunting and Fishing	49,939	7,872	19,478	6,587
Textile	4,544,780	3,476,077	3,757,345	2,881,234
Chemical and Pharmaceuticals	208,265	129,701	183,807	116,033
Cement	105,013	21,871	-	-
Sugar	8,277	8,277	13,629	13,629
Footwear and Leather garments	2,453	2,453	2,453	2,453
Automobile and transportation equipment	-	-	-	-
Electronics and electrical appliances	185,120	80,214	138,340	68,582
Construction	-	-	-	-
Power (electricity), Gas, Water and Sanitary	-	-	-	-
Wholesale and Retail Trade	112,898	32,830	-	-
Exports / Imports	-	-	-	-
Financial	-	-	-	-
Insurance	-	-	-	-
Services	-	-	-	-
Individuals	36,575	34,523	42,481	35,848
Others	3,688,333	1,929,331	2,938,503	1,484,723
	8,941,653	5,723,149	7,096,036	4,609,089

## 41.1.1.4 Details of non-performing advances and specific provision by sector

	2011		2010	
	Classified Advances	Specific Provision Held	Classified Advances	Specific Provision Held
	(Rupees in '000)			
Public / Government	-	-	-	-
Private	8,941,653	5,723,149	7,096,036	4,609,089
	8,941,653	5,723,149	7,096,036	4,609,089

## 41.1.1.5 Geographical segment analysis

	2011			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and Commitments
	(Rupees in '000)			
Pakistan	1,078,271	129,732,386	10,977,287	41,723,352
Asia Pacific (including South Asia)	-	-	-	-
Europe	-	-	-	-
United States of America and Canada	-	-	-	-
Middle East	-	-	-	-
Others	-	-	-	-
	1,078,271	129,732,386	10,977,287	41,723,352

	2010			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and Commitments
	(Rupees in '000)			
Pakistan	140,477	108,105,678	8,917,673	55,540,656
Asia Pacific (including South Asia)	-	-	-	-
Europe	-	-	-	-
United States of America and Canada	-	-	-	-
Middle East	-	-	-	-
Others	-	-	-	-
	140,477	108,105,678	8,917,673	55,540,656

## 41.2 Credit Risk – General Disclosures, Basel II Specific

The Bank has adopted Standardized Approach of the Basel II accord. According to the regulatory statement submitted under the Standardized Approach, the portfolio has been divided into claims fully secured by residential property, claims on corporate (excluding equity exposure) and claims categorized as retail portfolio. Claims on corporate constitute 95% of the total exposure, 1% represents claims fully secured by residential property and the remaining 4% exposure pertains to claims categorized as retail portfolio.

## 41.3 Credit Risk: Standardized Approach

Currently the Bank does not have any policy whereby customers have to be rated by a rating agency. Therefore, the Bank uses unsolicited / solicited ratings of JCR-VIS, PACRA and other foreign agencies wherever applicable.

Following are the types of exposure for which each agency is used:

Exposure	JCR-VIS	PACRA	Fitch, Moody's & S&P
Corporate	✓	✓	-
Banks	✓	✓	✓
Sovereigns	-	-	-
SMEs	-	-	-
Securizations	-	-	-

Most of the Bank's asset base is short or medium term. Therefore, the Bank uses the entity's rating to assess the risk of our exposure without any adjustments.

For exposure amounts after risk mitigation subject to the standardized approach, amount of Bank's outstandings (rated & unrated) in each risk bucket as well as those that are deducted are as follows:

Exposure	Rating category No.	Amount outstanding	Deduction CRM*	Net Amount
Corporate	1-6	48,724,496	403,493	48,321,003
Banks (local)	1-2	6,049,609	429,424	5,620,185
Banks (foreign)	1-5	1,796,225	-	1,796,225
Sovereigns, central banks, etc.		52,999,201	5,763,540	47,235,661
Unrated		25,725,043	413,214	25,311,829
Total		<b>135,294,574</b>	<b>7,009,671</b>	<b>128,284,903</b>

\*CRM= Credit Risk Mitigation

Main types of collateral taken by the bank are:-

- Cash Margin
- Lien on deposits / government securities

The Bank has adopted simple approach to credit risk mitigation under Basel II and therefore has not applied any haircuts to the collateral. Moreover the eligible collateral only includes cash / liquid securities.

#### 41.4 Market Risk

**41.4.1** Market risk is the risk that the Bank's earnings or capital, or its ability to meet business objectives, will be adversely affected by changes in the level or volatility of market rates or prices such as interest rates, commodity prices, equity prices and foreign exchange rates.

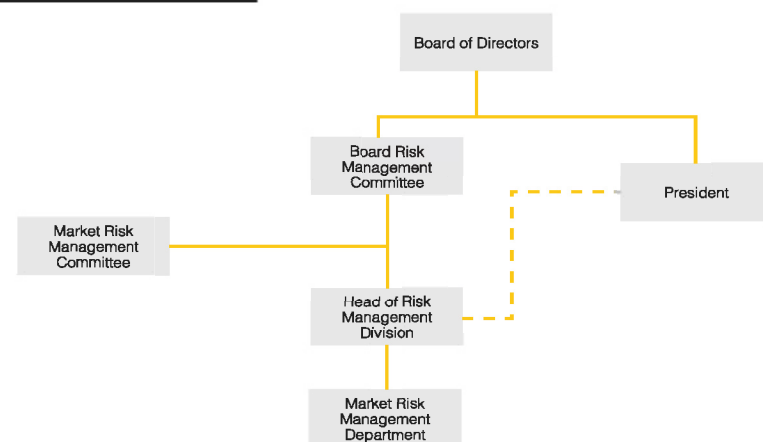
##### Market Risk Management Objective & Organization

The main objective of the market risk management is to minimize losses in the financial exposures of the Bank and to facilitate business growth within a controlled environment.

The Bank has established a rigorous market risk management framework to efficiently and effectively monitor and manage market risk in every transaction as well as at portfolio level. The Bank has made substantial investment to add value to its market risk management framework by purchasing the license of Market Risk Management System (MRMS), part of Enterprise Risk Management (ERM) solution, of SAS. The said solution will provide adequate grounds in making better investment decisions, measured risk-taking and efficient capital allocation thereagainst; thus efficient and effective use of funds and increase in profitability of the Bank.

The Bank has a sound organization structure for managing market risk, established on strong internal control environment and equipped with adequate level of expertise and resources. The Risk Management Committee (RMC), a BOD level sub-committee, is primarily responsible to monitor and manage market risk in all the financial exposures of the Bank, supported by the Risk Management Division and a senior management risk committee namely Market Risk Management Committee (MRMC).

##### MARKET RISK MANAGEMENT STRUCTURE



##### Market Risk Monitoring

Besides monitoring regulatory limits, the Bank has well established structure of internal limits with respect to its treasury and investment operations. The Treasury Middle Office (TMO), within the Market Risk Management Department, monitors each and every transaction executed through treasury, monitor risk limits, report breaches and assess market risk in money market transactions, investments in equity securities, and foreign exchange transactions.

##### Portfolio Analysis and Management

Besides managing market risk at transaction level, the Bank regularly monitors market risk at portfolio level and ensures that no undue concentration of risk and adverse correlation is present in the overall financial exposures at Bank level. The Bank has a well established management information set-up which allows efficient and effective assessment, monitoring and management of its market risk profile in various dimensions.

##### Marking-to-Market

The Bank is marking-to-market (MTM) its investment in tradable securities, i.e., equity securities, debt securities and foreign exchange ready and forward transactions, on regular basis. The same is independently reviewed by the Risk Management Division.

##### Market Risk Assessment and Measurement

The Bank is assessing and measuring market risk in all of its financial exposures using various types of measurement and analytical tools like Value at Risk (VaR), duration and convexity, performance ratios, interest rate gap, duration gap. Whereas, the Bank is using Standardized Approach of the Basel II accord, for exposures in its trading book and derivative financial instruments, to calculate market risk capital charge and risk weighted asset for Capital Adequacy Ratio (CAR) calculation purposes.

#### 41.4.2 Foreign Exchange Risk

Foreign Exchange Risk is the probability of loss resulting from adverse movement in exchange rates. Exchange position arising from trading activities is monitored through foreign exchange limits on aggregate and individual currency basis. Hedging strategies and mark-to-market valuations are used to mitigate exchange risk resulting from open positions. Overall exchange position risk is maintained in accordance with the regulatory requirements prescribed by the State Bank of Pakistan.

	2011			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	----- (Rupees in '000) -----			
Pakistan Rupee	118,686,681	109,363,075	1,546,382	10,869,988
United States Dollar	10,706,860	8,320,757	(2,308,329)	77,774
Great Britain Pound	80,368	481,730	398,547	(2,815)
Japanese Yen	4,883	4,883	(1)	(1)
Euro	221,590	545,546	323,781	(175)
Other currencies	32,004	39,108	39,620	32,516
	<b>129,732,386</b>	<b>118,755,099</b>	<b>-</b>	<b>10,977,287</b>

	2010			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	----- (Rupees in '000) -----			
Pakistan Rupee	101,231,048	91,129,793	(1,174,687)	8,926,568
United States Dollar	5,445,842	5,780,512	238,445	(96,225)
Great Britain Pound	644,199	1,207,974	568,907	5,132
Japanese Yen	19,151	4,437	(7,370)	7,344
Euro	684,359	1,034,834	355,533	5,058
Other currencies	81,079	30,455	19,172	69,796
	<b>108,105,678</b>	<b>99,188,005</b>	<b>-</b>	<b>8,917,673</b>

**41.4.3 Equity Position Risk**

The Bank does not have any trading position in equity securities, however, the risk arising from investment in equity securities lies in its banking book which is measured and assessed using the Value at Risk (VaR) approach. The VaR of the portfolio is reported to the BRMC, MRMC and other authorities on periodical basis.

**41.4.4 Mismatch of Interest Rate Sensitive Assets and Liabilities**

Yield risk is the risk of decline in earnings due to adverse movement of the yield curve. Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market interest rates. The Bank is exposed to yield / interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off balance sheet instruments that mature or re-price in a given period. The Bank manages this risk by matching the re-pricing of assets and liabilities and off-balance sheet instruments. The Bank's yield / interest rate sensitivity position for on-balance sheet instruments is based on the earlier of contractual re-pricing or maturity date and for off-balance sheet instruments is based on settlement date.

	Effective Yield / Interest rate %	2011										Non-Interest bearing financial instruments
		Total	Up to 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	Over 5 to 10 Years	Above 10 Years	
(Rupees in '000)												
<b>On-balance sheet financial instruments</b>												
<b>Assets</b>												
Cash and balances with treasury banks	-	8,959,130	-	-	-	-	-	-	-	-	-	8,959,130
Balances with other banks	-	879,000	-	-	-	-	-	-	-	-	-	879,000
lendings to financial and other institutions	12.05%	813,190	813,190	-	-	-	-	-	-	-	-	-
Investments	11.92%	45,775,969	51,282	727,693	8,346,946	31,126,106	1,224,300	794,999	698,928	158,017	109,719	2,537,979
Advances	13.29%	65,339,947	514,524	16,128,752	48,696,671	-	-	-	-	-	-	-
Other assets	-	2,988,693	-	-	-	-	-	-	-	-	-	2,988,693
		124,755,929	1,378,996	16,856,445	57,043,617	31,126,106	1,224,300	794,999	698,928	158,017	109,719	15,364,802
<b>Liabilities</b>												
Bills payable		1,571,314	-	-	-	-	-	-	-	-	-	1,571,314
Borrowings	12.14%	14,557,179	5,763,540	7,212,732	-	-	-	-	1,346,858	-	-	234,049
Deposits and other accounts	7.88%	99,733,970	12,484,635	8,343,567	58,316,423	-	-	-	-	-	-	20,590,325
Sub-ordinated loans	13.50%	897,840	-	-	897,840	-	-	-	-	-	-	-
Other liabilities	-	1,596,204	-	-	-	-	-	-	-	-	-	1,596,204
		118,356,507	18,248,175	15,556,319	59,213,263	-	-	-	1,346,858	-	-	23,991,892
<b>On-balance sheet gap</b>		6,399,422	(16,869,179)	1,300,126	(2,169,646)	31,126,106	1,224,300	794,999	(647,930)	158,017	109,719	(8,627,090)
<b>Non financial net assets</b>		4,577,865										
<b>Total net assets</b>		10,977,287										
<b>Off-balance sheet financial instruments</b>												
Forward purchase of foreign exchange		9,898,967	3,769,957	4,425,462	1,513,833	189,715	-	-	-	-	-	-
Forward sale of foreign exchange		(8,942,866)	(4,345,877)	(3,301,123)	(1,295,866)	-	-	-	-	-	-	-
<b>Off-balance sheet gap</b>		956,101	(575,920)	1,124,339	217,967	189,715	-	-	-	-	-	-
<b>Total Yield / Interest Risk Sensitivity Gap</b>		(17,445,099)	2,424,465	(1,951,679)	31,315,821	1,224,300	794,999	(647,930)	158,017	109,719	(8,627,090)	
<b>Cumulative Yield / Interest Risk Sensitivity Gap</b>		(17,445,099)	(15,020,634)	(16,972,313)	14,343,508	15,567,808	16,362,807	15,714,877	15,872,894	15,982,613	7,355,523	

	Effective Yield / Interest rate %	2010										Non-Interest bearing financial instruments
		Total	Up to 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	Over 5 to 10 Years	Above 10 Years	
(Rupees in '000)												
<b>On-balance sheet financial instruments</b>												
<b>Assets</b>												
Cash and balances with treasury banks		7,247,711	-	-	-	-	-	-	-	-	-	7,247,711
Balances with other banks	5.00%	1,400,451	1,176	-	-	-	-	-	-	-	-	1,399,275
lendings to financial and other institutions	13.21%	2,531,900	200,000	2,331,900	-	-	-	-	-	-	-	-
Investments	12.32%	34,985,663	3,325,960	11,566,225	13,494,160	1,528,630	722,983	1,263,320	420,195	158,826	110,150	2,395,214
Advances	12.80%	54,675,721	630,453	10,629,522	43,415,746	-	-	-	-	-	-	-
Other assets	-	2,504,780	-	-	-	-	-	-	-	-	-	2,504,780
		103,346,226	4,157,589	24,527,647	56,909,906	1,528,630	722,983	1,263,320	420,195	158,826	110,150	13,546,960
<b>Liabilities</b>												
Bills payable	-	1,857,810	-	-	-	-	-	-	-	-	-	1,857,810
Borrowings	7.75%	12,370,528	4,392,206	6,838,582	-	-	-	-	1,014,655	-	-	125,085
Deposits and other accounts	7.84%	82,016,811	9,610,891	5,497,995	49,236,518	-	-	-	-	-	-	17,671,407
Sub-ordinated loans	14.82%	1,197,360	-	-	1,197,360	-	-	-	-	-	-	-
Other liabilities	-	1,607,877	-	-	-	-	-	-	-	-	-	1,607,877
		99,050,386	14,003,097	12,336,577	50,433,876	-	-	-	1,014,655	-	-	21,262,179
<b>On-balance sheet gap</b>		4,295,840	(9,845,508)	12,191,070	6,476,028	1,528,630	722,983	1,263,320	(594,460)	158,826	110,150	(7,715,199)
<b>Non financial net assets</b>		4,621,833										
<b>Total net assets</b>		8,917,673										
<b>Off-balance sheet financial instruments</b>												
Forward purchase of foreign exchange		17,078,102	5,461,968	6,976,878	3,953,791	685,465	-	-	-	-	-	-
Forward sale of foreign exchange		(16,128,474)	(7,325,082)	(4,008,677)	(4,794,715)	-	-	-	-	-	-	-
<b>Off-balance sheet gap</b>		949,628	(1,863,114)	2,968,201	(840,924)	685,465	-	-	-	-	-	-
<b>Total Yield / Interest Risk Sensitivity Gap</b>		(11,708,622)	15,159,271	5,635,104	2,214,085	722,983	1,263,320	(594,460)	158,826	110,150	(7,715,199)	
<b>Cumulative Yield / Interest Risk Sensitivity Gap</b>		(11,708,622)	3,450,649	9,085,753	11,299,848	12,022,831	13,286,151	12,691,691	12,850,517	12,960,667	5,245,468	

- The effective interest rate is a historical rate for a fixed rate instrument carried at amortised cost and a current market rate for a floating rate instrument.
- The effective interest rate has been computed by excluding non-performing advances.
- The effective interest rate has been computed by excluding non-remunerative deposits.

**41.5 Liquidity Risk**

Liquidity risk is the risk that the Bank is unable to meet its obligations when they fall due with consequent failure to repay depositors and fulfill commitments to lend. The risk that the Bank will be unable to do so is inherent in all of its banking operations and can be impacted by a range of institution specific and market-wide events including, but not limited to, credit events, merger and acquisition activity, systemic shocks and natural disasters.

**Liquidity Management**

Day to day funding, is managed by Treasury Division through net cash flows from payment systems, fresh deposits mobilized by branches, maturing money market deposits etc.

The Bank maintains a portfolio of highly marketable assets viz., Market Treasury Bills and Pakistan Investment Bonds, that can either be sold in the open market or funds can be arranged their against under repo arrangement. This is further supported by investments in short term securities viz., Certificate of Investments etc. In line with its liquidity risk management policy, the Bank maintains a cushion over and above the minimum statutory liquidity requirement of SBP, for maintaining liquidity reserves, to ensure continuity of cash flows.

**Liquidity Risk Monitoring**

The Bank monitors its liquidity risk through various liquidity ratios and liquidity risk indicators and any deviations and breaches are reported to the concerned authorities for timely action. Moreover, Asset and Liability Management Committee (ALCO), a senior management committee, also reviews the liquidity position of the Bank on at least monthly basis and take appropriate measures where required.

**Liquidity Risk Assessment**

The Bank uses liquidity gap ladder to assess the liquidity gaps and liquidity needs in different time buckets, under normal and stressed scenarios. Whereas, the Contingency Funding Plan (CFP) of the Bank is also tested on the basis of the results of liquidity stress testing.

**41.5.1 Maturities of assets and liabilities**

	2011									
	Total	Up to 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	Over 5 to 10 Years	Above 10 Years
(Rupees in '000)										
<b>Assets</b>										
Cash and balances with treasury banks	8,959,130	8,959,130	-	-	-	-	-	-	-	-
Balances with other banks	879,000	879,000	-	-	-	-	-	-	-	-
Lendings to financial & other institutions	813,190	813,190	-	-	-	-	-	-	-	-
Investments - net	45,775,969	2,589,261	444,794	7,091,940	31,183,081	1,722,991	1,289,641	915,429	429,113	109,719
Advances - net	65,339,947	514,524	16,128,752	11,720,981	24,682,257	2,184,660	2,126,579	5,596,312	1,485,942	899,940
Operating fixed assets	3,833,916	26,946	72,364	447,196	471,916	315,461	475,152	333,099	1,315,160	376,622
Deferred tax assets - net	362,156	-	-	-	362,156	-	-	-	-	-
Other assets - net	3,769,078	3,750,875	-	-	11,100	-	-	7,103	-	-
<b>Liabilities</b>										
Bills payable	1,571,314	1,571,314	-	-	-	-	-	-	-	-
Borrowings	14,557,179	5,997,589	7,212,732	-	-	-	-	1,346,858	-	-
Deposits and other accounts	99,733,970	33,074,960	8,343,588	19,614,893	18,923,802	9,115,058	10,617,390	44,279	-	-
Sub-ordinated loans	897,840	-	-	299,280	299,280	299,280	-	-	-	-
Deferred tax liabilities - net	-	-	-	-	-	-	-	-	-	-
Other liabilities	1,994,796	1,760,921	-	-	233,875	-	-	-	-	-
<b>Net assets</b>	10,977,287	(24,871,858)	1,089,590	(654,056)	37,253,553	(5,191,226)	(6,726,018)	5,460,806	3,230,215	1,386,281
Share capital	8,027,824									
Reserves	1,182,501									
Unappropriated profit	1,026,476									
Surplus on revaluation of assets	740,486									
	10,977,287									

	2010									
	Total	Up to 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	Over 5 to 10 Years	Above 10 Years
(Rupees in '000)										
<b>Assets</b>										
Cash and balances with treasury banks	7,247,711	7,247,711	-	-	-	-	-	-	-	-
Balances with other banks	1,400,451	1,400,451	-	-	-	-	-	-	-	-
Lendings to financial & other institutions	2,531,900	200,000	2,331,900	-	-	-	-	-	-	-
Investments - net	34,985,663	5,721,174	11,485,775	10,537,551	1,732,210	1,576,414	2,177,638	1,108,946	530,734	115,221
Advances - net	54,675,721	630,453	10,629,522	10,805,810	23,379,256	917,093	3,414,301	3,922,483	648,156	328,647
Operating fixed assets	3,468,923	118,447	85,128	62,842	449,459	574,224	463,283	296,557	1,121,928	297,055
Deferred tax assets - net	384,655	-	-	-	384,655	-	-	-	-	-
Other assets - net	3,410,654	3,392,333	-	-	11,100	-	-	7,221	-	-
<b>Liabilities</b>										
Bills payable	1,857,810	1,857,810	-	-	-	-	-	-	-	-
Borrowings	12,370,528	4,517,291	6,838,582	-	-	-	-	1,014,655	-	-
Deposits and other accounts	82,016,811	27,282,298	5,497,995	15,536,991	15,198,677	8,615,878	4,106,510	22,799	5,755,663	-
Sub-ordinated loans	1,197,360	-	-	240	299,280	299,280	299,280	-	-	-
Deferred tax liabilities - net	-	-	-	-	-	-	-	-	-	-
Other liabilities	1,745,496	1,532,597	-	-	212,899	-	-	-	-	-
<b>Net assets</b>	8,917,673	(16,479,427)	12,195,748	5,868,972	10,245,824	(6,146,707)	1,649,432	4,297,753	(3,454,845)	740,923
Share capital	6,023,221									
Reserves	2,029,036									
Unappropriated profit	329,103									
Surplus on revaluation of assets	536,313									
	8,917,673									

Saving deposits do not have any contractual maturity however these deposits have been allocated into the above time bands based on historical withdrawal pattern of the said deposits. Further, it has been assumed that on a going concern basis, these deposits are not expected to fall below the current year's level.

**41.5.2 Maturities of assets and liabilities - based on contractual maturity of the assets and liabilities of the bank**

	2011									
	Total	Up to 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	Over 5 to 10 Years	Above 10 Years
(Rupees in '000)										
<b>Assets</b>										
Cash and balances with treasury banks	8,959,130	8,959,130	-	-	-	-	-	-	-	-
Balances with other banks	879,000	879,000	-	-	-	-	-	-	-	-
Lendings to financial & other institutions	813,190	813,190	-	-	-	-	-	-	-	-
Investments - net	45,775,969	2,589,261	444,794	7,091,940	31,183,081	1,722,991	1,289,641	915,429	429,113	109,719
Advances - net	65,339,947	514,524	16,128,752	11,720,981	24,682,257	2,184,660	2,126,579	5,596,312	1,485,942	899,940
Operating fixed assets	3,833,916	26,946	72,364	447,196	471,916	315,461	475,152	333,099	1,315,160	376,622
Deferred tax assets - net	362,156	-	-	-	362,156	-	-	-	-	-
Other assets - net	3,769,078	3,750,875	-	-	11,100	-	-	7,103	-	-
<b>Liabilities</b>										
Bills payable	1,571,314	1,571,314	-	-	-	-	-	-	-	-
Borrowings	14,557,179	5,997,589	7,212,732	-	-	-	-	1,346,858	-	-
Deposits and other accounts	99,733,970	33,074,960	8,343,588	19,614,893	18,923,802	9,115,058	10,617,390	44,279	-	-
Sub-ordinated loans	897,840	-	-	299,280	299,280	299,280	-	-	-	-
Deferred tax liabilities - net	-	-	-	-	-	-	-	-	-	-
Other liabilities	1,994,796	1,760,921	-	-	233,875	-	-	-	-	-
<b>Net assets</b>	10,977,287	(59,382,143)	1,924,479	8,867,965	46,440,085	1,706,965	1,309,124	5,494,316	3,230,215	1,386,281
Share capital	8,027,824									
Reserves	1,182,501									
Unappropriated profit	1,026,476									
Surplus on revaluation of assets	740,486									
	10,977,287									

	2010									
	Total	Up to 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	Over 5 to 10 Years	Above 10 Years
(Rupees in '000)										
<b>Assets</b>										
Cash and balances with treasury banks	7,247,711	7,247,711	-	-	-	-	-	-	-	-
Balances with other banks	1,400,451	1,400,451	-	-	-	-	-	-	-	-
Lendings to financial & other institutions	2,531,900	200,000	2,331,900	-	-	-	-	-	-	-
Investments - net	34,985,663	5,721,174	11,485,775	10,537,551	1,732,210	1,576,414	2,177,638	1,108,946	530,734	115,221
Advances - net	54,675,721	630,453	10,629,522	10,805,810	23,379,256	917,093	3,414,301	3,922,483	648,156	328,647
Operating fixed assets	3,468,923	118,447	85,128	62,842	449,459	574,224	463,283	296,557	1,121,928	297,055
Deferred tax assets - net	384,655	-	-	-	384,655	-	-	-	-	-
Other assets - net	3,410,654	3,392,333	-	-	11,100	-	-	7,221	-	-
<b>Liabilities</b>										
Bills payable	1,857,810	1,857,810	-	-	-	-	-	-	-	-
Borrowings	12,370,528	4,517,291	6,838,582	-	-	-	-	1,014,655	-	-
Deposits and other accounts	82,016,811	27,282,298	5,497,995	15,536,991	15,198,677	8,615,878	4,106,510	22,799	5,755,663	-
Sub-ordinated loans	1,197,360	-	-	240	299,280	299,280	299,280	-	-	-
Deferred tax liabilities - net	-	-	-	-	-	-	-	-	-	-
Other liabilities	1,745,496	1,532,597	-	-	212,899	-	-	-	-	-
<b>Net assets</b>	8,917,673	(42,924,539)	12,740,380	13,142,741	17,361,209	(2,255,820)	3,503,911	4,308,050	2,300,818	740,923
Share capital	6,023,221									
Reserves	2,029,036									
Unappropriated profit	329,103									
Surplus on revaluation of assets	536,313									
	8,917,673									

The management believes that above mentioned maturity analysis does not reveal the expected maturity of saving deposits as a contractual maturity analysis of deposits alone does not provide information about the conditions expected in normal circumstances. The management believes that the maturity profile disclosed in note 41.5.1 that includes maturities of saving deposits determined by the Asset and Liability Management Committee (ALCO) keeping in view historical withdrawal pattern of these deposits reflects a more meaningful analysis of the liquidity risk of the Bank.

**41.6 Operational Risk**

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or external events. This includes legal risk as well as the reputational consequences of failures in operational risk management.

**Operational Risk Management Objective & Organization**

The main objective of the operational risk management is to minimize expected and unexpected losses arising out of operational activities of the Bank.

The Bank has established a rigorous operational risk management framework to efficiently and effectively monitor and manage operational risk in each business and support activity of the Bank as well as those arising from external events like from natural disasters, outsourcing etc. The Bank has made substantial investment to add value to its operational risk management framework by purchasing the license of OpRisk Monitor, part of Enterprise Risk Management (ERM) solution, of SAS. OpRisk monitor will provide a solid forum for efficient and effective management and monitoring of operational risks across the Bank.

The Bank has a sound organization structure for managing operational risk, established on strong internal control environment and equipped with adequate level of expertise and resources. The Risk Management Committee (RMC), a BOD level sub-committee, is primarily responsible to ensure the compliance of the BOD approved operational risk management framework, supported by the Risk Management Division (RMD).

**Operational Risk Assessment**

The Bank has been conducting risk and control self assessment (RCSA) exercise for each of its major process in order to identify and assess operational risks inherent in existing activities, processes and systems. Through the RCSA exercise, the Bank has been able to develop inventory of risks, controls and key risk indicators (KRI) and has identified gaps in its operating activities which are rectified on priority basis.

**Operational Risk Monitoring**

The Bank is monitoring operational risk through KRIs, identified in the RCSA exercise. The monitoring is performed through SAS OpRisk Monitor and all branches, offices and departments/divisions are required to report KRIs on periodical basis to the Operational Risk Management Division (within the Risk Management Division).

**Operational Risk Measurement**

The Bank keeps a detailed track of its operational loss events and maintains a database with respect to the same which will help the Bank to step towards advanced approach of Basel II accord and also allows the Bank to formulate strategy to rectify the gap to avoid the incident from happening it again. A set-up has been created whereby departments and branches across the country are reporting loss events to the RMD.

**Operational Risk Assessment for New Products and Services**

Operational risk in all new products, systems and processes are identified and assessed by the RMD so that risk associated can be mitigated to acceptable level. Assessment comprises of:

- Review of new process flows and their control activities;
- Conduct RCSA exercise;
- Ensure that all risks and controls are captured and has been adequately assessed and ranked.

**Business Continuity Plan**

In order to ensure continuity of the Bank's operations, the Bank has in place a well developed and BOD approved Business Continuity Plan (BCP) which has been implemented across the Bank. The BCP has been well communicated down the line and trainings have been conducted across the country. BCP is reviewed, updated and tested on periodical basis. The BCP Steering Committee, a senior management committee, is responsible to ensure the adequacy of the BCP of the Bank as well as to ensure its effective implementation and compliance. The committee reports to the Board Risk Management Committee.

**42 DATE OF AUTHORISATION**

These financial statements were authorized for issue on 28 February 2012 by the Board of Directors of the Bank.

**43 GENERAL**

Corresponding figures have been re-arranged and reclassified, wherever necessary, to facilitate comparison. However, there are no material reclassifications to report.

**ALAUDDIN FEERASTA**  
CHAIRMAN

**MOHAMMAD AFTAB MANZOOR**  
PRESIDENT AND  
CHIEF EXECUTIVE OFFICER

**S. ALI ZAFAR**  
DIRECTOR

**SHAHID ANWAR**  
DIRECTOR

**STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF  
FIVE HUNDRED THOUSAND RUPEES AND ABOVE PROVIDED  
DURING THE YEAR ENDED 31 DECEMBER 2011**

**Annexure - I**

S. No.	Name and address of borrower	Name of Individuals/ partners/directors (with CNIC No.)	Father/ Husband's Name	Outstanding liabilities at beginning of the year				Principal Written off	Interest/ Mark-up Written off	Other Financial Relief Provided	Total
				Principal	Interest / Mark-up	Others	Total				
1	2	3	4	5	6	7	8	9	10	11	12=9+10+11
(Rupees in million)											
1	Maxco (Pvt.) Ltd. Plot No. 254,255, Deh Dlh, Ibrahim Hyderi, Korangi Creek, Karachi	Mr. Pedio Massimo Passport No. AA0076024  Mr. Zubair Gillani CNIC No. 42201-2324436-9	Mr. Pedio Paolo  Syed Dilawar Parvez Gillani	254.977	12.854	-	267.831	-	-	4.440	4.440
2	New Allied Electronics (Pvt.) Ltd. Lakson Square Building, Sarwar Shaheed Road, Karachi	Mian Parvez Akhtar CNIC No. 42301-7176596-3 Mr. Abdul Rauf CNIC No. 42201-3539213-1	Mian Mohammad Rafiq Anwar  Mr. Abdul Ghafoor Ateeq	-	6.273	-	6.273	-	-	6.273	6.273
3	Bawany Air Products Ltd. 16-C, Second Floor, Nadir House, I.I.Chundrigar Road, Karachi	Mr. M. Hanif Y. Bawany CNIC No. 42301-1182162-3 Ms. Mommiza Kapadia CNIC No. 42301-9584267-6 Mr. Wali Mohammad CNIC No. 423015-242796-5 Mr. Siraj A. Qadir CNIC No. 42301-0792735-7 Mr. Wazir Ahmed Jogizai CNIC No. 61101-4449311-9 Mr. Zakaria CNIC No. 42201-0528180-3 Mr. Mohammad Ashraf Passport No. 099147141	Mr. Muhammad Yahya  Mr. M. Hanif Bawany  Mr. Yahya  Mr. Abdul Qadir  Mr. Sardar M. Usman Khan  Mr. Abdul Ghaffar  N.A.	0.739	0.272	-	1.011	0.739	-	3.023	3.762
4	United Developers 16-G, Phase-I, Commercial Area, DHA, Lahore Cantt.	Mr. Muhammad Yousaf Shafi CNIC No. 35201-9345488-7	Mr. Muhammad Shafi	39.998	3.248	-	43.246	-	-	5.024	5.024
5	Khalid Associates 82-Y, Commercial Area, DHA, Lahore Cantt.	Mr. Khalid Zafar Nizami CNIC No. 35201-8523652-5	Mr. Khawaja Zafar Nizami	6.999	2.572	-	9.571	-	-	2.662	2.662
6	Paradise Fibres (Pvt.) Ltd. Madina Tower, Ferozpur Road, Lahore	Mr. Abdul Majeed Malik CNIC No. 35202-3980790-1 Mrs. Irshad Akhtar CNIC No. 35202-9904811-0 Mr. Nabeel Malik CNIC No. 35202-6564909-9 Mr. M. Farooq CNIC No. 35202-6573459-9	Mr. Meher Din  Mr. Abdul Majeed Malik  Mr. Abdul Majeed Malik  Mr. Abdul Majeed Malik	89.517	8.950	-	98.467	14.517	-	29.774	44.291
7	AL Sadat Grinding Mills 2-KM, Sheikhpura Road, Muridke, Lahore	Mr. Ayub Ali Shah CNIC No. 35202-2758923-1	Mr. Mazhar Ali Shah	2.979	0.757	-	3.736	-	-	0.755	0.755
8	D.L. Nash (Pvt.) Ltd. 11, Timber Pond, Keamari Road Karachi	Mr. Shabir Ahmed CNIC No. 42301-1049016-7 Mr. Rehmat Naveed Elehi CNIC No. 42301-3082014-7 Mrs. Naila Shabir CNIC No. 42000-0501076-4	Shaikh Bashir Ahmed  Mr. Shabir Ahmed  W/o Mr. Shabir Ahmed	309.342	25.097	-	334.439	113.373	-	25.097	138.470
9	Epla CNG Station D-12, Estate Avenue, SITE, Karachi	Dr. Tariq Siddiqui CNIC No. 42301-0170196-5 Mrs. Ghazala Tariq CNIC No. 42301-6657966-8 Mr. Haroon Siddiqui CNIC No. 42301-8277304-9 Mr. Adil Siddiqui CNIC No. 42301-0957938-7 Mrs. Farhat Haroon CNIC No. 42301-0835333-2 Ms. Mehwish Tariq CNIC No. 42301-0997066-4	Mr. Ehtasham Siddiqui  Mr. Tariq Siddiqui  Mr. Ehtasham Siddiqui  Mr. Haroon Siddiqui  Mr. Haroon Siddiqui  Mr. Tariq Siddiqui	33.422	4.916	-	38.338	-	-	3.238	3.238
10	Mr. Muhammad Bilal Tahir H.No.10-A, Officer Colony # 1 Madina Town, Faisalabad.	Mr. Muhammad Bilal Tahir	s/o Mr.Rana Muhammad Tahir	6.273	-	-	6.273	1.392	-	-	1.392
<b>TOTAL</b>				<b>744.246</b>	<b>64.939</b>	<b>-</b>	<b>809.185</b>	<b>130.021</b>	<b>-</b>	<b>80.286</b>	<b>210.307</b>

ISLAMIC BANKING BUSINESS

Annexure - II

The Bank is operating seven Islamic banking branches at the end of current year as compared to six Islamic banking branches at the end of prior year. The balance sheet and profit and loss account of these branches (including Islamic Banking Division) are as follows:

	2011 (Rupees in '000)	2010 (Rupees in '000)
<b>(i) Balance Sheet As at 31 December 2011</b>		
<b>ASSETS</b>		
Cash and balances with treasury banks	159,916	149,382
Balances with and due from financial institutions	26	1,176
Investments	606,897	429,811
Financing and receivables		
-Murahaba	1,403,741	1,198,663
-Ijara	4,879	62,533
-Diminishing Musharaka	40,136	45,870
-Salam	217,230	269,533
-Other islamic modes	98,111	34,909
Operating fixed assets	117,626	126,036
Due from Head Office	-	-
Other assets	349,607	368,947
<b>Total Assets</b>	<b>2,998,169</b>	<b>2,686,860</b>
<b>LIABILITIES</b>		
Bills payable	14,514	25,141
Due to financial institutions	123,975	102,900
Deposits and other accounts		
- Current accounts	410,682	502,111
- Saving accounts	1,011,526	859,450
- Term deposits	642,490	648,181
- Others	106,940	138,367
Due to Head Office	348,969	91,049
Other liabilities	86,715	103,635
<b>Total Liabilities</b>	<b>2,745,811</b>	<b>2,470,834</b>
<b>NET ASSETS</b>	<b>252,358</b>	<b>216,026</b>
<b>REPRESENTED BY</b>		
Islamic Banking Fund	400,000	200,000
Accumulated (loss) / profit	(147,219)	16,026
	252,781	216,026
Deficit on revaluation of fixed assets	(423)	-
	<b>252,358</b>	<b>216,026</b>
<b>(ii) Profit and Loss Account For the year ended 31 December 2011</b>		
Profit / return on financing, investments and placements earned	398,079	326,285
Return on deposits and other dues expensed	(353,530)	(272,243)
Net income earned before provision	44,549	54,042
Provision against non-performing financings	(137,472)	(54)
Provision for diminution in value of investment	(19,860)	-
	(157,332)	(54)
Net (loss) / income earned after provision	(112,783)	53,988
<b>OTHER INCOME</b>		
Fee, commission and brokerage income	145,012	95,576
	32,229	149,564
<b>OTHER EXPENSES</b>		
Administrative expenses	165,991	133,538
Provision against other assets	13,457	-
<b>(LOSS) / PROFIT BEFORE TAXATION</b>	<b>(147,219)</b>	<b>16,026</b>
<b>(iii) REMUNERATION TO SHARIAH ADVISOR</b>	<b>1,063</b>	<b>1,095</b>
<b>(iv) CHARITY FUND</b>		
Opening balance	105	21
Addition during the year	343	157
Payment / utilization during the year	(437)	(73)
Closing balance	11	105

DISPOSAL OF FIXED ASSETS (REFER NOTE 11.2.4)

Annexure - III

Particulars	Cost	Book Value	Sale price / Insurance proceeds	Mode of settlement / disposal	Particulars of buyers / Insurance companies
Rupees in '000					
<b>Land and Building</b>					
do	555	486	600	INSURANCE CLAIM	ADAMJEE INSURANCE COMPANY LIMITED
WDV below Rs. 250,000/- each and cost of less than Rs. 1,000,000	184	161	200	INSURANCE CLAIM	VARIOUS
	739	647	800		
<b>Leasehold improvements</b>					
do	5,495	2,055	2,733	INSURANCE CLAIM	ADAMJEE INSURANCE COMPANY LIMITED
Items with WDV of below Rs. 250,000/- and cost of less than Rs. 1,000,000	-	-	-		
	5,495	2,055	2,733		
<b>Furniture and fixtures</b>					
do	-	-	-		
Items with WDV of below Rs. 250,000/- and cost of less than Rs. 1,000,000	72	13	3	VARIOUS	VARIOUS
	72	13	3		
<b>Electrical office and computer equipment</b>					
do	3,239	1,073	2,021	INSURANCE CLAIM	ADAMJEE INSURANCE COMPANY LIMITED
do	2,150	785	1,435	INSURANCE CLAIM	ADAMJEE INSURANCE COMPANY LIMITED
do	695	327	586	INSURANCE CLAIM	ADAMJEE INSURANCE COMPANY LIMITED
do	3,466	0	800	TRADE IN	S.M JAFFER & CO
do	299	261	272	INSURANCE CLAIM	SAUDI PAK INSURANCE COMPANY LIMITED
do	299	298	296	INSURANCE CLAIM	SAUDI PAK INSURANCE COMPANY LIMITED
Items with WDV of below Rs. 250,000/- each and cost of less than Rs. 1,000,000	7,414	625	1,835	VARIOUS	VARIOUS
	17,762	3,369	7,245		
<b>Motor vehicles</b>					
do	1,193	0	0	AS PER SERVICE RULES	SYED FARRUKH HUSSAIN RIZVI (EX-EMPLOYEE)
do	1,312	853	853	AS PER CAR MONETIZATION SCHEME	MR. ABDUL RAUF (EMPLOYEE)
do	1,263	1,221	1,221	AS PER CAR MONETIZATION SCHEME	MR. MUHAMMAD ASAD KHAN (EMPLOYEE)
do	1,300	1,257	1,257	AS PER CAR MONETIZATION SCHEME	MR. SAJJAD ARSHAD BUTT (EMPLOYEE)
do	1,300	1,257	1,257	AS PER CAR MONETIZATION SCHEME	MR. ARIF MANZOOR QURESHI (EMPLOYEE)
do	1,389	903	903	AS PER CAR MONETIZATION SCHEME	MR. HAFIZ MEHBOOB ALI (EMPLOYEE)
do	631	284	347	AS PER CAR MONETIZATION SCHEME	MR. NAEEM SHARIF (EMPLOYEE)
do	631	284	347	AS PER CAR MONETIZATION SCHEME	MR. FAIZAN AHMED (EMPLOYEE)
do	634	539	542	AS PER CAR MONETIZATION SCHEME	MR. ALTAF BUTT (EMPLOYEE)
do	504	286	336	AS PER CAR MONETIZATION SCHEME	MR. ZAFAR IQBAL (EMPLOYEE)
do	530	345	345	AS PER CAR MONETIZATION SCHEME	MR. AMJAD SHERAZI (EMPLOYEE)
do	925	401	493	AS PER CAR MONETIZATION SCHEME	MR. SHAKIL AHMED GURWARA (EMPLOYEE)
do	530	367	371	AS PER CAR MONETIZATION SCHEME	MR. MOHAMMAD AKRAM (EMPLOYEE)
do	509	412	416	AS PER CAR MONETIZATION SCHEME	MR. SIBTAIN ZAIDI (EMPLOYEE)
do	1,269	804	804	AS PER CAR MONETIZATION SCHEME	MR. ABID ALI SIDDIQUI (EMPLOYEE)
do	631	253	316	AS PER CAR MONETIZATION SCHEME	MR. GHULAM ABBAS BADAMI (EMPLOYEE)
do	684	575	575	AS PER CAR MONETIZATION SCHEME	MR. SULEMAN SHAMSUDDIN (EMPLOYEE)
do	530	371	371	AS PER CAR MONETIZATION SCHEME	MRS. NAZIA NADEEM CHANNA (EMPLOYEE)
do	677	317	395	AS PER CAR MONETIZATION SCHEME	MR. MUHAMMAD AHSAN (EMPLOYEE)
do	1,060	504	512	AS PER CAR MONETIZATION SCHEME	MR. TARIQ MEHMOOD (EMPLOYEE)
do	1,239	1,012	1,012	AS PER CAR MONETIZATION SCHEME	MRS. RUBINA KAMARDIN (EMPLOYEE)
do	652	293	359	AS PER CAR MONETIZATION SCHEME	MR. SOHAIL ANWAR KHAN (EMPLOYEE)
do	1,143	0	850	AUCTION	MR. ALI HUSSAIN KHAN
do	905	400	498	AS PER CAR MONETIZATION SCHEME	MR. ANJUM NAZIR WARRAICH (EMPLOYEE)
do	631	255	326	AS PER CAR MONETIZATION SCHEME	MR. RIAZ ULLAH KHAN (EMPLOYEE)
do	795	596	596	AS PER CAR MONETIZATION SCHEME	MR. MUHAMMAD YOUSUF IMRAN (EMPLOYEE)
do	1,312	809	809	AS PER CAR MONETIZATION SCHEME	SYED ABBAS RIZVI (EMPLOYEE)
do	668	781	781	AS PER CAR MONETIZATION SCHEME	MR. MUJEEB TARIQ (EMPLOYEE)

Particulars	Cost	Book Value	Sale price / insurance proceeds	Mode of settlement / disposal	Particulars of buyers / insurance companies
Rupees in '000					
----- do -----	631	263	326	AS PER CAR MONETIZATION SCHEME	MR. MUSHARAF EJAZ (EMPLOYEE)
----- do -----	530	371	371	AS PER CAR MONETIZATION SCHEME	MS. SURAYYA JABEEN (EMPLOYEE)
----- do -----	1,289	1,203	1,203	AS PER CAR MONETIZATION SCHEME	MS. SAFIA RIZWANA (EMPLOYEE)
----- do -----	879	278	410	AS PER CAR MONETIZATION SCHEME	MR. MUHAMMAD IDREES (EMPLOYEE)
----- do -----	1,300	1,190	1,192	AS PER CAR MONETIZATION SCHEME	MR. ABDUL AZIZ (EMPLOYEE)
----- do -----	850	757	765	AS PER CAR MONETIZATION SCHEME	MRS. ROMANA NASIR (EMPLOYEE)
----- do -----	879	586	586	AS PER CAR MONETIZATION SCHEME	MR. NADEEM AHMAD (EMPLOYEE)
----- do -----	632	263	327	AS PER CAR MONETIZATION SCHEME	MR. MUHAMMAD SAJID JAVED (EMPLOYEE)
----- do -----	600	279	370	AS PER CAR MONETIZATION SCHEME	MR. MOHAMMAD ABBAS (EMPLOYEE)
----- do -----	755	510	516	AS PER CAR MONETIZATION SCHEME	MR. NASIM SHAH (EMPLOYEE)
----- do -----	631	295	358	AS PER CAR MONETIZATION SCHEME	SYED MANSOOR ABBAS (EMPLOYEE)
----- do -----	704	387	463	AS PER CAR MONETIZATION SCHEME	MR. NAVEED ABBAS (EMPLOYEE)
----- do -----	814	488	488	AS PER CAR MONETIZATION SCHEME	MR. ISHTIAQ AHMED AWAN (EMPLOYEE)
----- do -----	699	396	466	AS PER CAR MONETIZATION SCHEME	MR. MUHAMMAD ASLAM SOHAIL (EMPLOYEE)
----- do -----	814	475	556	AS PER CAR MONETIZATION SCHEME	MR. MUHAMMAD ASLAM YAQOOB (EMPLOYEE)
----- do -----	835	646	654	AS PER CAR MONETIZATION SCHEME	MR. AHMAD SAMAD (EMPLOYEE)
----- do -----	879	513	600	AS PER CAR MONETIZATION SCHEME	MR. ADNAN ZAFAR (EMPLOYEE)
----- do -----	884	648	648	AS PER CAR MONETIZATION SCHEME	MR. DILBAR HASSAN (EMPLOYEE)
----- do -----	883	824	824	AS PER CAR MONETIZATION SCHEME	MR. MALIK SHAHID (EMPLOYEE)
----- do -----	925	408	509	AS PER CAR MONETIZATION SCHEME	MR. SAEED AKHTAR AZEEM (EMPLOYEE)
----- do -----	914	279	417	AS PER CAR MONETIZATION SCHEME	MR. MANSOOR AHMED (EMPLOYEE)
----- do -----	1,288	0	0	AS PER SERVICE RULES	MR. QAMAR WAHAB (EX-EMPLOYEE)
----- do -----	1,288	0	0	AS PER CAR MONETIZATION SCHEME	MR. NEMAT ALI (EMPLOYEE)
----- do -----	1,043	0	261	AS PER CAR MONETIZATION SCHEME	MR. NAQI RAZA (EMPLOYEE)
----- do -----	1,043	70	278	AS PER CAR MONETIZATION SCHEME	MR. M. HAIDER DEVJANIE (EMPLOYEE)
----- do -----	1,288	43	43	AS PER SERVICE RULES	MR. RAZA HUSSAIN BANDEALI (EX-EMPLOYEE)
----- do -----	1,829	1,143	1,158	AS PER CAR MONETIZATION SCHEME	MR. AMIN A. FEERASTA (EMPLOYEE)
----- do -----	1,302	868	868	AS PER CAR MONETIZATION SCHEME	MR. QURBAN R. ALI PUNJWANI (EMPLOYEE)
----- do -----	908	378	469	AS PER CAR MONETIZATION SCHEME	MS. SIDDIQUE KHALIL (EMPLOYEE)
----- do -----	910	379	470	AS PER CAR MONETIZATION SCHEME	MR. WAQAR AHMED (EMPLOYEE)
----- do -----	1,269	804	804	AS PER CAR MONETIZATION SCHEME	MR. JAVED HUSSAIN SIDDIQUI (EMPLOYEE)
----- do -----	1,239	909	909	AS PER CAR MONETIZATION SCHEME	MR. M. ALI HAIDER (EMPLOYEE)
----- do -----	1,289	1,103	1,103	AS PER CAR MONETIZATION SCHEME	MR. SHAHNAWAZ SIDDIQUI (EMPLOYEE)
----- do -----	1,300	1,235	1,235	AS PER CAR MONETIZATION SCHEME	MR. ABBAS HATIM (EMPLOYEE)
----- do -----	1,169	0	292	AS PER CAR MONETIZATION SCHEME	MR. AMIN A. FEERASTA (EMPLOYEE)
----- do -----	925	308	447	AS PER CAR MONETIZATION SCHEME	MR. GHULAM MUHAMMAD ALWANI (EMPLOYEE)
----- do -----	850	807	808	AS PER CAR MONETIZATION SCHEME	MR. ZAFAR AHMED HASHIMI (EMPLOYEE)
----- do -----	631	274	337	AS PER CAR MONETIZATION SCHEME	MR. JAFFAR ALI (EMPLOYEE)
----- do -----	704	352	422	AS PER CAR MONETIZATION SCHEME	MR. AMIR ANWER (EMPLOYEE)
----- do -----	529	503	503	AS PER CAR MONETIZATION SCHEME	MR. MUHAMMAD WAJEEH AHMED (EMPLOYEE)
----- do -----	474	284	284	AS PER CAR MONETIZATION SCHEME	MR. SALEEM SHAMSUDDIN SAYANI (EMPLOYEE)
----- do -----	710	450	450	AS PER CAR MONETIZATION SCHEME	MR. MASROOR MUHAMMAD KHAN (EMPLOYEE)
----- do -----	530	353	353	AS PER CAR MONETIZATION SCHEME	MR. ZAHID SALEEM (EMPLOYEE)
----- do -----	480	336	336	AS PER CAR MONETIZATION SCHEME	MR. ZAHID ALI QURESHI (EMPLOYEE)
----- do -----	530	371	371	AS PER CAR MONETIZATION SCHEME	MR. SYED AHMED ALI JAFRI (EMPLOYEE)
----- do -----	504	361	361	AS PER CAR MONETIZATION SCHEME	MR. SHOAB AHMED (EMPLOYEE)
----- do -----	504	370	370	AS PER CAR MONETIZATION SCHEME	MR. HADI FAROOQUI (EMPLOYEE)
----- do -----	509	416	416	AS PER CAR MONETIZATION SCHEME	MR. KAMRAN AHMED (EMPLOYEE)
	49,391	6,770	20,207	VARIOUS	VARIOUS
	117,210	45,325	82,496		
	141,277	51,406	73,273		

Items with WDV of below Rs. 250,000/ each and cost of less than

## SHARIAH ADVISOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2011

By the Grace of Allah Subhanahu Wa Taala the year under review was the seventh year of Islamic Banking of Soneri Bank Limited. Islamic Banking refers to a system of banking activity(s) which is consistent with Islamic Law (Shariah), principles and guidance for Islamic economics. We have been ordered by our religion to refrain ourselves from the interest (RIBA) and to lead our lives according to principles of Islam. In addition, Islamic Law prohibits investing in business which are non-Shariah compliant and considered as Haraam.

Islamic Banking is playing an important role in financing and contributing to different economic and social sectors in the country in compliance with the principles of Islamic Shariah in Islamic banking practices / transactions.

By the Grace of Almighty ALLAH, the first Islamic branch of Soneri Bank Limited was established in the country in 2004 in Karachi to abolish the menace of interest from the country. This bank is playing an important role in enhancing the Islamic Banking industry. In order to enhance the Islamic Banking network in the country, the bank has established Islamic Banking branches in Lahore, Islamabad, Hyderabad, Quetta and Peshawar in addition to Karachi. Moreover, one more branch has been opened in 2011 in Islamabad to enhance the network of Islamic Banking.

### Assets & Liabilities Products

The Bank has launched Islamic modes of financing i.e. Murabaha, Salam and Ijarah and also launched Shariah compliant deposit products i.e. Bachat Deposit, Munafa Deposit and Meadi Deposit Accounts.

Following major developments have been made to enhance Islamic Banking operations:-

- Islamic mode of financing for agriculture sector was launched and finances were extended to the agriculture sector.
- The Islamic Banking also participated in Diminishing Musharaka syndicated financing with the consensus of other Islamic Banks, structured under supervision of the State Bank of Pakistan for procurement of wheat by the Food Department, Government of Punjab.
- Export refinance was also extended to different customers under Islamic Export Refinance Scheme.

### Shariah Audit and Compliance Review

The transactions are being regularly checked at Cloth Market Branch, Karachi. The annual Shariah Audit of Islamic Banking branches has also been conducted and observed that Shariah principles, flow chart and procedure are being adhered to in the branches complying Shariah rulings. Moreover, the customers are provided guidance / clarification needed by any customer in respect of Shariah compliant of any Islamic banking transaction.

All the agreements, contracts and documents related to Murabaha, Salam and Ijarah were studied and checked and ensured that all the terms and conditions are Shariah complied.

Moreover, during the year 2011 Shariah Audit was conducted in all six branches to ensure and evaluate the overall Shariah compliance of the branch's operation and their alignment with the guidelines given by Shariah Advisor.

During the audit following documents were checked:-

- Agreements for Murabaha, Ijara and Salam
- Declaration, description of assets / goods, relevant purchase invoices, sequence and order of the documents and time difference between purchases and declaration of Murabaha
- Purchase deeds / agreements and recovery of rentals in Ijarah transactions
- Import finance transactions and related documentations
- Other related documents and procedures followed by different functional areas
- Schedule of charges
- Profit Sharing Ratio and Profit Weightages

**Distribution of Profit**

Deposits are accepted on the Islamic Modes of Mudaraba. The profit is distributed quarterly on the basis of weightages which are announced at the beginning of each quarter. Bank is assigning weightages on the basis of different tiers and maturities of deposits in different categories. These are in accordance with the Shariah rules and principles duly vetted by the Shariah Advisor and as per profit distribution policy duly approved by the Board of Directors of the bank.

Profit distribution mechanism was checked and observed that income and expenditure are accounted for as approved by the competent authority and in accordance with Shariah guidelines provided.

**Charity Fund**

The transactions where penalties were charged due to late payment, the amount of penalties transferred to charity fund instead of retaining in the income account and charity funds are donated to charitable organization as per charity policy.

**Training and Development**

Islamic Banking awareness program organized weekly for understanding of the Islamic Banking concepts and products. However, due to continuous increasing number of branches and employees, this focus on training and development needs to be carried on continuous basis. The bank has been primarily offering Murabaha, Ijarah, and Salam for its financing activities and also launched agriculture finance and participated in musharaka financing. The staffs of Islamic Banking branches are also provided knowledge of products and Shariah aspects through lectures and materials. Moreover, staff members of Islamic Banking branches are nominated to participate in workshops, seminars and courses conducted on Islamic Banking by various organizations under supervision of SBP and by private institutions.

**RECOMMENDATIONS**

Based on the review of various transactions we recommend that:

The significant growth of the Bank augments the importance of employees training related to the Islamic Banking products and services offered by the Bank. More focus should be shifted towards proper training of staff.

The Bank should focus more on development and execution of customers awareness programs in the form of printed materials like brochures of products and or through seminars and workshop regarding Islamic Banking and its products.

The staff should ensure the adherence to system and proper following of the recommended process flow, physical checking and verification of the goods in Murabaha and Ijarah transactions and also ensure direct payment to the suppliers in overall Murabaha Financing.

**CONCLUSION**

It is the responsibility of the Bank's management and employees to ensure the application of Shariah principles and guidelines issued by the Shariah Advisor and to ensure Shariah compliance in all activities of the Bank.

On the basis of inspection of transactions and Shariah audits, we report that in our opinion, the general conduct of Islamic Banking activities are Shariah complied.

We pray Almighty ALLAH, for the success of Islamic Banking, provide us guidance to adhere to his Shariah in day to day operations and forgive our mistakes.

**MUFTI NADEEM IQBAL**

Shariah Advisor

Lahore: 28 February 2012

**Notice of Annual General Meeting**

Notice is hereby given that **Twentieth Annual General Meeting** of Soneri Bank Limited will be held at Pearl Continental Hotel, Lahore on Friday, 30 March 2012 at 09:30 a.m to transact the following business:

**Ordinary Business**

- 1) To confirm the minutes of last Extra-Ordinary General Meeting held on 22 April 2011.
- 2) To receive, consider and adopt Annual Audited Accounts together with the Directors' and Auditors' Reports thereon for the year ended 31 December 2011.
- 3) To appoint Auditors of the Bank and to fix their remuneration.
- 4) To transact such other ordinary business as may be placed before the meeting with the permission of the Chair.

**Special Business**

- 5) To increase the Authorized Share Capital of the Bank from Rs. 10.0 billion to Rs. 12.0 billion and to pass with or without modification the following resolution as a **Special Resolution**:
  - a) **"RESOLVED THAT** the Authorized Share Capital of the Bank be and is hereby increased from Rs. 10,000,000,000 (Rupees ten billion) to Rs. 12,000,000,000 (Rupees twelve billion) by the creation of 200,000,000 new ordinary shares of the face value of Rs. 10/- each.
  - b) **FURTHER RESOLVED THAT** clause V of the Memorandum and Articles of Association of the Bank be altered by substituting the words and figures "rupees ten billion" (Rs. 10,000,000,000.00) and "one billion (1,000,000,000)" appearing respectively in clause V of the Memorandum of Association, with the words and figures "rupees twelve billion (Rs. 12,000,000,000)" and "one billion two hundred million (1,200,000,000)" respectively."

A statement under Section 160 of the Companies Ordinance, 1984 pertaining to the Special Business alongwith the resolution proposed to be passed is being sent to the shareholders with the Notice.

**BY ORDER OF THE BOARD****Muhammad Altaf Butt**

Company Secretary

Lahore: 28 February 2012

**NOTES**

1. Share Transfer Books of the Bank will be closed from 23 March 2012 to 30 March 2012 (both days inclusive).
2. A member entitled to attend and vote at this meeting may appoint another member as his or her proxy to attend and vote. Proxies, in order to be effective, must be received at the registered office of the Bank not less than 48 hours before the time of holding the meeting. Proxy form shall be witnessed by two persons whose names, addresses and Computerized National Identity Card (CNIC) numbers shall be mentioned on the form. Proxy form is enclosed herewith.
3. The CDC account / sub account holders shall have to produce their original Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting for identification purpose, alongwith participant's I.D Number and their Account No. in CDS.

In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee together with the original proxy form duly filled in must be received at the registered office of the Company not less than 48 hours before the time of holding the meeting. The nominees shall produce their original CNIC or original passport at the time of attending the meeting for identification purpose.

4. Shareholders are requested to notify any change in their addresses immediately.

**Statement under Section 160 (1) (b) of the Companies Ordinance, 1984**

This statement sets out the material facts concerning the special business to be transacted at the Twentieth Annual General Meeting of Soneri Bank Limited to be held on 30 March 2012.

**Item No. 5 of the Notice:**

It is proposed to increase the Authorized Share Capital of the Bank from Rs. 10.00 billion to Rs.12.00 billion divided into 1,200,000,000 ordinary shares by creation of 200,000,000 new ordinary shares of the face value of Rs. 10/- each to facilitate further issue of Capital as and when required by the Bank as well as to meet the State Bank of Pakistan's requirement.

**FORM 34**

**PATTERN OF HOLDING OF THE SHARES HELD BY THE SHAREHOLDERS (CDS AND PHYSICAL)**

AS AT 31 DECEMBER 2011 (SECTION 236)

No. of Shareholders	From	Shareholding	To	Total Shares Held
940	1		100	34054
1379	101		500	354673
1599	501		1000	1190436
2526	1001		5000	5856205
2061	5001		10000	15448773
455	10001		15000	5631391
162	15001		20000	2801542
96	20001		25000	2137207
44	25001		30000	1221658
49	30001		35000	1596275
22	35001		40000	829035
24	40001		45000	1015924
21	45001		50000	1000978
16	50001		55000	848081
18	55001		60000	1023975
15	60001		65000	933131
12	65001		70000	804123
8	70001		75000	584273
7	75001		80000	536102
3	80001		85000	245737
7	85001		90000	619840
7	90001		95000	651268
5	95001		100000	482017
8	100001		105000	820861
5	105001		110000	542716
11	110001		115000	1237163
5	115001		120000	584578
2	120001		125000	243118
2	125001		130000	258479
5	130001		135000	674069
3	135001		140000	411905
5	145001		150000	744529
1	150001		155000	150747
1	155001		160000	157214
3	160001		165000	492441
2	175001		180000	359111
2	180001		185000	361917
1	185001		190000	187382
5	190001		195000	958073
5	195001		200000	991755
2	205001		210000	414844
1	210001		215000	210107
2	220001		225000	450000
2	230001		235000	463964
3	235001		240000	710763
3	240001		245000	730302
1	260001		265000	260623
2	270001		275000	546419
2	275001		280000	553283
2	280001		285000	561938
2	285001		290000	578847
1	290001		295000	291418
3	295001		300000	892415
2	300001		305000	603530
1	310001		315000	315000
1	325001		330000	329400
3	335001		340000	1012500
3	340001		345000	1029936
1	355001		360000	359002
2	365001		370000	732416

No. of Shareholders	From	Shareholding	To	Total Shares Held
1	370001		375000	372909
1	390001		395000	391959
1	395001		400000	395212
1	430001		435000	432500
3	445001		450000	1350000
1	490001		495000	494100
1	495001		500000	497250
1	500001		505000	500625
1	515001		520000	518306
1	520001		525000	521235
1	545001		550000	548645
1	550001		555000	552179
1	555001		560000	555090
1	560001		565000	562500
1	590001		595000	590625
1	695001		700000	699259
1	705001		710000	709461
1	720001		725000	723400
1	755001		760000	759375
1	765001		770000	768030
1	780001		785000	781941
1	885001		890000	887523
1	990001		995000	994928
1	1015001		1020000	1016011
1	1095001		1100000	1099836
1	1345001		1350000	1350000
1	1455001		1460000	1458486
1	1730001		1735000	1730452
1	1795001		1800000	1800000
1	1895001		1900000	1898306
1	1965001		1970000	1969892
1	2265001		2270000	2265534
1	2300001		2305000	2303304
1	2345001		2350000	2349667
1	2590001		2595000	2591699
1	2770001		2775000	2770011
1	2940001		2945000	2941508
1	3425001		3430000	3429211
1	3860001		3865000	3864827
1	3910001		3912656	3912656
1	4230001		4235000	4234608
1	4425001		4430000	4429541
1	4435001		4440000	4435881
1	4465001		4470000	4465455
1	4495001		4500000	4500000
1	5745001		5750000	5747227
1	7185001		7190000	7189678
1	7760001		7765000	7761686
1	11090001		11095000	11094787
1	16945001		16950000	16949575
1	27980001		27985000	27981033
1	38580001		38585000	38582890
1	40050001		40055000	40051953
1	41135001		41140000	41136456
1	57250001		57255000	57251300
1	70440001		70445000	70441283
1	78955001		78960000	78956787
1	111315001		111320000	111315062
1	117725001		117730000	117727668
1	129235001		129240000	129237710
<b>9643</b>		<b>Total</b>		<b>902,918,495</b>

**FORM 34****PATTERN OF HOLDING OF THE SHARES HELD BY THE SHAREHOLDERS (CDS AND PHYSICAL)**  
AS AT 31 DECEMBER 2011 (SECTION 236)

Categories of Shareholders	No. of Shareholders	Shares Held	Percentage
Directors, Chief Executive Officer and their Spouses and minor Children			
<b>DIRECTORS</b>			
Mr. Alauddin Feerasta	2	11,996,294	1.3286
Mr. Nooruddin Feerasta	1	11,506	0.0013
Mr. Inam Elahi	1	876	0.0001
Mr. Mohammad Rashid Zahir	1	8,244	0.0009
Syed Ali Zafar	1	876	0.0001
<b>CHIEF EXECUTIVE OFFICER</b>			
Mr. Muhammad Aftab Manzoor	0	0	0.0000
<b>DIRECTORS' SPOUSES AND MINOR CHILDREN</b>			
Mrs. Aziza A. Feerasta w/o Mr. Alauddin Feerasta	1	4,424	0.0005
Mrs. Aymna N. Feerasta w/o Mr. Nooruddin Feerasta	1	5,751	0.0006
	<b>8</b>	<b>12,027,971</b>	<b>1.3321</b>
Associated Companies undertakings and related parties			
- Trustees Alauddin Feerasta Trust	2	199,678,993	22.1148
- Trustees Feerasta Senior Trust	2	196,684,455	21.7832
- Trustees Alnu Trust	2	98,387,756	10.8966
Executives	5	209,991	0.0233
National Bank of Pakistan - Trustee Department, NIT and ICP	7	161,196,787	17.8529
Banks Development Financial Institutions, Non Banking Financial Institutions.	10	22,253,163	2.4646
Insurance Companies	13	13,633,405	1.5099
Modarabas and Mutual Funds	16	24,701,015	2.7357
Joint Stock Companies	81	5,617,027	0.6221
Foreign Companies	10	40,541,354	4.4900
<b>General Public:</b>			
a) Local	8,266	111,805,503	12.3827
b) Foreign	1,213	15,990,639	1.7710
<b>Others</b>	8	190,436	0.0211
<b>Total:</b>	<b>9,643</b>	<b>902,918,495</b>	<b>100.00</b>
<b>Shareholders Holding 10% and above</b>			
Trustees Alauddin Feerasta Trust		199,678,993	22.1148
Trustees Feerasta Senior Trust		196,684,455	21.7832
National Bank of Pakistan - Trustee Department, NIT and ICP		161,196,787	17.8529
Trustees Alnu Trust		98,387,756	10.8966
<b>Trading in shares by Directors, CEO, CFO and Company Secretary during the year 2011</b>			
		<b>NIL</b>	

————— **NIL** —————

## LIST OF BRANCHES

## HEAD OFFICE

3rd Floor, 90-B-C/II, Liberty Market  
Gulberg-III, Lahore  
Tel: No: (+92-42) 35757311-2, 35772376-7 & 35772365  
Fax No: (+92-42) 35772366  
Swift: SONEPKKAGLH  
E-mail: gulberg.lahore@soneribank.com

## CENTRAL OFFICE

5th Floor, Al-Rahim Tower, I. I. Chundrigar Road  
P. O. Box: 5856, Karachi  
Tel: No: (+92-21) 32439562-7, 32446994 & 32444401-5  
Fax: (+92-21) 32439561, 32446661 & 32430639  
Swift: SONEPKKAXXX  
E-mail: info@soneribank.com

## CENTRAL REGION

## Main Branch, Lahore

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

## Defence Branch, Lahore

Tel. No: (042) 35897181-3 & 35691037-8

## Gulberg Branch, Lahore

Tel. No: (042) 35713445-8

## Circular Road Branch, Lahore

Tel. No: (042) 37670486 & 37670489

## Model Town Branch, Lahore

Tel. No: (042) 35889311-2

## Akbar Chowk Branch, Lahore

Tel. No: (042) 35177800-2 & 35221410

## Cavalry Ground Branch, Lahore

Tel. No: (042) 36653728-9

## Qartaba Chowk Branch, Lahore

Tel. No: (042) 37211991-3

## Allama Iqbal Town Branch, Lahore

Tel. No: (042) 37812394-5

## Baghbanpura Branch, Lahore

Tel. No: (042) 36832811-3

## Thokar Niaz Baig Branch, Lahore

Tel. No: (042) 35313651-3

## Ghazi Chowk Branch, Lahore

Tel. No: (042) 35188505-7

Islamic Banking New Garden  
Town Branch, Lahore

Tel. No: (042) 35940611-3

## DHA Phase-III Branch, Lahore

Tel. No: (042) 35734083-5

## Chungi Amer Sadhu Branch, Lahore

Tel. No: (042) 35808611-3

## Johar Town Branch, Lahore

Tel. No: (042) 35204191-3

## Wahdat Road Branch, Lahore

Tel. No: (042) 37578211-3

## Gunpat Road Branch, Lahore

Tel. No: (042) 37361607-9

## Airport Road Branch, Lahore

Tel. No: (042) 35700115-7

## Ravi Road Branch, Lahore

Tel. No: (042) 37725356-7

## Shahdara Chowk Branch, Lahore

Tel. No: (042) 37941741-3

## Manga Mandi Branch, Lahore

Tel. No: (042) 35383517-8

## Badian Road Branch, Lahore

Tel. No: (042) 37165390 & 5

## Mughalpura Branch, Lahore

Tel. No: (042) 36880892-4

## Samanabad More Branch, Lahore

Tel. No: (042) 37591404-6

## Islampura Branch, Lahore

Tel. No: (042) 37214394-6

## Garhi Shahu Branch, Lahore

Tel. No: (042) 36294201-2

## Zarrar Shaheed Road Branch, Lahore

Tel. No: (042) 36635167-8

## Hamdard Chowk Kot Lakhpat Br., Lahore

Tel. No: (042) 35140261-3

## Kana Kacha Branch, Lahore

## Sabzazar Br., Multan Road, Lahore

Tel. No: (042) 37830881-2

## DHA Phase-VI Br., Lahore

Tel. No: (042) 35694156-7

## Azam Cloth Market Sub Br., Lahore

Tel. No: (042) 37662203-4

## Gujranwala Branch

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

## Gujranwala Cantt. Br., Gujranwala

Tel. No: (055) 3861931-2

## Kamokee Br., Distt. Gujranwala

Tel. No: (055) 6813501-2

## Main Branch, Faisalabad

Tel. No: (041) 2639877-8 & 111-567-890

## Peoples Colony Branch, Faisalabad

Tel. No: (041) 8555715-6

## Ghulam Muhammadabad Br., Faisalabad

Tel. No: (041) 2680113-4

## Jaranwala Br., Distt. Faisalabad

Tel. No: (041) 4312201-2

## East Canal Road Br., Faisalabad

Tel. No: (041) 2421381-2

## Chiniot Branch

Tel. No: (047) 6333841-2

## Jhang Branch

Tel. No: (047) 7651601-2

## Small Industrial Estate Branch, Sialkot

Tel. No: (052) 3242607-9

## Pasrur Road Branch, Sialkot

Tel. No: (052) 3521655 & 3521755

## Sialkot Cantt Br., Sialkot

Tel. No: (052) 4560023-4

## Sheikhupura Branch

Tel. No: (056) 3613570 & 3813133

## Nankana Sahib Branch

Tel. No: (056) 2876342-3

## Wazirabad Branch

Tel. No: (055) 6603703-4

## Ghakkhar Mandi Branch

Tel. No: (055) 3832611-2

## Main Branch, Multan

Tel. No: (061) 4519927, 4511022

## Shah Rukn-e-Alam Branch, Multan

Tel. No: (061) 6784052 & 4

## Bosan Road Branch, Multan

Tel. No: (061) 6510690-1

## Mumtazabad Br., Multan

## Azmat Road Br., Dera Ghazi Khan

Tel. No: (064) 2471630-5

## 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) 5792041-2

## Sadiqabad Branch

Tel. No: (068) 5702162

## Bahawalpur Branch

Tel. No: (062) 2731703-4

## Sargodha Branch

Tel. No: (048) 3726021-3

## Khanewal Branch

Tel. No: (065) 2551560-2

## Kabirwala Br., Distt. Khanewal

Tel. No: (065) 2400911-2

## Mian Channu Branch

Tel. No: (065) 2662201-2

## Burewala Branch

Tel. No: (067) 3773110 & 3773120

## Depalpur Branch

Tel. No: (044) 4541341-2

## Okara Branch

Tel. No: (044) 2553012-4

## Sahiwal Branch

Tel. No: (040) 4467742-3

## Kharoo Pacca Branch

Tel. No: (0608) 341041-2

## Muzafargarh Branch

Tel. No: (066) 2422901, 3 & 5

## Fazal Garh Sanawan Br., Distt. Muzafargarh

Tel. No: (066) 2250214-5

## Sheikho Sugar Mills Br., Distt. Muzafargarh

Tel. No: (061) 6006351,2 & 4

## Shahbaz Khan Road Branch, Kasur

Tel. No: (0492) 764891-2

## Hafizabad Branch

Tel. No: (0547) 541641-2

## Pattoki Branch

Tel. No: (049) 4422435-6

## Sambrial Branch

Tel. No: (052) 6523451-2

## Vehari Branch

Tel. No: (067) 3360015

## Mailei Br., Distt. Vehari

Tel. No: (067) 3750140-5

## Bahawalnagar Branch

Tel. No: (063) 2274795-6

## Haroonabad Br., Distt. Bahawalnagar

Tel. No: (063) 2251664-5

## SOUTH REGION

## Main Branch, Karachi

Tel. No: (021) 32436990-4 & UAN 111-567-890

## Clifton Branch, Karachi

Tel. No: (021) 35877773-4, 35861386

## Garden Branch, Karachi

Tel. No: (021) 32232877-8

## F. B. Area Branch, Karachi

Tel. No: (021) 36373782-3

## Korangi Industrial Area Branch, Karachi

Tel. No: (021) 35113898-9 & 35113900-1

## AKUH Branch, Karachi

Tel. No: (021) 34852252-3

## Haidery Branch, Karachi

Tel. No: (021) 36638617 & 36630409

## Jodia Bazar Branch, Karachi

Tel. No: (021) 32413627, 32414920 & 37090140

## Shahrah-e-Faisal Branch, Karachi

Tel. No: (021) 34535553-4

## DHA Branch, Karachi

Tel. No: (021) 35852209 & 35845211

## Gulshan-e-Iqbal Branch, Karachi

Tel. No: (021) 34811831-2

## SITE Branch, Karachi

Tel. No: (021) 32568213

## Zamzama Branch, Karachi

Tel. No: (021) 35375836-7

## Gole Market Branch, Karachi

Tel. No: (021) 36618932 & 36681324

## Gulistan-e-Jauhar Branch, Karachi

Tel. No: (021) 34020944-5

## M. A. Jinnah Road Branch, Karachi

Tel. No: (021) 32213972 & 32213498

## Gulbahar Branch, Karachi

Tel. No: (021) 36607744

## North Karachi Branch, Karachi

Tel. No: (021) 36920140-1 & 34246806-7

## Block-7 Gulshan-e-Iqbal Branch, Karachi

Tel. No: (021) 34815811-2

Islamic Banking  
Cloth Market Branch, Karachi

Tel. No: (021) 32442995 & 32442977

## Paria Street Kharadar Branch, Karachi

Tel. No: (021) 32201059-60

## Suparco Branch, Karachi

Tel. No: (021) 34970560 & 37080810

## Chandni Chowk Branch, Karachi

Tel. No: (021) 34937933

## Allama Iqbal Road Branch, Karachi

Tel. No: (021) 34387673-4

## Nishtar Road Branch, Karachi

Tel. No: (021) 32239711 & 3

## Waterpump Branch, Karachi

Tel. No: (021) 36312108 & 36312113

## Apwa Complex Branch, Karachi

Tel. No: (021) 32253143 & 32253216

## Clifton Block-2 Branch, Karachi

Tel. No: (021) 35361115-6

## Malir Branch, Karachi

Tel. No: (021) 34518730 & 34517983

## Bahadurabad Branch, Karachi

Tel. No: (021) 34135842-3

## New Challi Branch, Karachi

Tel. No: (021) 32625246 & 32625279

## Shah Faisal Colony Branch, Karachi

Tel. No: (021) 34602446-7

## Zaibunissa Street Saddar Branch, Karachi

Tel. No: (021) 35220026-7

## Liaquatabad Branch, Karachi

Tel. No: (021) 34860723-6 & 34860725

## Lea Market Branch, Karachi

Tel. No: (021) 32526193-4

## Korangi Township No: 3 Branch, Karachi

Tel. No: (021) 36007572

**North Karachi Ind. Area Branch, Karachi**  
Tel. No: (021) 36962851-3

**F. B. Industrial Area Branch, Karachi**  
Tel. No: (021) 36829961-3

**Napier Road Branch, Karachi**  
Tel. No: (021) 32713538-9

**Gulshan-e-Hadeed Branch, Karachi**  
Tel. No: (021) 34710252 & 34710256

**Metroville Branch, Karachi**  
Tel. No: (021) 36752206-7

**Defence Phase-II Extension Br., Karachi**  
Tel. No: (021) 35386910 & 1

**North Karachi Township Branch, Karachi**  
Tel. No: (021) 36968605-6

**Karachi Stock Exchange Branch, Karachi**  
Tel. No: (021) 32414003-4

**Gulshan-e-Jamal Branch, Karachi**  
Tel. No: (021) 34682682-3

**Alyabad Branch, Karachi**  
Tel. No: (021) 36826727 & 36332517

**Saudabad Branch, Malir, Karachi**  
Tel. No: (021) 34111904-5

**Orangi Town Branch, Karachi**  
Tel. No: (021) 36694381-4

**Safoora Chowk Branch, Karachi**  
Tel. No: (021) 34657271-2

**Barkat-e-Haidery Branch, Karachi**  
Tel. No: (021) 36645688-9

**Shadman Town Branch, Karachi**  
Tel. No: (021) 36903038-9

**New Town Branch, Karachi**  
Tel. No: (021) 32220704

**Enquiry Office Nazimabad No: 2 Br., Karachi**  
Tel. No: (021) 36601504-5

**Block 13-D Gulshan-e-Iqbal Br., Karachi**  
Tel. No: (021) 34983883-4

**Timber Market Br., Karachi**  
Tel. No: (021) 32742491-2

**Khayaban-e-Ittehad, DHA, Phase-VI Br., Karachi**  
Tel. No: (021) 35347414-5

**Sindhi Muslim Co-operative Housing Society Branch, Karachi**  
Tel. No: (021) 34527085-6

**Main Branch, Hyderabad**  
Tel. No: (022) 2781528-9 & UAN 111-567-890

**F. J. Road Branch, Hyderabad**  
Tel. No: (022) 2728131 & 2785997

**Latifabad Branch, Hyderabad**  
Tel. No: (022) 3816309

**Qasimabad Branch, Hyderabad**  
Tel. No: (022) 2651967-9

**Islamic Banking Isra University Branch, Distt. Hyderabad**  
Tel. No: (022) 2032322 & 2030161-4

**Prince Ali Road Branch, Hyderabad**  
Tel. No: (022) 2638515-6

**S.I.T.E. Branch, Hyderabad**  
Tel. No: (022) 3886861-2

**Faqir Jo Pir Branch, Hyderabad**  
Tel. No: (022) 2612685-6

**Matyari Branch, Distt. Matyari**  
Tel. No: (022) 2760125-6

**Sukkur Branch**  
Tel. No: (071) 5622382 & 5622925

**Sanghar Branch, Distt. Sanghar**  
Tel. No: (0235) 543376-8

**Golarchi Branch, Distt. Badin**  
Tel. No: (0297) 853193-4

**Talhar Branch, Distt. Badin**  
Tel. No: (0297) 830389

**Deh. Sonhar Branch, Distt. Badin**  
Tel. No: (0297) 810025-6

**Matli Branch**  
Tel. No: (0297) 840171-2

**Buhara Branch, Distt. Thatta**  
Tel. No: (0298) 608301 & 624911

**Jati Town Branch, Distt. Thatta**  
Tel. No: (0298) 777120 & 129

**Gawadar Branch**  
Tel. No: (086) 4211702-3

**Hub Branch, Distt. Lasbela**  
Tel. No: (0853) 310225-7

**Ranipur Branch, Distt. Khairpur**  
Tel. No: (0243) 630256-7

**Tando Allah Yar Branch**  
Tel. No: (022) 3890262-3

**Sultanabad Branch, Distt. Tando Allah Yar**  
Tel. No: (0233) 509649

**Shahdadpur Branch, Distt. Sanghar**  
Tel. No: (0235) 841982 & 4

**Umerkot Branch**  
Tel. No: (0238) 571350 & 571356

**Tando Bago Sub Branch, Distt. Badin**  
Tel. No: (0297) 854554-5

**Nawabshah Branch**  
Tel. No: (0244) 363919

**Mirpurkhas Branch**  
Tel. No: (0233) 876418-9

**Larkana Branch**  
Tel. No: (074) 4058601-4

**Panjhatti Branch**

**Main Branch, Quetta**  
Tel. No: (081) 2821610 & 2821641

**Islamic Banking Hazar Gunji Branch, Quetta**  
Tel. No: (081) 2471985-6

## NORTH REGION

**Main Branch, Peshawar**  
Tel. No: (091) 5277914-6 & 5277394

**Chowk Yadgar Branch, Peshawar**  
Tel. No: (091) 2573335-6

**Islamic Banking Khyber Bazar Branch, Peshawar**  
Tel. No: (091) 2566812-3

**Main Branch, Rawalpindi**  
Tel. No: (051) 5522901-3 & 5700519

**Chandni Chowk Branch, Rawalpindi**  
Tel. No: (051) 4455071-2

**22 Number Chungi Branch, Rawalpindi**  
Tel. No: (051) 5563577-8

**Muslim Town Branch, Rawalpindi**  
Tel. No: (051) 4425925, 6 & 9

**Pindora Branch, Rawalpindi**  
Tel. No: (051) 4419020-22

**Gulraiz Branch, Rawalpindi**  
Tel. No: (051) 5509690-2

**Bewal Br., Distt. Rawalpindi**  
Tel. No: (051) 3360274-5

**Peshawar Road Br., Rawalpindi**  
Tel. No: (051) 5460115-7

**Main Branch, Islamabad**  
Tel. No: (051) 2277551, 2272460 & UAN 111-567-890

**G-9 Markaz Branch, Islamabad**  
Tel. No: (051) 2850171-3

**Islamic Banking I-10 Markaz Branch, Islamabad**  
Tel. No: (051) 4101733-5

**I-9 Markaz Branch, Islamabad**  
Tel. No: (051) 4858101-3

**E-11 Branch, Islamabad**  
Tel. No: (051) 2228756-9

**DHA Phase-II Extn. Br., Islamabad**  
Tel. No: (051) 2502908 & 5819837

**Lathrar Road Br., Tarlai, Distt. Islamabad**  
Tel. No: (051) 2241664-6

**Soan Garden Br., Distt. Islamabad**  
Tel. No: (051) 5738942-4

**Islamic Banking F-8 Markaz Br., Islamabad**  
Tel. No: (051) 2818019-21

**Taxila Branch**  
Tel. No: (051) 4544733 & 4544735-6

**Gujar Khan Branch**  
Tel. No: (051) 3516328 - 9

**Waisa Branch, Distt. Attock**  
Tel. No: (057) 2651066-8

**Swabi Branch, Distt. Swabi**  
Tel. No: (0938) 221741, 3 & 4

**Topi Branch, Distt. Swabi**  
Tel. No: (0938) 271614-6

**Mirpur Branch, (AJK)**  
Tel. No: (05827) 444488, 448044 & 448048

**Islamgarh Branch, (AJK)**  
Tel. No: (05827) 423981-2

**Chaksawari Branch, Distt. Mirpur (AJK)**  
Tel. No: (05827) 454775-6

**Dadyal Branch, Distt. Mirpur (AJK)**  
Tel. No: (05827) 465555 & 465560-2

**Jattian Branch, Distt. Mirpur (AJK)**  
Tel. No: (05827) 403591-4

**Gilgit Branch**  
Tel. No: (05811) 453749

**Denyore Branch, Distt. Gilgit**  
Tel. No: (05811) 459986-7

**Jutial Branch, Distt. Gilgit**  
Tel. No: (05811) 457231-5

**Aliabad Branch, Hunza**  
Tel. No: (05813) 455000 & 455001

**Gahkuch Branch**  
Tel. No: (05814) 450408-10

**Skardu Branch**  
Tel. No: (05815) 450327 & 450189

**Mansehra Road Branch, Abbottabad**  
Tel. No: (0992) 385231-3

**Jhelum Branch**  
Tel. No: (0544) 625794-5

**Booni Branch, Distt. Chitral**  
Tel. No: (0943) 470413-4

**Chitral Branch, Distt. Chitral**  
Tel. No: (0943) 412078-9

**Kharian Branch**  
Tel. No: (053) 7535446-8

**Lalamusa Branch**  
Tel. No: (053) 7511072-4

**Chakwal Branch**  
Tel. No: (0543) 543128-30

**Gujrat Branch**  
Tel. No: (0533) 520591-2

**Mardan Branch**  
Tel. No: (0937) 864755-7

**Muzaffarabad Branch**  
Tel. No: (0582) 920025-6

## FOREIGN CORRESPONDENTS - 2011

Country	Name of Bank		
Algeria	- Citibank N.A. Algeria	Chile	- Banco de Credito E Inversiones
Argentina	- ABN-AMRO Bank N.V. - Banco de Galicia Y Buenos Aires	China	- Agricultural Bank of China - Bank of Beijing - Bank of Communications - Bank of Shanghai - China Citic Bank - Citibank (China) Co. Ltd. - China Construction Bank Corporation - China Merchants Bank - Commerzbank AG - Deutsche Bank AG - HSBC Bank (China) Company Ltd. - J. P. Morgan Chase Bank (China) Company Ltd. - Mizuho Corporate Bank (China) Co. Ltd. - Qilu Bank Co. Ltd. - Royal Bank of Scotland (China) Co. Ltd. - Standard Chartered Bank (China) Limited - Westlb AG
Australia	- Australia & New Zealand Banking Group Limited - BNP Paribas Australia - Citibank Limited - Commonwealth Bank of Australia - HSBC Bank Australia Limited - J. P. Morgan Chase Bank N.V. - National Australia Bank Ltd. - Royal Bank of Scotland N.V. (Australia) - RaboBank	Cyprus	- Bank of Cyprus Public Company Ltd. - Hellenic Bank Public Company Ltd. - Marfin Popular Bank Ltd.
Austria	- Erste Group Bank AG - Erste Bank der Oesterreichischen Sparkassen AG - Raiffeisenlandesbank Niederoesterreich-Wien AG - Raiffeisen Bank International AG - UniCredit Bank Austria AG	Czech Republic	- Ceskoslovenska Obchodni Banka A.S. - Ceska Sportelna AS - Citibank Europe PLC, Organizacni Slozka - Commerzbank AG - Komerčni Banka A.S. - Royal Bank of Scotland N.V. (Czech Republic) - UniCredit Bank Czech Republic AS
Bahrain	- Al-Baraka Islamic Bank - Arab Investment Company - Citibank N.A. - Habib Bank Limited - Standard Chartered Bank - United Bank Limited	Denmark	- Danske Bank - Nordea Bank Denmark A.S - Royal Bank of Scotland N.V. (Denmark)
Bangladesh	- Habib Bank Limited - Standard Chartered Bank - Woori Bank	Egypt	- Banque Misr - Citibank NA - Mashreq Bank PSC - Societe Arab International de Banque - Suez Canal Bank
Belgium	- Bank J. Van Breda & Co. N.V. - Credit Europe Bank N.V. - Commerzbank AG - Citibank International PLC - Dexia Bank S.A. - Deutsche Bank AG - Fortis Bank S.A./N.V. - Habib Bank Limited - ING Belgium S.A./N.V. - KBC Bank N.V. - Royal Bank of Scotland N.V.	Ethiopia	- Dashen Bank SC
Brazil	- Banco Fibra S.A. - Deutsche Bank S.A.	Finland	- Danske Bank - Nordea Bank Finland PLC - Sampo Bank (Part of Danske Bank Group)
Bulgaria	- Citibank N.A. - UniCredit BulBank AD	France	- ABC International Bank PLC - Bank Saderat Iran - BNP-Paribas S.A. - Citibank International PLC - Credit Agricole S.A. - Credit Du Nord - CM-CIC Banques - Habib Bank Limited - HSBC France (Formerly HSBC CCF) - HSBC Bank PLC - Korea Exchange Bank - National Bank of Pakistan - Societe Generale - Union de Banques Arabes et Francaises - UBAF
Canada	- Caisse Centrale Desjardins - Canadian Imperial Bank of Commerce - Habib Canadian Bank - HSBC Bank Canada - Royal Bank of Canada - Royal Bank of Scotland N.V. (Canada)		

Germany	-	Commerzbank A.G.	Indonesia	-	Bank Indonesia
	-	DZ Bank AG Deutsche Zentral - Genossenschafts		-	Bank Mandiri (Persero) PT
	-	Deutsche Bank A.G.		-	Citibank N.A.
	-	Deutsche Bank Private-Und Geschaeftskunden A.G.		-	Hong Kong and Shanghai Banking Corporation Limited
	-	Hamburger Sparkasse		-	J. P. Morgan Chase Bank N.A.
	-	HSH Nordbank A.G.		-	Royal Bank of Scotland N.V.
	-	HSBC Trinkaus & Bukhardt KGaA		-	Standard Chartered Bank
	-	ING Bank N.V. Frankfurt Branch	Iran	-	Bank Mellat
	-	Landesbank Baden-Wuerttemerg		-	Bank Saderat Iran
	-	M. M. Warburg & Co. KGaA		-	Bank Melli Iran
	-	National Bank of Pakistan		-	Bank Sepah
	-	Royal Bank of Scotland NV		-	Export Development Bank of Iran
	-	SEB A.G.	Ireland	-	Citibank Europe PLC
	-	Standard Chartered Bank GmbH		-	National Irish Bank (Part of Danske Bank Group)
	-	UniCredit Bank A.G. (Hypovereinsbank)		-	Royal Bank of Scotland N.V.
	-	WGZ Bank Westdeutsche	Italy	-	Banca Agricola Mantovana SPA
Ghana	-	Standard Chartered Bank Ghana Limited		-	Banca Atonveneta SPA
Greece	-	Alpha Bank A.E.		-	Banca Carige SPA
	-	Bank of Cyprus Public Company Ltd.		-	Banca Delle Marche SPA
	-	Citibank N.A.		-	Banca Popolare di Crema SPA (Banco Popolare Group)
	-	Piraeus Bank S.A.		-	Banco di Napoli SPA
Hong Kong	-	Australia & New Zealand Banking Group Limited		-	Banca Popolare di Lodi SPA
	-	Bank of America N.A.		-	Banca Popolare Commercio E Industria SCaRL
	-	Bank of China (Hong Kong) Limited		-	Banca Popolare dell' Emilia Romagna SCaRL
	-	BNP Paribas		-	Banca Popolare di Novara SPA
	-	Citibank N.A.		-	Banca Popolare di Vicenza SCPaRL
	-	DBS Bank (Hong Kong) Limited		-	Banco Popolare di Verona e Novara Scrl
	-	Deutsche Bank A.G.		-	Banca UBAE SPA
	-	Fortis Bank		-	Bipop Carire SPA
	-	HBZ Finance Limited		-	Banco Popolare Soc. Coop.
	-	Habib Finance International Limited		-	Citibank N.A.
	-	The Hong Kong and Shanghai Banking Corporation Limited		-	Commerzbank A.G.
	-	Industrial and Commercial Bank of China (Asia) Ltd.		-	Deutsche Bank SPA
	-	J. P. Morgan Chase Bank N.A.		-	HSBC Bank PLC
	-	Mashreqbank PSC		-	Intesa Sanpaolo SPA
	-	National Bank of Pakistan		-	Royal Bank of Scotland N.V.
	-	Royal Bank of Scotland NV		-	UniCredit SPA
	-	Sumitomo Mitsui Banking Corporation	Japan	-	Bank of Tokyo Mitsubishi Limited
	-	Standard Chartered Bank (Hong Kong) Limited		-	Citibank Japan Limited
	-	UBAF (Hong Kong) Limited		-	Credit Agricole CIB
	-	UniCredit Spa - Hong Kong		-	Deutsche Bank A.G.
	-	Wells Fargo Bank N.A.		-	Hong Kong & Shanghai Banking Corporation
	-	Westlb A.G.		-	Mizuho Corporate Bank
	-	Woori Bank		-	National Bank of Pakistan
Hungary	-	CIB Bank Ltd.		-	Resona Bank Ltd.
	-	Citibank Europe PLC		-	Royal Bank of Scotland PLC
	-	Raiffeisen Bank RT		-	Saitama Resona Bank Ltd.
	-	UniCredit Bank Hungary ZRT		-	Sumitomo Mitsui Banking Corporation
India	-	Citibank N.A.		-	Standard Chartered Bank
	-	Deutsche Bank A.G.		-	The Tokushima Bank Limited
	-	Hong Kong and Shanghai Banking Corporation Limited		-	Union de Banque Arabes et Francaises - U.B.A.F.
	-	ICICI Bank Limited	Jordan	-	Citibank N.A.
	-	J. P. Morgan Chase Bank N.A.		-	The Housing Bank for Trade & Finance
	-	Mashreqbank PSC	Kenya	-	Citibank N.A.
	-	Punjab National Bank		-	Habib Bank Limited
	-	Punjab and Sind Bank		-	Kenya Commercial Bank Limited
	-	Royal Bank of Scotland N.V. (India)		-	Standard Chartered Bank Kenya Limited
	-	Standard Chartered Bank		-	

Korea (South)	-	Bank of Tokyo-Mitsubishi UFJ Ltd.	Northern Ireland	-	Bank of Ireland
	-	Citibank Korea Inc.		-	Northern Bank (Part of Danske Bank Group)
	-	The Daegu Bank Ltd.	Oman	-	Bank Sohar SAOG
	-	Hana Bank		-	Oman International Bank SAOG
	-	Hong Kong & Shanghai Banking Corporation Limited		-	Standard Chartered Bank
	-	Industrial Bank of Korea	Philippines	-	Bank of Tokyo Mitsubishi Ltd.
	-	J.P. Morgan Chase Bank NA		-	Hong Kong and Shanghai Banking Corporation Limited
	-	Kookmin Bank		-	Standard Chartered Bank
	-	Korea Exchange Bank	Poland	-	BRE Bank S.A.
	-	National Bank of Pakistan		-	Bank Handlowy W Wearszawie S.A.
	-	Royal Bank of Scotland N.V.		-	Danske Bank AS/S.A. Odzial W Polsce
	-	Suhyup Bank	Portugal	-	ABN-AMRO Bank N.V.
	-	Shinhan Bank		-	Banco BPI S.A.
	-	Standard Chartered First Bank Korea Ltd.		-	Caixa Geral de Depositos S.A.
	-	Union de Banques Arabes et Francaises - UBAF		-	Fortis Bank-Suc. Portugal (Ex. Generale Bank-Suc. Portugal)
	-	Woori Bank	Qatar	-	HSBC Bank Middle East Limited
Kuwait	-	Alahli Bank of Kuwait KSC		-	Standard Chartered Bank
	-	Citibank N.A.		-	United Bank Limited
	-	Commercial Bank of Kuwait SAK	Romania	-	Banca Comerciala Romana S.A.
	-	National Bank of Kuwait		-	Citibank Europe PLC, Dublin-Sucursala Romania
Kyrgyzstan	-	National Bank of Pakistan		-	RBS Bank (Romania) S.A.
Lebanon	-	Banque Libano-Francaise SAL		-	UniCredit Tirioc Bank S.A.
Luxembourg	-	Danske Bank International S.A.	Russia	-	Zao Citibank
	-	RBS Global Banking (Luxembourg) S.A.	Saudi Arabia	-	Al Inma Bank
Macau	-	Standard Chartered Bank		-	J. P. Morgan Chase Bank
Malaysia	-	Bank of Tokyo-Mitsubishi UFJ Ltd.		-	National Bank of Pakistan
	-	Citibank Berhad		-	National Commercial Bank
	-	Hong Leong Bank Bhd		-	Samba Financial Group
	-	HSBC Bank Malaysia Berhad		-	Saudi British Bank
	-	J. P. Morgan Chase Bank Berhad		-	Saudi Hollandi Bank
	-	Royal Bank of Scotland Berhad	Serbia	-	Findomestic Banka AD
	-	Standard Chartered Bank Malaysia Berhad		-	Cacanska Banka AD
Mauritius	-	Habib Bank Limited	Singapore	-	Bank of America N.A.
	-	The Mauritius Commercial Bank Limited		-	Bank Mandiri (Persero) PT
Mexico	-	Banco Nacional de Mexico S.A.		-	Bank of Tokyo Mitsubishi UFJ Ltd.
	-	Royal Bank of Scotland Mexico S.A.		-	Citibank N.A.
Netherlands	-	ABN-AMRO Bank N.V.		-	Commerzbank A.G.
	-	Citibank International PLC		-	Credit Agricole CIB
	-	Credit Europe Bank N.V.		-	Deutsche Bank A.G.
	-	Deutsche Bank A.G.		-	Fortis Bank S.A./N.V.
	-	Ge Artesia Bank (Formerly Banque Artesia Nederland N.V.)		-	Habib Bank Limited
	-	Habib Bank Limited		-	Hong Kong & Shanghai Banking Corporation Limited
	-	ING Bank N.V.		-	HSH Nordbank A.G.
	-	Lanschot Bankiers N.V. F. Van		-	Intesa Sanpaolo SPA
	-	Royal Bank of Scotland N.V.		-	J.P. Morgan Chase Bank
New Zealand	-	ANZ National Bank Limited		-	KBC Bank
	-	Bank of New Zealand		-	Mizuho Corporate Bank Ltd.
	-	Citibank N.A.		-	National Bank of Kuwait SAK
Norway	-	DNB Nor Bank ASA		-	Rabo Bank
	-	Handelsbanken S.A.		-	Royal Bank of Scotland N.V.
	-	Skandinaviska Enskilda Banken		-	Shinhan Bank
				-	Sumitomo Mitsui Banking Corporation
				-	Standard Chartered Bank
				-	Union de Banque Arabes et Francaises
				-	Westlb A.G.
				-	Woori Bank

Slovakia	-	Ceskoslovenska Obchodna Banka AS	Taiwan	-	Australia & New Zealand Banking Group Ltd.
	-	Slovenska Sporitelna AS		-	Citibank Taiwan Limited
	-	Tatra Banka AS		-	Deutsche Bank AG
Slovenia	-	UniCredit Banka Slovenija DD		-	HSBC Bank (Taiwan) Limited
South Africa	-	ABN-AMRO Bank N.V.		-	J. P. Morgan Chase Bank NA
	-	Citibank N.A.	Tanzania	-	Standard Chartered Bank (Taiwan) Limited
	-	FirstRand Bank Ltd.		-	Diamond Trust Bank Tanzania Ltd.
	-	HBZ Bank Limited		-	Standard Chartered Bank Tanzania Ltd.
	-	Standard Bank of South Africa Limited	Thailand	-	Bank of Tokyo-Mitsubishi UFJ, Ltd.
Spain	-	Banco Pastor		-	Citibank N.A.
	-	Banco de Sabadell		-	HongKong and Shanghai Banking Corporation Ltd.
	-	Bilbao Bizkaia Kutxa		-	J. P. Morgan Chase Bank NA
	-	Bank Inter SA		-	Kasikornbank Public Company Ltd
	-	Caja Mediterraneo		-	Mizuho Corporate Bank Ltd.
	-	Caixa D' Estalvis I Pensions de Barcelona (La Caixa)		-	Royal Bank of Scotland NV
	-	Caja de Ahorros de Valencia, Castellon Y Alicante BANCAJA		-	Standard Chartered Bank (Thai) PLC
	-	Citibank International plc		-	Sumitomo Mitsui Banking Cororation
	-	Commerzbank AG		-	The Siam Commercial Bank Public Company Limited
	-	Deutsche Bank		-	Thanachart Bank Public Company Limited
	-	Fortis Bank SA, Sucursal En Espana	Turkeminstan	-	National Bank of Pakistan
	-	HSBC Bank plc	Turkey	-	Akbank T.A.S.
	-	Royal Bank of Scotland NV Sucursal en Espana		-	Alternatifbank A.S.
Sri-Lanka	-	Bank of Ceylon		-	Citibank A.S.
	-	Commercial Bank of Ceylon Limited		-	Finansbank
	-	Habib Bank Limited		-	Habib Bank Limited
	-	Hatton National Bank Limited		-	HSBC Bank A.S.
	-	The HongKong & Shanghai Banking Corporation Limited		-	Turkey Garanti Bankasi AS
	-	MCB Bank Limited		-	Turkiye Vakiflar Bankasi TAO
	-	People's Bank		-	Turk Ekonomi Bankasi AS
	-	Standard Chartered Bank		-	Yapi Ve Kredi Bankasi AS
Sweden	-	Citibank International PLC	Tunisia	-	Tunis International Bank
	-	Danske Bank AS, Sverige Filial		-	Union Bancaire Pour Le Commerce et l'Industrie SA
	-	Nordea Bank Sweden AB	U.A.E.	-	Abu Dhabi Commercial Bank
	-	Royal Bank of Scotland NV		-	Bank Saderat Iran
	-	Skandinaviska Enskilda Banken AB		-	BNP Paribas
	-	Svenska Handelsbanken AB		-	Citibank N.A.
Switzerland	-	ABN-AMRO Bank (Switzerland) A.G.		-	Credit Europe Bank (Dubai) Ltd.
	-	Arab Bank (Switzerland) Ltd.		-	Deutsche Bank AG
	-	Banque Cantonale Vaudoise		-	Dubai Islamic Bank
	-	Banque de Commerce et de Placements S.A.		-	Emirates Islamic Bank
	-	BNP Paribas (Suisse) S.A.		-	Emirates NBD Bank PJSC
	-	Credit Agricole (Suisse) S.A.		-	First Gulf Bank
	-	Credit Suisse		-	Habib Bank AG Zurich
	-	Deutsche Bank A.G.		-	Habib Bank Limited
	-	Dresdner Bank (Schweiz) A.G.		-	HSBC Bank Middle East Limited
	-	Habib Bank AG Zurich		-	Mashreq Bank psc
	-	HSBC Private Bank (Suisse) S.A.		-	Royal Bank of Scotland NV (United Arab Emirates)
	-	Neue Aargauer Bank		-	Standard Chartered Bank
	-	UBS A.G.		-	United Bank Limited
	-	United Bank A.G. (Zurich)	Ukraine	-	PJSC 'CITIBANK'
	-	Zurcher Kantonalbank		-	JSC The State Export-Import Bank of Ukraine

U.K.	-	Bank of Cyprus Public Company Limited	Vietnam	-	ABN AMRO Bank NV
	-	Bank of Ireland (UK) PLC		-	Citibank NA
	-	Bank Mandiri (Europe) Limited		-	J. P. Morgan Chase Bank NA
	-	Citibank N.A.		-	Standard Chartered Bank
	-	Clydesdale Bank plc			
	-	Commerzbank AG	Yemen (Republic of)	-	National Bank of Yemen
	-	Danske Bank		-	Yemen Commercial Bank
	-	Deutsche Bank AG			
	-	Fortis Bank SA/NV	Yugoslavia	-	Unicredit Bank Srbija AD
	-	Habib Bank AG Zurich			
	-	Habib - UK PLC			
	-	Habibsons Bank Limited			
	-	HSBC Bank plc			
	-	Israel Discount Bank Ltd.			
	-	J. P. Morgan Chase Bank NA			
	-	MashreqBank Psc			
	-	National Westminster Bank			
	-	Royal Bank of Scotland NV (London)			
	-	Rabobank International			
	-	Sonali Bank (UK) Ltd.			
	-	Standard Chartered Bank			
	-	Sumitomo Mitsui Banking Corporation Europe Ltd.			
	-	United National Bank Ltd.			
	-	Woori Bank			
U.S.A.	-	ABN-AMRO Capital USA LLC			
	-	Bank of America NA			
	-	Bank of New York Mellon			
	-	Bank of the West			
	-	Bank of Oklahoma N.A.			
	-	Branch Banking & Trust Co.			
	-	BNP Paribas USA			
	-	The Bank of Tokyo-Mitsubishi UFJ Ltd.,			
	-	Capital One N.A.			
	-	Citibank N.A.			
	-	Credit Agricole CIB			
	-	Commerzbank AG			
	-	Comerica Bank			
	-	Deutsche Bank Trust Company Americas			
	-	Deutsche Bank AG			
	-	Doha Bank			
	-	Habib American Bank			
	-	Habib Bank Limited			
	-	HSBC Bank USA NA			
	-	Israel Discount Bank of New York			
	-	Intesa Sanpaolo SPA			
	-	International Finance Corporation			
	-	J. P. Morgan Chase Bank			
	-	KeyBank National Association			
	-	M and I Marshall and Ilsley Bank			
	-	MashreqBank psc			
	-	National Bank of Pakistan			
	-	New York Commercial Bank			
	-	Royal Bank of Scotland NV			
	-	RBS Citizens NA			
	-	Sumitomo Mitsui Banking Corporation			
	-	Sovereign Bank			
	-	Standard Chartered Bank			
	-	Union Bank NA			
	-	U.S. Bank N.A.			
	-	United Bank Limited			
	-	Wachovia Bank NA			
	-	Wells Fargo Bank N.A.			

**FORM OF PROXY**  
(20<sup>th</sup> Annual General Meeting)

I/WE \_\_\_\_\_

OF \_\_\_\_\_

BEING MEMBER(S) OF SONERI BANK LIMITED, HOLDING \_\_\_\_\_

ORDINARY SHARES, HEREBY APPOINT \_\_\_\_\_

OF \_\_\_\_\_ OR FAILING HIM/HER \_\_\_\_\_

-----  
OF \_\_\_\_\_ WHO IS/ARE MEMBER(S) OF SONERI BANK LIMITED AS MY/OUR PROXY IN MY/OUR ABSENCE TO ATTEND AND VOTE FOR ME/US AND ON MY/OUR BEHALF AT THE 20<sup>TH</sup> ANNUAL GENERAL MEETING OF THE BANK TO BE HELD ON 30 MARCH 2012 AND/OR ANY ADJOURNMENT THEREOF.

AS WITNESS MY/OUR HAND/SEAL THIS \_\_\_\_\_ DAY OF \_\_\_\_\_ 2012

SIGNED BY \_\_\_\_\_

IN THE PRESENCE OF \_\_\_\_\_

SHAREHOLDER NO.

SIGNATURE ON  
REVENUE STAMP OF  
APPROPRIATE VALUE

THE SIGNATURE SHOULD AGREE WITH THE  
SPECIMEN REGISTERED WITH THE COMPANY

**IMPORTANT**

1. This Proxy Form, duly completed and signed, must be received at the Registered Office of the Bank, Soneri Bank Limited, Rupali House 241-242, Upper Mall Scheme, Anand Road, Lahore-54000, not less than 48 hours before the time of Holding the meeting.
2. No person shall act as proxy unless he himself/she herself is a member of the Bank, expect that a corporation may appoint a person who is not a member.
3. If a member appoints more than one proxy, and more than one instruments of proxy are deposited by a member with the Bank, all such instruments of proxy shall be rendered invalid.

Soneri Bank Limited

AFFIX  
CORRECT  
POSTAGE

The Company Secretary  
Soneri Bank Limited  
Rupali House 241-242  
Upper Mall Scheme  
Anand Road  
Lahore-54000

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