

Annual Report 2013



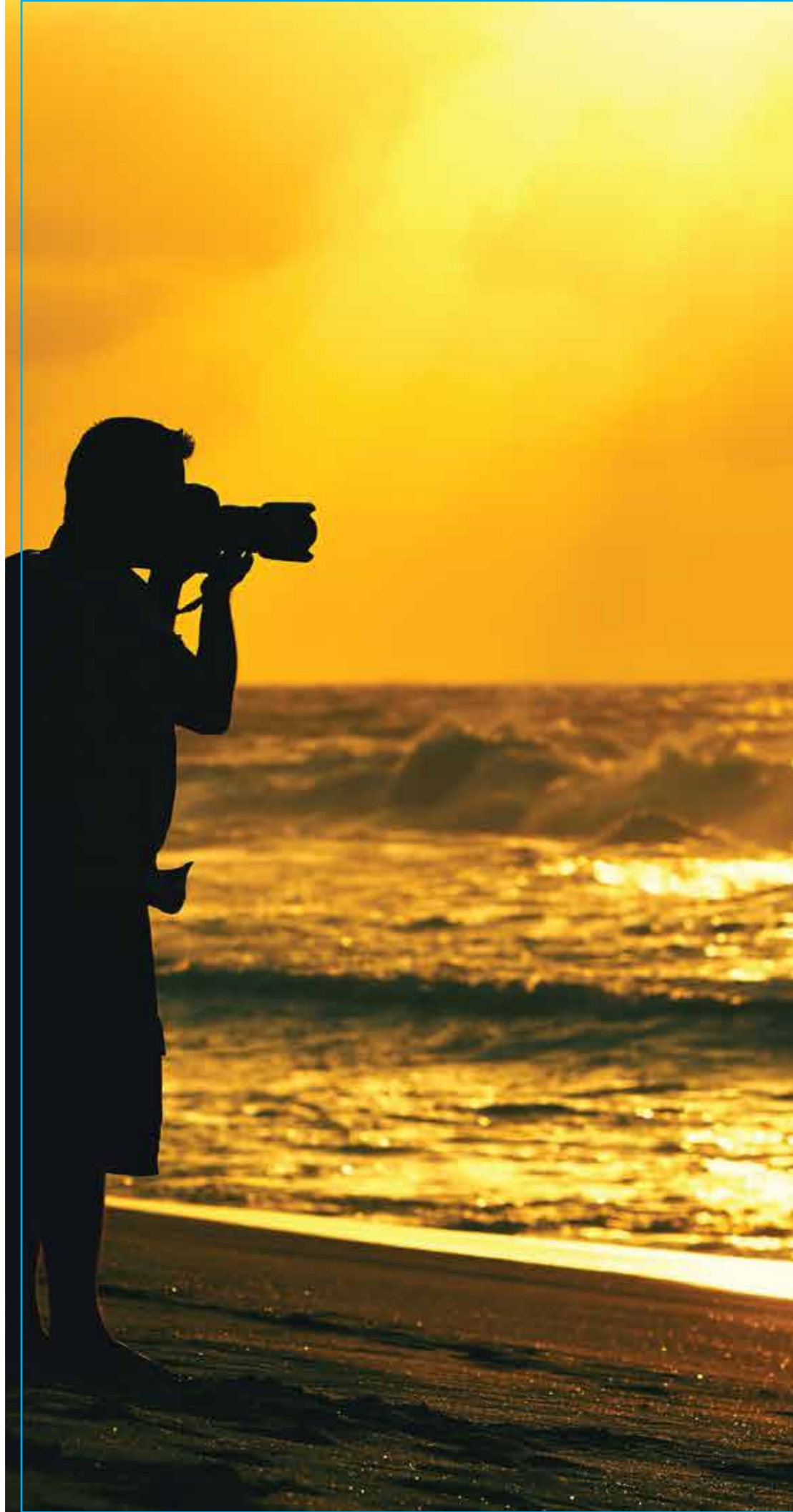
Soneri Bank Limited

Roshan Har Qadam

Annual Report 2013

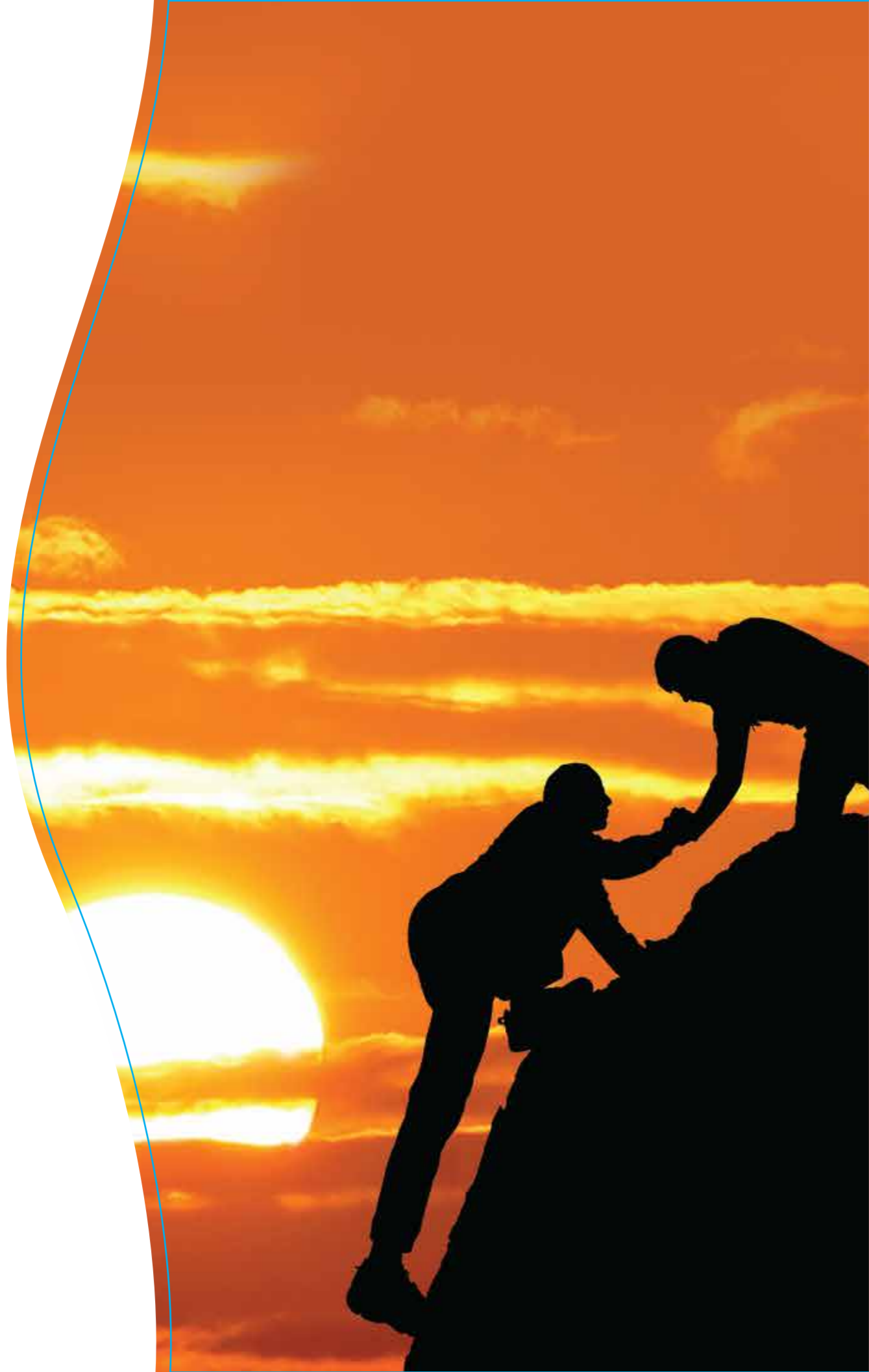
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Vision

To better serve customers
to help them and the
society grow



Mission

We provide innovative and efficient financial solutions to our customers

Core Values

- We are customer centric
- We have high moral standards
- We take ownership
- We are proactive
- We collaborate

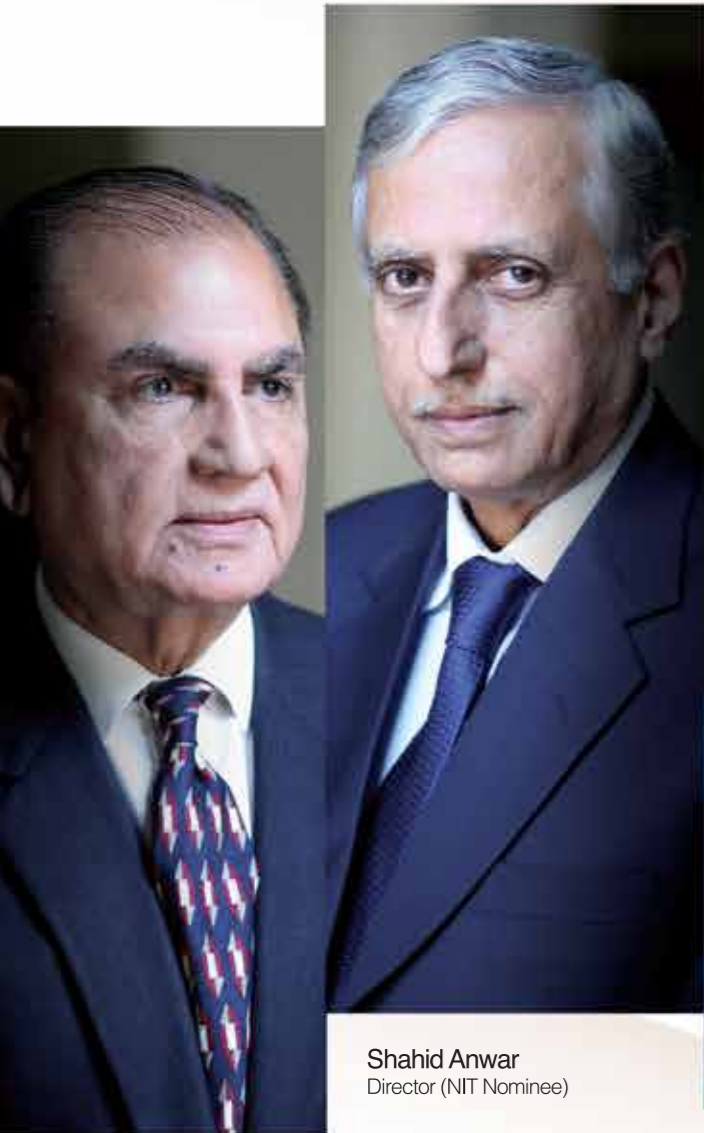


Growing stronger, is our
commitment to you



Propelled by a single purpose
to serve you better

BOARD OF DIRECTORS



Inam Elahi
Director



Shahid Anwar
Director (NIT Nominee)



Nooruddin Feerasta
Director



Mohammad Aftab Manzoor
President & Chief Executive Officer



Alauddin Feerasta
Chairman



Muhammad Rashid Zahir
Director



Manzoor Ahmed
Director (NIT Nominee)



Syed Ali Zafar
Director

SENIOR MANAGEMENT



Mohammad Aftab Manzoor
President & Chief Executive Officer



Bilal Asghar
Head of Corporate & Investment Banking



Iqbal Zaidi
Head of Compliance and Control



Khawaja Mohammad Ahmed
Head of Operations



Mohammad Haider Devjianie
Chief Information Officer



Mubarik Ali
Country Credit Head



Nemat Ali
Advisor



Amin A. Feerasta
Chief Risk Officer



Abdul Aleem Qureshi
Head of Commercial and Retail Banking



Anita Lalani
Head of Human Resources



Shahid Abdullah
Head of Treasury, Capital Markets,
FI and PRI



Shakil Ahmed Jamali
Head of Internal Audit



Zafar Abrar Naqvi
Credit Executive



Anjum Hai
Chief Financial Officer

PRODUCTS & SERVICES

Soneri Bank offers a diverse range of products & services to cater to the growing banking needs of our customers. Our brand promise "Roshan Har Qadam" manifests our commitment to constantly innovate our product suite for the best match of personal & business needs of our customers, including Commercial, Retail & Corporate segments.

With our Corporate Vision, "to better serve customers to help them & the society grow" & our Mission to "provide innovative & efficient financial solutions to our customers", we integrate with our valuable customers to provide them convenient and hassle-free product solutions. Empowered by an ever-growing network of branches and ATMs, we strive to become the bank of choice for our existing & potential customers.

PKR Current Accounts:

Customers can open any PKR Current Account for their day-to-day banking needs and enjoy the convenience of banking offered via 239 online, real-time branches and a growing ATM network of 266 machines across the country. Some of our Rupee Current Accounts include:

Soneri Current Account

Soneri Current Account is a rupee account which may be opened with any amount. Enjoy unlimited transactions, including free Cash Deposit and Withdrawal facilities via your bank branch and a free Clearing facility to deposit cheques of other banks within the city where your branch is located. We also offer Alternate Delivery Channel Services on these accounts including VISA Debit Card and Soneri Direct Internet Banking.

Soneri Ikhtiar Current Account

Soneri Ikhtiar Current Account is a rupee account for businesses and individuals providing efficient, accessible and convenient banking transactions. On maintaining average monthly balance of Rs. 25,000/-, we provide an array of free facilities on this account, including free issuance of Banker's Cheques, free Cash Deposit and Withdrawal facilities via any Soneri branch, free Cheque Books, free VISA Debit Classic Card and much more, giving you the freedom to see your business grow without worrying about bank service charges.

PKR Savings Accounts

Soneri Bank offers a variety of Savings products for salaried persons or those who have a fixed regular income to encourage them to save money and collect their savings for a rainy day. We also have Savings Accounts for senior citizens and pensioners. Some of our Savings products include:

PLS Savings Account

PLS Savings Account is a basic deposit account with no minimum balance requirement. This account may be opened with an initial deposit of PKR 100 only. We offer Alternate Delivery Channel Services on these accounts, including VISA Debit Card and Soneri Direct Internet Banking.

Soneri Savings Account

Soneri Savings Account is a flexible and fast growing cumulative profit account. The rate of profit on this account increases with your balance without any demand and negotiations with the Bank. Soneri Savings Account has no minimum balance requirement. As with the PLS Savings Account, this account may also be opened with an initial deposit of PKR 100 only. Alternate Delivery Channel Services on this account includes VISA Debit Card and Soneri Direct Internet Banking.

Soneri Sahara Account

Soneri Bank offers a Savings account for its senior account holders so they may retire with a smile. Soneri Sahara Account calculates the profit on the monthly average balances and the profit is credited to the account on the first working day of the following month. We provide the VISA Debit Classic Card and the first Cheque book of 25 leaves for free to our Soneri Sahara Account holders.

PKR Term Deposit Accounts

Term Deposits

Soneri Term Deposits are for customers who intend to retain their savings for a fixed period and earn a higher rate of profit. Term Deposits allow customers to save a fixed amount in Rupees for a set period ranging from 1 month to 3 years at attractive profit rates. The depositor has the option to reinvest the deposit automatically with or without profit.

Diamond Deposits (Monthly Income Scheme)

Soneri Diamond Deposits provide investment opportunities to investors looking for additional monthly income with an attractive return. With terms from 1 year to 3 years, investors earn a monthly profit credited to an associated Current Account for easy withdrawal and use through the VISA Debit Card and over 266 Soneri Bank ATMs across Pakistan.

FCY Deposit Accounts

Soneri Bank also offers FCY Current, Savings & Term Deposit Accounts to cater to the foreign currency transactional needs of our customers.

Financing Products

In addition to our conventional financing products, including Running Finance, Cash Finance, Finance against Imported Merchandise (FIM) and Finance Against Trust Receipts (FATR), the Bank also offers following specific financing products to help the customers grow their business without worrying about capital requirement.

Agriculture Financing

Soneri Bank offers various Agriculture Finance Schemes for the farming & rural community that help them advance their agricultural operations, both for Production & Development. The following Agri product suite is available to meet the needs of our customers

- Soneri Revolving Credit Scheme.
- Soneri Farm Mechanizing Support Financing Scheme.
- Soneri Tractor Financing Scheme.
- Soneri Aabiari/Tube well (Water Management) Financing Scheme.
- Soneri Live-Stock Development Financing Scheme.
- Soneri Land Development (Islah-e-Arazi) Financing Scheme.
- Soneri Go-Down, Silos, Cold Storage, etc. Construction Financing Scheme.

SME Financing

Soneri Bank offers credit facilities to SME sector of the country to facilitate the customers to grow their businesses and also contribute their share towards industrial growth of the country. Our SME Financing covers a wide range of segments including manufacturing & trade-related activities. The Bank is committed to play its role towards strengthening the SME sector by encouraging quality players to avail credit facilities from us, empowering them to grow beyond financial limitations.

Consumer Finance

Soneri Car Finance

You can become the owner of a brand new car through Soneri Car Finance Scheme. Soneri Bank offers Car Finance facility up to PKR 2.0 million, repayable up to 5 years in equal monthly installments. Processing of application is fast and hassle-free with partial payment and early settlement options.

Home Remittances

Soneri Bank introduces "Soneri Mehnat Wasool", the Home Remittance Service. The service provides customers the convenience of collecting their remittances sent from abroad from any of Soneri Bank's 239 branches in 105 cities across Pakistan. Initially launched with MoneyGram as one of the international money transfer partners, Soneri Bank has signed-up with Wall Street Finance Canada Ltd & Golden Money Transfer under PRI to facilitate its customers.

Alternate Delivery Channel Services

Soneri Mobile Banking

Soneri Mobile Banking lets our customers access their accounts anytime and anywhere via their mobile phones. Customers can view their account statements, perform funds transfer, get mobile top-ups and pay their utility bills conveniently sitting in the comfort of their homes and offices.

Soneri Direct Internet Banking

Soneri Direct Internet Banking provides our customers a hassle-free, simple and secure platform to operate their bank account from the internet 24/7 from anywhere in the world. Customers can access their Soneri Bank account any time, print account statements, pay utility bills, transfer funds and view the history of their Soneri Internet Banking activities with a single click from their computers.

Soneri VISA Debit Card

Soneri VISA Debit Card brings a cashless experience of spending and making payments countrywide and across the globe. Customers are privileged to avail unmatched opportunities and benefits of the VISA Classic Card and VISA Debit Gold Card.

SMS Alert

Soneri Bank offers SMS Alert Service to all of its customers, in order to make them feel secure and in control of their spending from their accounts, both via branches and Alternate Delivery Channels. The alerts are instant & keep customers updated about their account transactions.

Phone Banking

Customers can access their account 24/7 with Soneri Phone Banking. With a telephone, VISA Debit Card number and T-Pin, customers gain instant access to their accounts and get all the information they need. Simply dial +92-21-111-SONERI (766374)

Protection and Coverage Products

Bancassurance

Soneri Bank offers numerous coverage products to protect customers and their dear ones. Benefit from an array of Bancassurance products to match your specific needs, ranging from your children's education plans to business protection plans:

- Soneri Saver Plan
- Roshan Takmeel Plan
- Roshan Aghaz
- Karobar Muhafiz Product

ATM Withdrawal Coverage - Tahaffuz

Soneri Tahaffuz ATM Withdrawal Coverage is a product that covers you in the event of loss of cash resulting from armed hold-up or forced deprivation on withdrawals from any 1-Link/Mnet ATMs in Pakistan. The coverage is available for both conventional & Islamic account holders.

Soneri Islamic Banking

Soneri Bank's Islamic Banking segment "Soneri Mustaqeem" offers a broad range of 100% Shariah Compliant financial solutions. Our Islamic portfolio includes:

Financing Products

- Murabaha
- Ijara
- Salam
- Diminishing Musharaka
- Trade Finance
- Letter of Credit & Guarantees

Deposit Products

- Soneri Aasaan Business Account
- Soneri Bachat Savings Account
- Soneri Munafa Savings Account
- Soneri Meaadi Term Deposit
- Soneri Jari Current Account (Local and Foreign Currency)

Corporate Advisory

Soneri Bank provides a one-window approach to its valued Corporate customers for their Working Capital, Project Finance, Trade Structuring and Investment Banking needs through our dedicated Relationship Managers and Branch Channels in a seamless manner.

Cash Management

SBL's Cash Management Channel 'Soneri Trans@ct', provides our valued customers with a comprehensive, end-to-end cash flow management, i.e. Receivables and Payables Management, in the most effective and efficient manner.

Our CM services, comprises of a full array of products & services, designed and tailored to enable Corporate, Commercial and SME customers to securely exchange funds and financial information in real-time with their trading partners, for the optimal management of working capital.



Setting sail to deliver
on our promise to you

CORPORATE INFORMATION

CHAIRMAN

MR. ALAUDDIN FEERASTA

CHIEF EXECUTIVE OFFICER

MR. MOHAMMAD AFTAB MANZOOR

DIRECTORS

MR. NOORUDDIN FEERASTA

MR. INAM ELAHI

SYED ALI ZAFAR

MR. MUHAMMAD RASHID ZAHIR

MR. MANZOOR AHMED (NIT NOMINEE)

MR. SHAHID ANWAR (NIT NOMINEE)

CHIEF FINANCIAL OFFICER

MS. ANJUM HAI

COMPANY SECRETARY

MR. MUHAMMAD ALTAF BUTT

AUDITORS

KPMG TASEER HADI & CO.

CHARTERED ACCOUNTANTS

LEGAL ADVISORS

MANAN ASSOCIATES, ADVOCATES

REGISTERED OFFICE

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

CENTRAL OFFICE

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

REGISTRAR AND SHARE TRANSFER AGENT

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

LIST OF SUB-COMMITTEE OF THE BOARD OF DIRECTORS

AUDIT COMMITTEE OF THE BOARD

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

CREDIT COMMITTEE OF THE BOARD

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

RISK MANAGEMENT COMMITTEE OF THE BOARD

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

HUMAN RESOURCE COMMITTEE OF THE BOARD

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

LIST OF SUB-COMMITTEE OF THE BOARD OF DIRECTORS

AUDIT COMMITTEE

TERMS OF REFERENCE

Constitution:

Mr. Nooruddin Feerasta
Chairman

Mr. Inam Elahi
Member

Mr. Muhammad Rashid Zahir
Member

Mr. Shahid Anwar
Member

Audit Committee is mandated with the responsibilities to determine appropriateness of measures taken by the management to safeguard Bank's assets, ensure consistency of accounting policies, review financial statements and recommend appointment of the external auditors as well as to have close coordination with them so as to comply with statutory and CCG requirements. The Committee is inter-alia also responsible to ascertain the effectiveness of the Internal Control System including financial and operational controls, ensuring adequate and effective accounting and reporting structure and monitoring compliance with the best practices of the corporate governance. The other functions of the Committee include consideration of major findings of internal investigations and management's response thereto as well as ensuring that an effective internal audit functions is in place.

CREDIT COMMITTEE

TERMS OF REFERENCE

Constitution:

Mr. Alauddin Feerasta
Chairman

Mr. Nooruddin Feerasta
Member

Mr. Mohammad Aftab Manzoor
Member

Mr. Inam Elahi
Member

The primary functions of the Credit Committee of the Board are to ensure adherence to the lending policies, review the credit policies, systems and controlling strategies for their further strengthening and monitoring the loan portfolios regularly on an overall basis including a periodical review of problem loans, classified and stuck-up cases. The Committee is also required to ensure that there are adequate systems, procedures and controls in the Bank for all significant areas related to credit, the laid down procedures / guidelines are effectively communicated down the line and a reasonable setup is put in place to implement the same. The Committee is also assigned the responsibility to review the credit related activities of the Executive Credit Committee (ECC) on a quarterly basis for threshold; fund based Rs.200.00 million & above, non-fund based Rs.400.00 million & above and total exposure Rs.400.00 million & above.

RISK MANAGEMENT COMMITTEE

TERMS OF REFERENCE

Constitution:

Mr. Inam Elahi
Chairman

Mr. Mohammad Aftab Manzoor
Member

Mr. Shahid Anwar
Member

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

LIST OF SUB-COMMITTEE OF THE BOARD OF DIRECTORS

HUMAN RESOURCE COMMITTEE

Constitution:

Mr. Manzoor Ahmed
Chairman

Mr. Mohammad Aftab Manzoor
Member

Mr. Inam Elahi
Member

Mr. Shahid Anwar
Member

TERMS OF REFERENCE

The Human Resource Committee is responsible for overseeing the Human Resources function of the Bank by ensuring development and implementation of HR strategies that recruit, retain, and inspire professional excellence in employees of the Bank. It recommends human resource management policies to the board that ensures equal opportunity, gender balance, and transparency. It also reviews the significant HR policies of the bank and ensures that they are well aligned to the market .

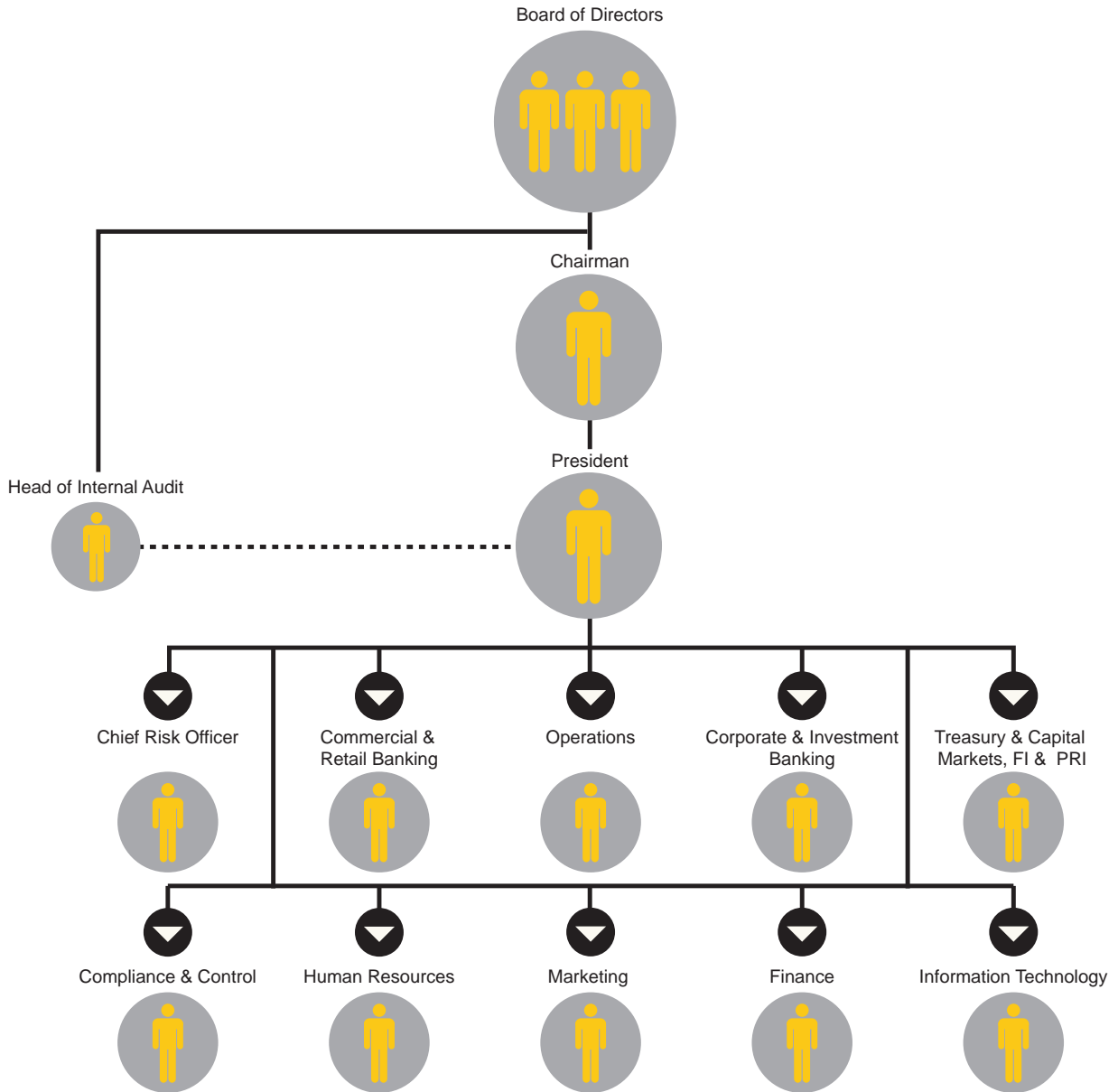
Detail of the Board of Directors and its Sub-Committees' meetings held during the year 2013 and the attendance by each director/committee member is given as under.

Name	Board of Directors	Audit Committee	Credit Committee	Risk Management Committee	Human Resource Committee
Mr. Alauddin Feerasta Chairman of the Board	6/6	*	4/4	*	*
Mr. Mohammad Aftab Manzoor Chief Executive Officer / President	6/6	*	4/4	5/5	4/4
Mr. Nooruddin Feerasta	**5/6	4/4	4/4	*	*
Mr. Inam Elahi	6/6	4/4	4/4	5/5	4/4
Mr. Muhammad Rashid Zahir	6/6	4/4	*	*	*
Syed Ali Zafar	**2/6	*	*	*	*
Mr. Manzoor Ahmed (NIT Nominee)	**5/6	*	*	*	4/4
Mr. Shahid Anwar (NIT Nominee)	6/6	4/4	*	5/5	4/4
Total Number of meetings held	6	4	4	5	4

Note: *represents not a member of the Committee

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

ORGANIZATIONAL STRUCTURE



MANAGEMENT COMMITTEE

1. Management Committee

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

2. Executive Credit Committee

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

3. Assets and Liability Committee

1. Mr. Mohammad Aftab Manzoor, Chairman
2. Mr. Amin A. Feerasta
3. Mr. Abdul Aleem Qureshi
4. Mr. Shahid Abdullah, Secretary
5. Mr. Mubarak Ali
6. Ms. Anjum Hai
7. Mr. Javaed Hussain Siddiqi
8. Mr. Bilal Asghar

4. Investment Committee

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

5. I.T. Steering Committee

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

6. Credit Risk Management Committee

1. Mr. Mohammad Aftab Manzoor, Chairman
2. Mr. Amin A. Feerasta
3. Mr. Mubarak Ali
4. Mr. Abdul Aleem Qureshi
5. Mr. Bilal Asghar
6. Ms. Anjum Hai
7. Mr. Javed Hussain Siddiqi, Secretary

7. Market & Liquidity Risk Management Committee

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

8. Business Continuity Plan Steering Committee

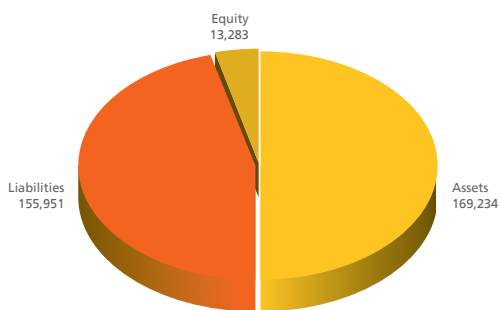
1. Mr. Mohammad Aftab Manzoor, Chairman
2. Mr. Iqbal Zaidi
3. Mr. Abdul Aleem Qureshi
4. Mr. Muhammad Haider Devjanie
5. Mr. Khawaja Mohammad Ahmed
6. Ms. Anita Lalani
7. Ms. Anjum Hai
8. Mr. Shakil Ahmed Jamali
9. Col. (Retd.) Zahid Raza
10. Mr. Sohail Omar
11. Mr. Jawed Munshi
12. Mr. Muhammad Khawar Ali Shah
13. Mr. Zia Amjad Hussain
14. Mr. Mir Aamir Nawaz
15. Mr. Javed Hussain Siddiqi, Secretary

INSPIRING GROWTH

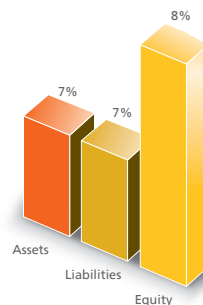
AS OF 31 DECEMBER 2013

		2013	2012	Growth
Gross Advances	Rs. In Million	104,318	83,254	25.30%
Deposits	"	140,580	120,591	16.58%
Net Assets	"	13,283	12,332	7.71%
Profit after Tax	"	1,037	1,104	-6.07%
Interest Income	"	4,850	4,844	0.12%
Non-markup Income	"	2,380	1,857	28.16%
Earnings per Share	Rs.	0.94	1.00	-6.00%
Total Revenue	Rs. In Million	7,230	6,701	7.89%
Return on Equity	%	8.70%	10.24%	-15.04%
Return on Capital Employed	%	11.60%	14.32%	-18.99%
Trade Business	Rs. In Million	293,347	253,514	15.71%
Number of Accounts	(In '000)	501	445	12.58%

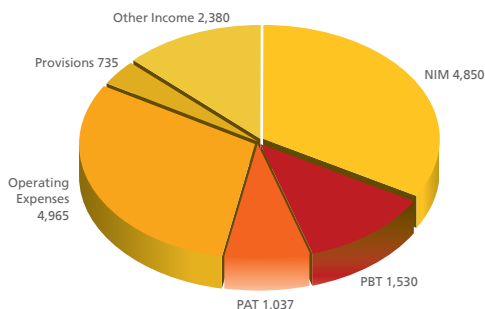
Statement of Financial Position (Rs. in Million)



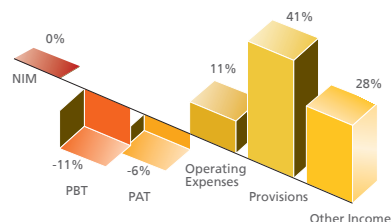
Variance During the FY 13



Profit & Loss (Rs. in Million)



Variance During the FY 13



KEY PERFORMANCE INDICATORS

		2013	2012	Variance Compared to 2012	
				Amount	%
Financial					
Investment-Gross	Rs. In Million	46,837	59,678	(12,841)	-22%
Advances-Gross	"	104,318	83,254	21,064	25%
Deposits	"	140,580	120,591	19,989	17%
Shareholders' Equity	"	13,283	12,332	951	8%
Net Interest Income	"	4,850	4,844	6	0%
Non Interest Income	"	2,380	1,857	523	28%
Operating expenses	"	4,965	4,459	506	11%
Profit before provisions	"	2,265	2,242	23	1%
Provisions	"	735	520	215	41%
Profit Before Taxation	"	1,530	1,722	(192)	-11%
Profit After Taxation	"	1,037	1,104	(67)	-6%
Non Financial					
No. of customers	Absolute	417,077	400,150	16,927	4%
No. of new branches opened	"	6	19	(13)	-68%
No. of new accounts opened	"	87,009	84,675	2,334	3%
No of ATM cards issued	"	54,448	59,956	(5,508)	-9%
No of permanent employees	"	2,835	2,644	191	7%
No of virtual banking customers	"	24,360	18,416	5,944	32%
No of mobile banking customers	"	15,344	7,989	7,355	
Key Financial Ratios					
Earnings Per Share	Rs.	0.94	1.00		
Book Value Per Share	"	11.29	11.35		
Share Price	"	10.93	7.09		
Market Capitalization	Rs. In Million	12,050	7,106		
Price Earning Ratio	Times	11.63	7.09		
Return on Equity	%	8.70%	10.24%		
Return on Assets	%	0.63%	0.77%		
Capital Adequacy Ratio	%	10.95%	12.37%		

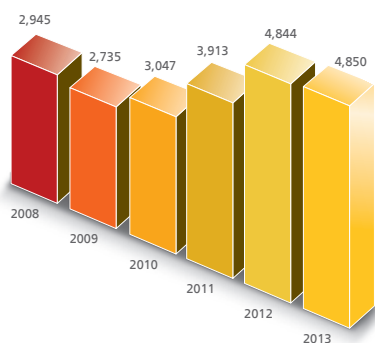
SIX YEARS' FINANCIAL SUMMARY 2008-2013

(Rs. In Million)

	2013	2012	2011	2010	2009	2008
Profit & loss account						
Mark-up / Return / Interest Earned	13,601	13,778	12,910	10,250	9,337	7,823
Mark-up / Return / Non Interest Expensed	8,751	8,934	8,997	7,204	6,603	4,878
Fund based Income	4,850	4,844	3,913	3,047	2,735	2,945
Fee, Commission , Brokerage and exchange Income	1,581	1,191	1,194	603	673	638
Dividend Income and Capital Gain	623	528	428	175	120	268
Other income	176	138	264	450	375	321
Non Interest Income	2,380	1,857	1,886	1,228	1,168	1,226
Total Income	7,230	6,701	5,799	4,275	3,903	4,171
Operating expenses	4,965	4,459	3,449	2,682	2,079	1,952
Profit before tax and provisions	2,265	2,242	2,350	1,593	1,824	2,219
Provisions	735	520	1,272	1,452	1,633	1,266
Profit before tax	1,530	1,722	1,078	140	190	953
Profit after tax	1,037	1,104	784	125	145	701
Cash dividend	-	-	-	-	-	-
Bonus Shares	1,002	993	1003	-	905	-
Right Shares	-	-	1001	1004	-	-

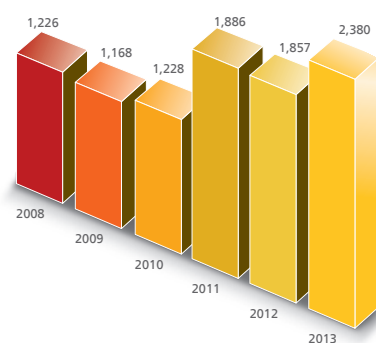
Fund Based Income

(Rs. in Million)



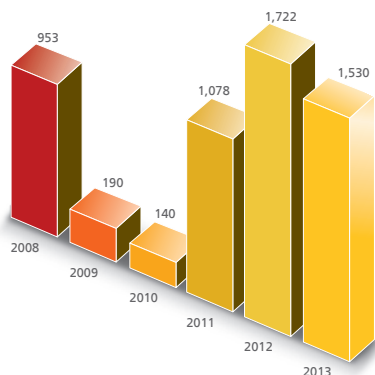
Non-Markup Income

(Rs. in Million)



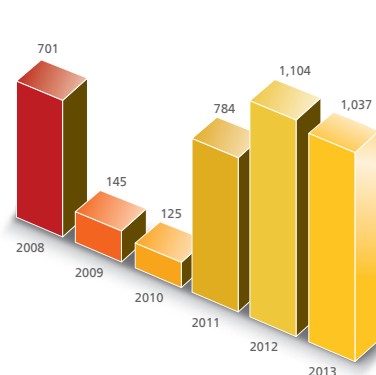
Profit Before Tax

(Rs. in Million)



Profit After Tax

(Rs. in Million)

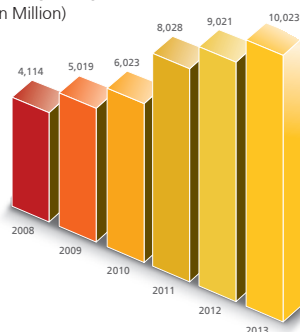


SIX YEARS' FINANCIAL SUMMARY 2008-2013

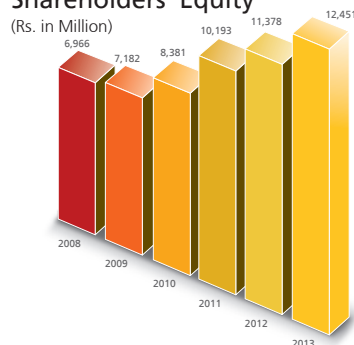
(Rs. In Million)

	2013	2012	2011	2010	2009	2008
Statement of Financial Position						
Paid up Capital - Net	10,023	9,021	8,028	6,023	5,019	4,114
Reserves	618	410	1,183	2,029	2,004	2,017
Unappropriate Profit	1,810	1,947	982	329	158	835
Shareholders' Equity	12,451	11,378	10,193	8,381	7,182	6,966
Surplus on revaluation of assets	832	954	740	536	622	147
Net Assets	13,283	12,332	10,933	8,918	7,803	7,113
Total Assets	169,234	158,629	129,756	108,106	95,310	80,977
Earning Assets	146,620	145,674	111,929	92,194	81,420	65,699
Gross Advances	104,318	83,254	71,072	59,293	51,939	49,465
Advances-Net of Provisions	97,179	76,825	65,340	54,676	48,727	47,575
Non-Performing Loans (NPLS)	10,424	9,927	8,942	7,096	5,002	3,190
Investments	46,703	59,517	45,776	34,986	29,537	14,053
Total Liabilities	155,951	146,297	118,823	99,188	87,507	73,864
Deposits and other accounts	140,580	120,591	99,419	82,017	73,548	61,634
Current and Saving deposits (CASA)	98,633	82,363	62,033	50,179	41,991	35,357
Borrowings	10,485	20,398	14,557	12,371	9,386	8,441
Interest bearing liabilities	116,079	114,209	94,364	77,788	70,300	56,550
Contingent and Commitments	72,799	61,327	41,731	55,550	39,838	30,132

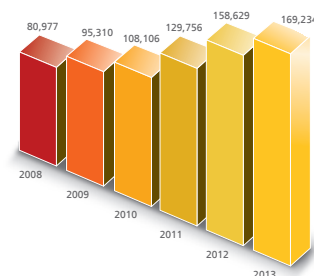
Paid up Capital
(Rs. in Million)



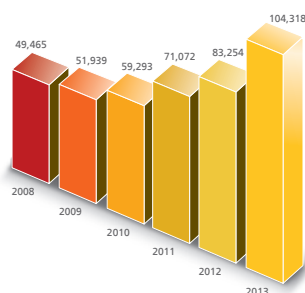
Shareholders' Equity
(Rs. in Million)



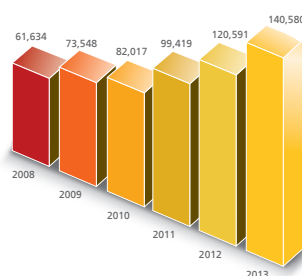
Total Assets
(Rs. in Million)



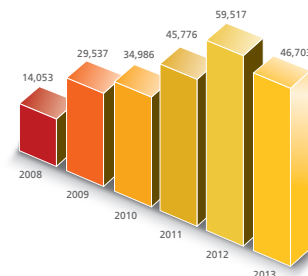
Gross Advances
(Rs. in Million)



Deposits
(Rs. in Million)



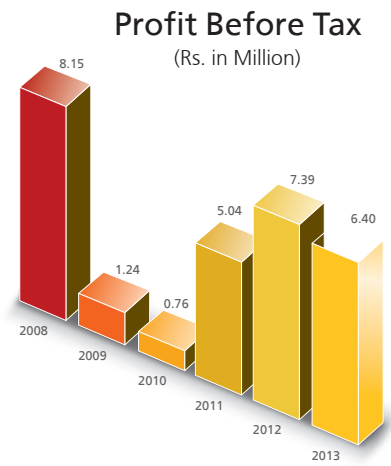
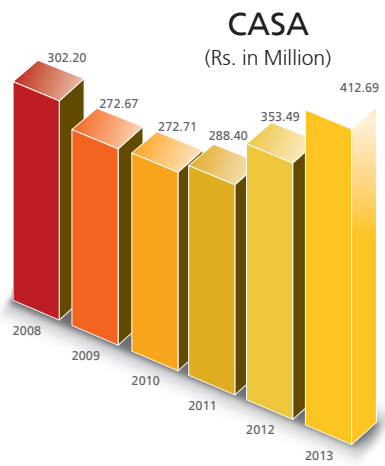
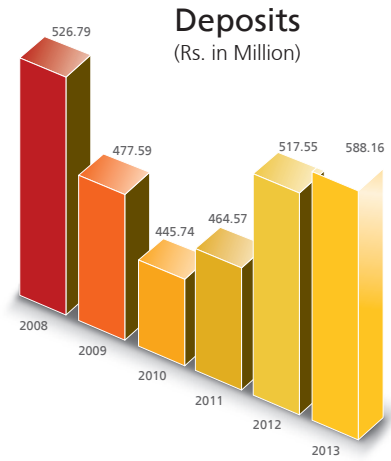
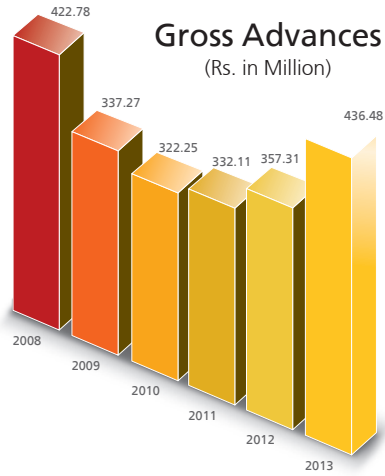
Investments
(Rs. in Million)



SIX YEARS' FINANCIAL SUMMARY 2008-2013

		2013	2012	2011	2010	2009	2008
Financial Ratios							
Profit before tax ratio (PBT/total income)	%	21.16%	25.70%	18.59%	3.29%	4.88%	22.86%
Gross Spread (NIM/Interest Income)	"	35.66%	35.16%	30.31%	29.72%	29.29%	37.64%
Non interest income to total income	"	32.92%	27.71%	32.52%	28.73%	29.93%	29.40%
Income /expense ratio (excluding provisions)	Times	1.46	1.50	1.68	1.59	1.88	2.14
Return on average equity (ROE)	%	8.70%	10.24%	8.44%	1.61%	2.05%	10.63%
Return on average assets (ROA)	"	0.63%	0.77%	0.66%	0.12%	0.16%	0.89%
Return on Capital Employed (ROCE)	"	11.60%	14.32%	10.56%	3.07%	4.18%	13.28%
Earning Per Share (EPS before tax)	Rs.	1.53	1.91	1.34	0.23	0.38	2.32
Earning Per Share (EPS after tax)	Rs.	0.94	1.00	0.78	0.17	0.29	1.70
Gross Advances to deposit ratio	%	74.21%	69.04%	71.49%	72.29%	70.62%	80.26%
Net Advances to deposit ratio	"	69.13%	63.71%	65.72%	66.66%	66.25%	77.19%
Break up value per share (excl. surplus on revaluation of assets)	Rs.	12.42	12.61	12.70	13.92	14.31	16.93
Break up value per share (excl. surplus on revaluation of fixed assets)	"	12.67	12.96	12.83	13.64	14.14	15.47
Break up value per share (incl. surplus on revaluation of assets)	"	13.25	13.67	13.62	14.81	15.55	17.29
Earning Assets to total assets	%	86.64%	91.83%	86.26%	85.28%	85.43%	81.13%
Earning assets to interest bearing liabilities	Times	1.26	1.28	1.19	1.19	1.16	1.16
Weighted average cost of deposits	%	5.85%	6.84%	7.88%	7.84%	8.69%	8.12%
CASA to total deposits	"	70.16%	68.30%	62.40%	61.18%	57.09%	57.37%
NPLs to total advances ratio	"	9.99%	11.92%	12.58%	11.97%	9.63%	6.45%
Coverage ratio (Specific Provisions/NPLs)	"	68.20%	64.68%	64.01%	64.95%	63.98%	58.61%
Assets to Equity	Times	13.59	13.94	12.73	12.90	13.27	11.63
Total assets per share	Times	168.85	175.84	161.63	179.48	189.89	196.82
Deposits to shareholders' equity	Times	11.29	10.60	9.75	9.79	10.24	8.85
Risk Adequacy							
Tier I Capital	Rs.in Million	12,229	11,240	10,048	8,358	7,169	6,621
Risk Weighted Assets (RWA)	"	116,336	96,176	84,045	73,255	65,358	62,626
Tier I to RWA	%	10.51%	11.69%	11.96%	11.41%	10.97%	10.57%
Capital Adequacy Ratio	"	10.95%	12.37%	12.64%	12.61%	12.75%	12.66%
Net Return on Average RWA	"	0.89%	1.15%	0.93%	0.17%	0.22%	1.12%
Stock Dividend							
Bonus Shares Issued	%	10.00%	11.00%	12.50%	0%	22%	0%
Share Information							
Market Value per share-31 Dec	Rs.	10.93	7.09	3.90	8.31	11.07	11.00
- High during the year	"	11.38	9.40	8.01	9.41	19.04	42.4
- Low during the year	"	5.90	3.71	3.56	4.30	10.04	9.68
Market Capitalization	Rs.in Million	12,049.93	7,105.88	3,521.38	5,005.30	5,556.42	4,525.64
Price to book value (excl. surplus on revaluation of assets)		0.88	0.56	0.31	0.60	0.77	0.65
Price Earning Ratio	Times	11.63	7.09	5.00	48.89	38.23	6.45
Industry Share							
Deposits	%	1.87%	1.81%	1.70%	1.60%	1.71%	1.63%
Advances	"	2.56%	2.16%	2.03%	1.69%	1.59%	1.56%
Non Financial Information							
No of branches	Absolute	239	233	214	184	154	117
No of permanent employees	"	2,835	2,644	2,286	2,042	1,815	1,587
ATMs	"	265	251	216	184	154	117

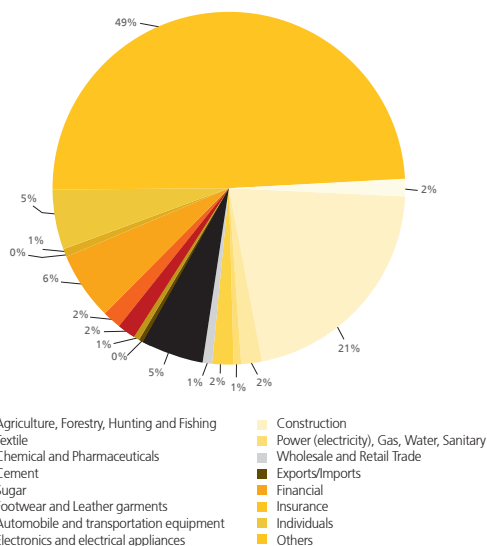
PER BRANCH PERFORMANCE



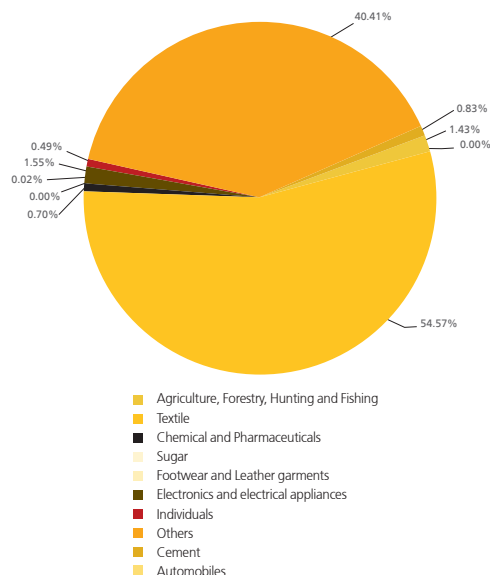
CONCENTRATION OF ADVANCES, NPLs, DEPOSITS AND OFF-BALANCE SHEET ITEMS - 31 DECEMBER 2013

	Advances (Gross)		Classified Advances		Deposits		Contingencies	
	(Rupees in '000)	(Percent)	(Rupees in '000)	(Percent)	(Rupees in '000)	(Percent)	(Rupees in '000)	(Percent)
Agriculture, Forestry, Hunting and Fishing	1,666,149	1.60%	149,035	1.43%	3,313,396	2.36%	800,068	2.67%
Textile	22,367,009	21.44%	5,688,415	54.57%	1,896,144	1.35%	3,577,416	11.95%
Chemical and Pharmaceuticals	1,842,394	1.77%	72,606	0.70%	383,447	0.27%	1,927,566	6.44%
Cement	783,514	0.75%	86,149	0.83%	4,843	0.00%	38,037	0.13%
Sugar	2,008,127	1.93%	-	0.00%	214,529	0.15%	56,987	0.19%
Footwear and Leather garments	872,889	0.84%	1,954	0.02%	481,000	0.34%	153,609	0.51%
Automobile and transportation equipment	5,157,672	4.94%	149	0.00%	5,662,594	4.03%	3,865,159	12.92%
Electronics and electrical appliances	514,593	0.49%	161,973	1.55%	164,467	0.12%	333,370	1.11%
Construction	702,280	0.67%	-	0.00%	990,258	0.70%	538,482	1.80%
Power (electricity), Gas, Water, Sanitary	2,309,647	2.21%	-	0.00%	4,007,856	2.85%	900,985	3.01%
Wholesale and Retail Trade	1,779,928	1.71%	-	0.00%	4,074,514	2.90%	447,998	1.50%
Exports/Imports	6,455,973	6.19%	-	0.00%	1,862,998	1.33%	2,447,224	8.18%
Financial	723,088	0.69%	-	0.00%	2,663,479	1.89%	-	0.00%
Insurance	-	0.00%	-	0.00%	90,495	0.06%	-	0.00%
Individuals	5,705,353	5.47%	50,981	0.49%	77,227,567	54.93%	1,384,210	4.63%
Others	51,428,917	49.30%	4,212,849	40.41%	37,542,320	26.72%	13,455,086	44.96%
Total	104,317,533	100.00%	10,424,111	100.00%	140,579,907	100.00%	29,926,197	100.00%

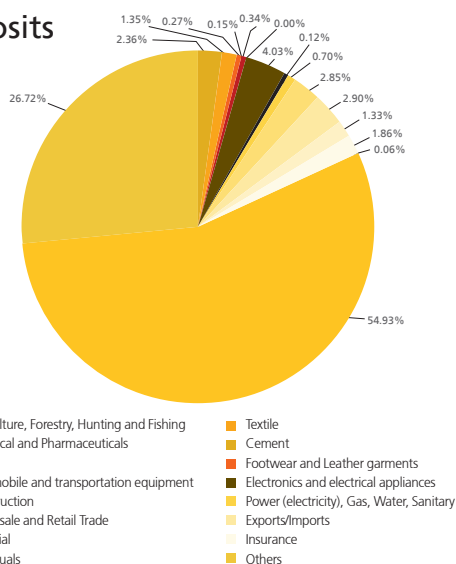
Advances (Gross)



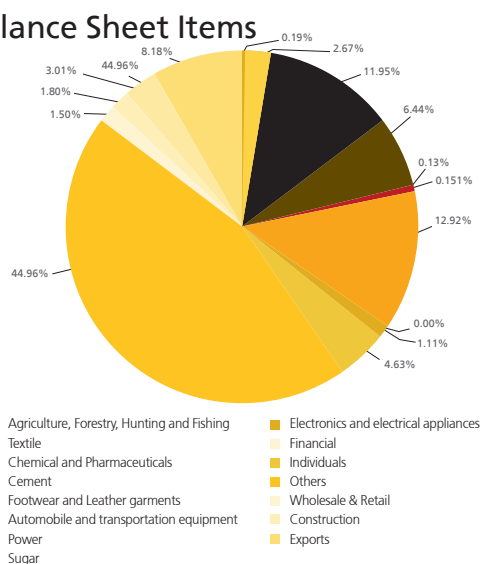
Classified Advances



Deposits



Off Balance Sheet Items

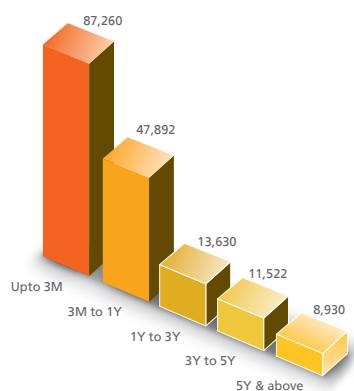


MATURITIES OF ASSETS AND LIABILITIES (Expected)

	TOTAL	Upto 3M	3M to 1Y	1Y to 3Y	3Y to 5Y	5Y & above
------(Rupees in Million)-----						
Assets						
Cash and balances with treasury banks	12,673	12,673	-	-	-	-
Balances with other banks	957	957	-	-	-	-
Lending to financial institutions	2,738	2,738	-	-	-	-
Investments - net	46,703	19,909	19,555	5,869	587	783
Advances - net	97,179	47,721	25,851	6,313	10,487	6,807
Operating fixed assets	4,009	273	504	1,448	444	1,340
Deferred Tax Assets	103	-	103	-	-	-
Other assets - net	4,872	2,989	1,879	-	4	-
	169,234	87,260	47,892	13,630	11,522	8,930
Liabilities						
Bills payable	2,578	2,578	-	-	-	-
Borrowings	10,485	7,328	2,402	212	79	464
Deposits and other accounts	140,580	47,190	46,242	8,415	7,074	31,659
Sub-ordinated loans	-	-	-	-	-	-
Deferred tax liabilities - net	-	-	-	-	-	-
Other liabilities	2,308	2,126	182	-	-	-
	155,951	59,222	48,826	8,627	7,153	32,123

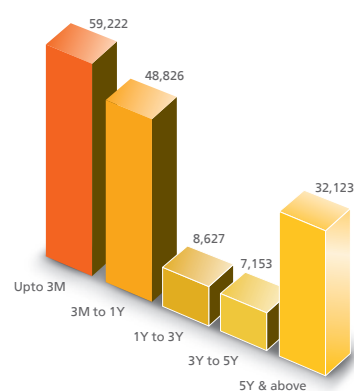
Assets

(Rs. in Million)



Liabilities

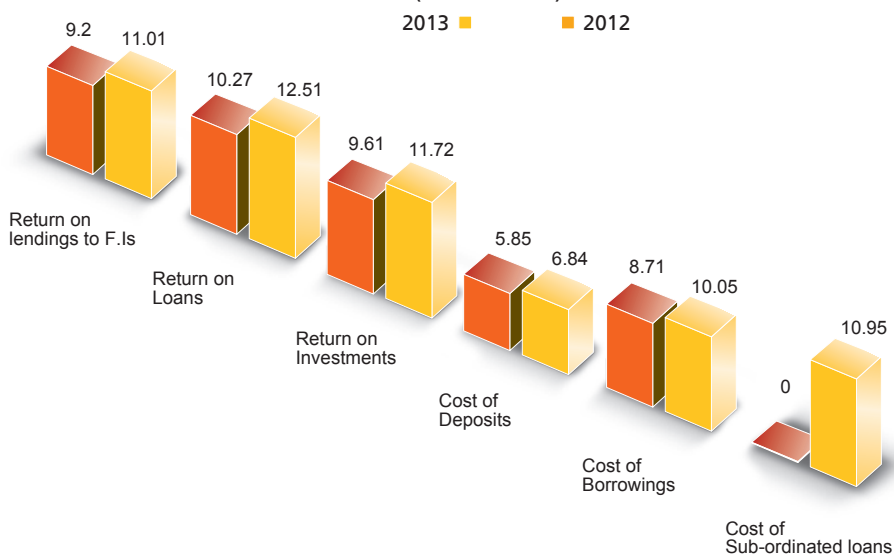
(Rs. in Million)



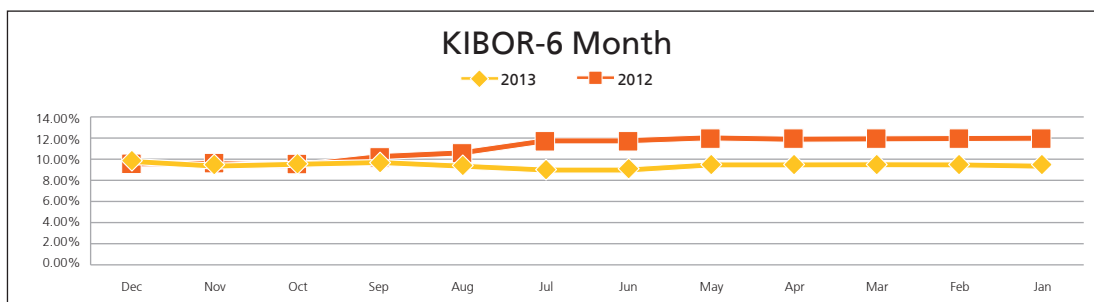
KEY INTEREST BEARING ASSETS AND LIABILITIES

	2013			2012		
	Effective			Effective		
	Avg.Vol (in Million)	Interest Rate %	Interest (in Million)	Avg.Vol (in Million)	Interest Rate %	Interest (in Million)
Interest Bearing Assets						
Lending to Financial Institutions	3,178	9.2	292	1,666	11.01	183
Advances (excluding NPLs)	79,443	10.27	8,141	63,911	12.51	7,977
Investments (excluding equity investments)	53,272	9.61	5,118	47,752	11.72	5,596
Interest Bearing Liabilities						
Deposits	131,479	5.85	7,695	109,921	6.84	7,521
Borrowings	12,002	8.71	1,045	13,265	10.05	1,333
Sub-ordinated loan	-	0	-	651	10.95	71

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



KIBOR-6 Month



STATEMENT OF VALUE ADDITION

31 DECEMBER

Value added

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

Value added available for distribution

To employees

-Salaries, allowances and other benefits

To Govt

-Income tax
 -Worker Welfare fund

To Society

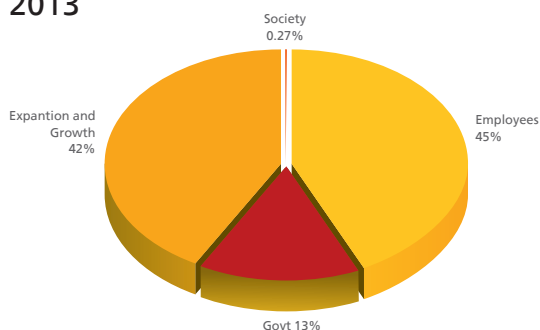
-Donations

To expansion and growth

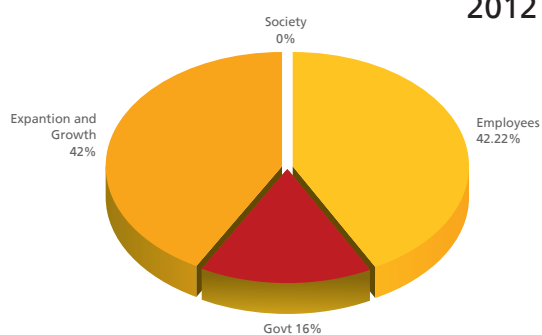
- Depreciation
 - Amortization
 -Retained in business

	2013		2012	
	(Rs. in Million)	%	(Rs. in Million)	%
Net Interest Income	4,850		4,844	
Non interest income	2,380		1,857	
Operating expenses excluding staff costs,depreciation, amortization,donation and WWF	(2,387)		(1,968)	
Provision against advances,investments & others	(705)		(553)	
Value added available for distribution	<u>4,139</u>		<u>4,180</u>	
To employees				
-Salaries, allowances and other benefits	1,852	44.75%	1,765	42.23%
To Govt				
-Income tax	494	11.94%	618	14.78%
-Worker Welfare fund	34	0.82%	42	1.00%
To Society				
-Donations	11	0.27%	-	0.00%
To expansion and growth				
- Depreciation	616	14.88%	563	13.47%
- Amortization	97	2.34%	88	2.11%
-Retained in business	1,035	25.00%	1,104	26.41%
	<u>4,139</u>	100%	<u>4,180</u>	100%

2013



2012



QUARTERLY PERFORMANCE - 2013 & 2012

(Rs. In Million)

	2013				2012			
	4th Quarter	3rd Quarter	2nd Quarter	1st quarter	4th Quarter	3rd Quarter	2nd Quarter	1st quarter
PROFIT & LOSS ACCOUNT								
Mark-up / Return / Interest Earned	3,546	3,266	3,424	3,365	3,183	3,592	3,606	3,397
Mark-up / Return / Interest Expensed	(2,271)	(2,118)	(2,185)	(2,177)	(1,950)	(2,249)	(2,396)	(2,339)
Net Mark-up Interest Income	1,275	1,148	1,239	1,188	1,233	1,343	1,210	1,058
Provisions	(233)	(56)	(241)	(205)	(398)	(185)	11	52
Non-mark-up / interest income	587	728	552	514	495	475	412	475
Non-mark-up / interest expenses	(1,463)	(1,289)	(1,174)	(1,040)	(1,244)	(1,135)	(1,175)	(905)
Profit before taxation	166	531	376	457	86	498	458	680
Taxation	(52)	(159)	(125)	(157)	(64)	(169)	(199)	(186)
Profit after taxation	114	372	251	300	22	329	259	494
Statement of Financial Position								
ASSETS								
Cash and balances with treasury	12,673	11,541	12,030	9,971	11,491	9,601	10,233	8,891
Balances with other banks	957	662	705	766	1,250	927	984	973
Lending to financial institutions	2,738	2,333	634	4,490	1,123	2,010	1,300	1,858
Investment-net	46,703	56,725	56,864	64,317	59,517	47,870	59,682	43,390
Advances-net	97,179	81,045	82,951	78,383	76,825	68,996	67,524	68,493
Operating Fixed assets	4,009	3,972	4,016	4,094	4,015	3,984	3,921	3,887
Deferred tax assets -net	103	112	-	350	304	179	349	413
Other assets	4,872	5,981	5,201	4,336	4,104	3,987	4,411	4,091
Total Assets	169,234	162,371	162,401	166,707	158,629	137,554	148,404	131,996
Liabilities								
Bills payable	2,578	4,443	2,942	2,183	2,522	2,189	1,982	2,069
Borrowings	10,485	8,301	9,359	19,387	20,398	7,728	16,738	11,104
Customer deposits	140,580	133,042	134,270	129,451	120,591	112,222	115,264	103,949
sub-ordinated loans	-	-	-	299	299	599	599	898
Deferred tax liabilities -net	-	-	73	-	-	-	-	-
Other liabilities	2,308	3,614	2,728	2,825	2,487	2,436	2,114	2,474
Total Liabilities	155,951	149,400	149,372	154,145	146,297	125,174	136,697	120,494
Net Assets	13,283	12,971	13,029	12,562	12,332	12,380	11,707	11,502
Represented by:								
Share Capital	11,025	10,022	10,022	10,022	10,022	9,029	9,029	9,029
Discount on issue of right share	(1,001)	(1,001)	(1,001)	(1,001)	(1,001)	(1,001)	(1,001)	(1,001)
Reserves	617	1,595	1,520	1,470	410	1,333	1,333	1,183
Un-appropriated profit	1,810	1,723	1,410	1,201	1,947	2,002	1,658	1,548
Surplus on revaluation of assets	832	632	1,078	870	954	1,017	688	743
Total Equity	13,283	12,971	13,029	12,562	12,332	12,380	11,707	11,502

SIX YEARS' VERTICAL ANALYSIS

STATEMENT OF FINANCIAL POSITION/PROFIT & LOSS

(Rs. In Million)

	2013		2012		2011		2010		2009		2008	
	Rs.in Mln	%	Rs.in Mln	%	Rs.in Mln	%	Rs.in Mln	%	Rs.in Mln	%	Rs.in Mln	%
Statement of Financial Position												
Assets												
Cash and balances with treasury banks	12,673	7%	11,491	7%	8,959	7%	7,248	7%	6,471	7%	5,647	7%
Balances with other banks	957	1%	1,249	1%	879	1%	1,400	1%	1,497	2%	3,909	5%
Lending to financial institutions	2,738	2%	1,123	1%	813	1%	2,532	2%	2,755	3%	3,990	5%
Investment-net	46,703	28%	59,517	38%	45,776	35%	34,986	32%	29,537	31%	14,053	17%
Advances-net	97,179	57%	76,825	48%	65,340	50%	54,676	51%	48,727	51%	47,575	59%
Operating Fixed assets	4,009	2%	4,015	3%	3,834	3%	3,469	3%	3,334	3%	3,127	4%
Deferred tax assets-net	103	0%	304	0%	386	0%	385	0%	108	0%	126	0%
Other assets	4,872	3%	4,105	3%	3,769	3%	3,411	3%	2,880	3%	2,550	3%
	169,234	100%	158,629	100%	129,756	100%	108,106	100%	95,310	100%	80,977	100%
Liabilities and Equity												
Customer deposits	140,580	83%	120,591	76%	99,419	77%	82,017	76%	73,548	77%	61,634	76%
Borrowings	10,485	6%	20,398	13%	14,557	11%	12,371	11%	9,386	10%	8,441	10%
Bills payable	2,578	2%	2,522	2%	1,571	1%	1,858	2%	1,763	2%	1,254	2%
Other liabilities	2,308	1%	2,487	2%	2,378	2%	1,745	2%	1,612	2%	1,335	2%
Deferred tax liabilities-net	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
sub-ordinated loans	-	0%	299	0%	898	1%	1,197	1%	1,198	1%	1,198	1%
	155,951	92%	146,297	92%	118,823	92%	99,188	92%	87,507	92%	73,864	91%
Net Assets	13,283	8%	12,332	8%	10,933	8%	8,918	8%	7,803	8%	7,113	9%
Represented by												
Share Capital	10,023	6%	9,021	6%	8,028	6%	6,023	6%	5,019	5%	4,114	5%
Reserves	618	0%	410	0%	1,183	1%	2,029	2%	2,004	2%	2,017	3%
Un-appropriated profit	1,810	1%	1,947	1%	982	1%	329	0%	158	0%	835	1%
Surplus on revaluation of assets	832	0%	954	1%	740	0%	536	0%	622	1%	147	0%
	13,283	8%	12,332	8%	10,933	8%	8,918	8%	7,803	8%	7,113	9%
Profit & loss account												
Mark-up / Return / Interest Earned	13,601	85%	13,778	88%	12,910	87%	10,250	89%	9,337	89%	7,823	86%
Fee, Commission , Brokerage and -Exchange income	1,581	10%	1,191	8%	1,194	8%	603	5%	673	6%	638	7%
Capital Gain and Dividend Income	623	4%	528	3%	428	3%	175	2%	120	1%	268	3%
Other income	176	1%	138	1%	264	2%	450	4%	375	4%	321	4%
Total Income	15,981	100%	15,635	100%	14,796	100%	11,479	100%	10,505	100%	9,049	100%
Mark-up / Return / Non Interest Expensed	8,751	55%	8,934	57%	8,997	61%	7,204	63%	6,603	63%	4,878	54%
Operating expenses	4,965	31%	4,459	29%	3,449	22%	2,682	23%	2,079	20%	1,952	21%
Provisions	735	5%	520	3%	1,271	9%	1,452	13%	1,633	16%	1,266	14%
Taxation	493	3%	618	4%	295	2%	15	0%	45	0%	252	3%
Total Expenses	14,944	94%	14,531	93%	14,012	95%	11,353	99%	10,360	99%	8,348	92%
Profit after taxation	1,037	6%	1,104	7%	784	5%	125	1%	145	1%	701	8%

SIX YEARS' HORIZONTAL ANALYSIS

STATEMENT OF FINANCIAL POSITION/PROFIT & LOSS

(Rs. In Million)

	2013	2013 vs 2012	2012	2012 vs 2011	2011	2011 vs 2010	2010	2010 vs 2009	2009	2009 vs 2008	2008	2008 vs 2007
	Rs.in Mn	%	Rs.in Mn	%	Rs.in Mn	%	Rs.in Mn	%	Rs.in Mn	%	Rs.in Mn	%
STATEMENT OF FINANCIAL POSITION												
ASSETS												
Cash and balances with treasury	12,673	10%	11,491	28%	8,959	24%	7,248	12%	6,471	15%	5,647	-4%
Balances with other banks	957	-23%	1,249	42%	879	-37%	1,400	-6%	1,497	-62%	3,909	-10%
Lending to financial institutions	2,738	144%	1,123	38%	813	-68%	2,532	-8%	2,755	-31%	3,990	26%
Investment-net	46,703	-22%	59,517	30%	45,776	31%	34,986	18%	29,537	110%	14,053	-27%
Advances-net	97,179	26%	76,825	18%	65,340	20%	54,676	12%	48,727	2%	47,575	18%
Operating Fixed assets	4,009	0%	4,015	5%	3,834	11%	3,469	4%	3,334	7%	3,127	45%
Deferred tax assets -net	103	-66%	304	-21%	386	0%	385	255%	108	-14%	126	100%
Other assets	4,872	19%	4,105	9%	3,769	11%	3,411	18%	2,880	13%	2,550	29%
	169,234	7%	158,629	22%	129,756	20%	108,106	13%	95,310	18%	80,977	5%
Liabilities and Equity												
Customer deposits	140,580	17%	120,591	21%	99,419	21%	82,017	12%	73,548	19%	61,634	2%
Interbank borrowings	10,485	-49%	20,398	40%	14,557	18%	12,371	32%	9,386	11%	8,441	44%
Bills payable	2,578	2%	2,522	61%	1,571	-15%	1,858	5%	1,763	41%	1,254	-24%
Other liabilities	2,308	-7%	2,487	5%	2,378	36%	1,745	8%	1,612	21%	1,335	39%
Deferred tax liabilities	-	0%	-	0%	-	0%	-	0%	-	0%	-	-100%
sub-ordinated loans	-	-100%	299	-67%	898	-25%	1,197	0%	1,198	0%	1,198	0%
	155,951	7%	146,297	23%	118,823	20%	99,188	13%	87,507	18%	73,864	5%
Net Assets	13,283	8%	12,332	13%	10,933	23%	8,918	14%	7,803	10%	7,113	8%
Represented by												
Share Capital	10,023	11%	9,021	12%	8,028	33%	6,023	20%	5,019	22%	4,114	0%
Reserves	618	51%	410	-65%	1,183	-42%	2,029	1%	2,004	-1%	2,017	7%
Un-appropriated profit	1,810	-7%	1,947	98%	982	198%	329	108%	158	-81%	835	250%
Surplus on revaluation of assets	832	-13%	954	29%	740	38%	536	-14%	622	322%	147	-61%
Total Equity	13,283	8%	12,332	13%	10,933	23%	8,918	14%	7,803	10%	7,113	8%
PROFIT & LOSS ACCOUNT												
Mark-up / Return / Interest Earned	13,601	-1%	13,778	7%	12,910	26%	10,250	10%	9,337	19%	7,823	25%
Fee, Commission , Brokerage and - Exchange income	1,581	33%	1,191	0%	1,194	98%	603	-10%	673	6%	638	35%
Capital Gain and Dividend Income	623	18%	528	23%	428	144%	175	46%	120	-55%	268	-19%
Other income	176	28%	138	-48%	264	-41%	450	20%	375	17%	321	22%
Total Income	15,981	2%	15,635	6%	14,796	29%	11,479	9%	10,505	16%	9,049	23%
Mark-up / Return /												
Non Interest Expensed	8,751	-2%	8,934	-1%	8,997	25%	7,204	9%	6,603	35%	4,878	13%
Operating expenses	4,965	11%	4,459	29%	3,449	29%	2,682	29%	2,079	7%	1,952	51%
Provisions	735	41%	520	-59%	1,271	-12%	1,452	-11%	1,633	29%	1,266	439%
Taxation	493	-20%	618	109%	295	1866%	15	-67%	45	-82%	252	-47%
Profit after taxation	1,037	-6%	1,104	41%	784	525%	125	-14%	145	-79%	701	-30%

CASH FLOW ANALYSIS

FOR THE YEAR ENDED 31 DECEMBER 2013

DIRECT METHOD

CASH FLOWS FROM OPERATING ACTIVITIES

Markup / return / interest and commission receipts
Markup / return / interest payments
Cash payments to employees, suppliers and others

(Increase) / decrease in operating assets

Lendings to financial institutions
Advances - net
Others assets - (excluding advance taxation)

Increase / (decrease) in operating liabilities

Bills payable
Borrowings
Deposits and other accounts
Other liabilities

Income tax paid
Net cash (used in) / flows from operating activities

CASH FLOW FROM INVESTING ACTIVITIES

Net investments in securities
Dividend received
Investment in operating fixed assets (including intangible assets)
Proceeds from disposal of fixed assets
Net cash flows from / (used in) investing activities

CASH FLOW FROM FINANCING ACTIVITIES

Sub-ordinated loan
Net cash (used in) financing activities

Increase in cash and cash equivalents

Cash and cash equivalents at the beginning of the period
Cash and cash equivalents at the end of the period

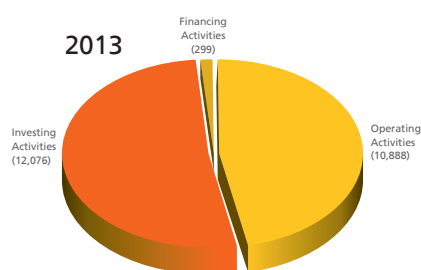
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD

Cash and balances with treasury banks
Balances with other banks

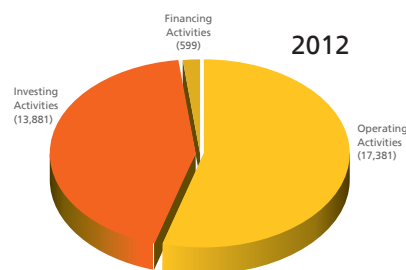
	2013	2012
	(Rupees in '000)	
Markup / return / interest and commission receipts	15,370,957	15,468,587
Markup / return / interest payments	(8,813,019)	(9,377,117)
Cash payments to employees, suppliers and others	(4,339,866)	(3,532,347)
	<u>2,218,072</u>	<u>2,559,123</u>
(Increase) / decrease in operating assets		
Lendings to financial institutions	(1,614,684)	(309,877)
Advances - net	(21,076,596)	(11,974,668)
Others assets - (excluding advance taxation)	260,284	(92,433)
	<u>(22,430,996)</u>	<u>(12,376,978)</u>
Increase / (decrease) in operating liabilities		
Bills payable	55,538	951,091
Borrowings	(9,913,008)	5,841,308
Deposits and other accounts	19,988,411	21,172,203
Other liabilities	(67,104)	56,139
	<u>10,063,837</u>	<u>28,020,741</u>
	(10,149,087)	18,202,886
	(738,444)	(821,562)
	<u>(10,887,531)</u>	<u>17,381,324</u>
Income tax paid		
Net cash (used in) / flows from operating activities		
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in securities	12,623,994	(13,251,131)
Dividend received	169,610	197,454
Investment in operating fixed assets (including intangible assets)	(748,491)	(835,492)
Proceeds from disposal of fixed assets	31,105	8,791
Net cash flows from / (used in) investing activities	<u>12,076,218</u>	<u>(13,880,378)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Sub-ordinated loan	(299,280)	(598,560)
Net cash (used in) financing activities	<u>(299,280)</u>	<u>(598,560)</u>
Increase in cash and cash equivalents	889,407	2,902,386
Cash and cash equivalents at the beginning of the period	12,740,516	9,838,130
Cash and cash equivalents at the end of the period	<u>13,629,923</u>	<u>12,740,516</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		
Cash and balances with treasury banks	12,672,753	11,491,348
Balances with other banks	957,170	1,249,168
	<u>13,629,923</u>	<u>12,740,516</u>

INDIRECT METHOD - SUMMARY

	2013	2012	2011	2010	2009	2008
Cash flow from operating activities	(10,888)	17,381	11,482	5,497	13,893	(4,500)
Cash flow from investing activities	12,076	(13,881)	(10,994)	(5,820)	(15,480)	3,845
Cash flow from financing activities	(299)	(599)	702	1,003	-	-
Cash and cash equivalent at the beginning of the year	12,741	9,838	8,648	7,968	9,555	10,211
Cash and cash equivalent at the end of the year	13,630	12,739	9,838	8,648	7,968	9,556

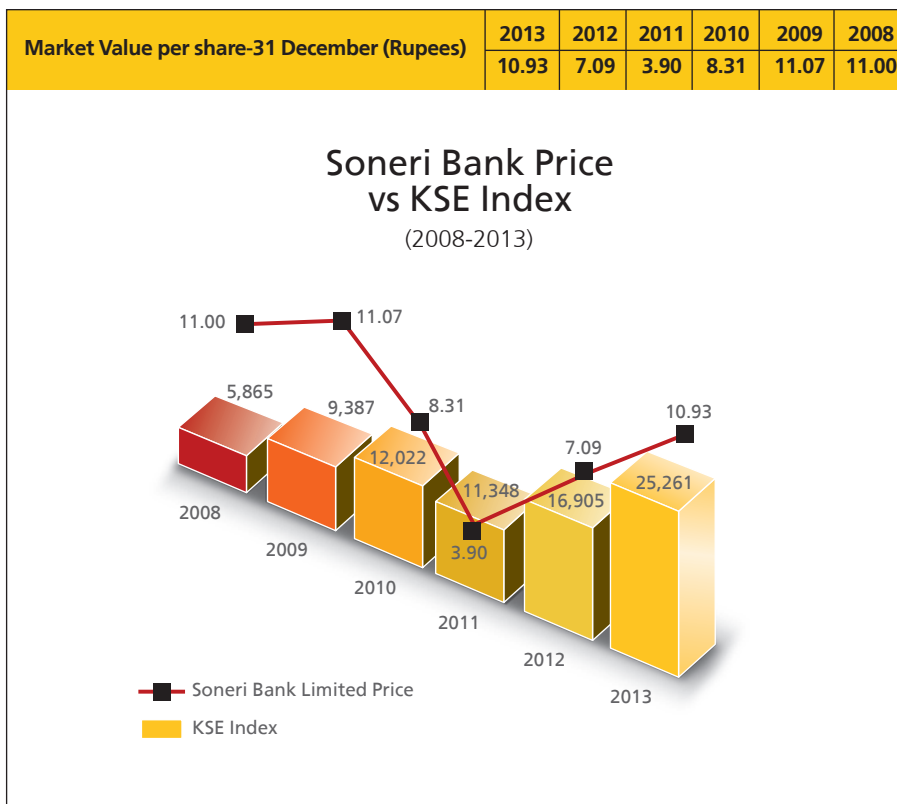


Cash Flow (Rs. in Million)



MARKET STATISTICS OF SNBL SHARES

Share Price (SNBL)	High (Rs.)	Low (Rs.)
2013		
December Quarter	11.38	7.62
September Quarter	8.71	7.33
June Quarter	8.50	5.90
March Quarter	7.20	5.93
2012		
December Quarter	8.45	6.5
September Quarter	8.73	6.62
June Quarter	9.4	7.15
March Quarter	8.36	3.71



FINANCIAL CALENDAR

2013

1st Quarter Results issued on	19 April 2013
2nd Quarter Results issued on	20 August 2013
3rd Quarter Results issued on	25 October 2013
Annual Results issued on	19 February 2014
22nd Annual General Meeting	28 March 2014

2012

1st Quarter Results issued on	23 April 2012
2nd Quarter Results issued on	18 August 2012
3rd Quarter Results issued on	19 October 2012
Annual Results issued on	23 February 2013
21st Annual General Meeting	28 March 2013

DIRECTORS' REPORT TO SHAREHOLDERS

On behalf of the Board of Directors, I am pleased to present the Directors' Report of Soneri Bank Limited (Bank) along with the audited financial statements and auditors' report thereon for the year ended 31 December 2013.

ECONOMY

Pakistan crossed major milestones on the political front in 2013. For the first time in country's history a democratic government completed five years followed by a smooth transfer of power in first half of the year. Based upon the pressing priorities at hand, the new government has set out to address the energy crisis, boosting investment and trade, upgrading infrastructure and privatization of public sector enterprises. The country also entered into an IMF Program conditional upon structural and fiscal reforms.

The country remains impacted by chronic issues which have led to sluggish economic activity for more than five years. The Gross Domestic Product (GDP) growth in FY13 was 3.6 percent as against target of 4.3 percent. The GDP growth target of 4.4 percent for FY14 appears optimistic when examined in view of the key challenges which require remediation, namely (i) strained foreign exchange reserves and balance of payments; (ii) low tax collection being byproduct of restricted tax net and administrative issues; (iii) energy crisis; (iv) security concerns; and(v) low FDI.

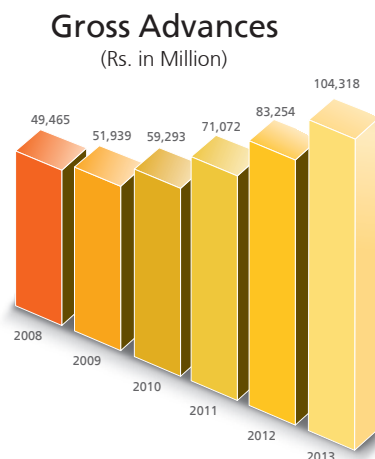
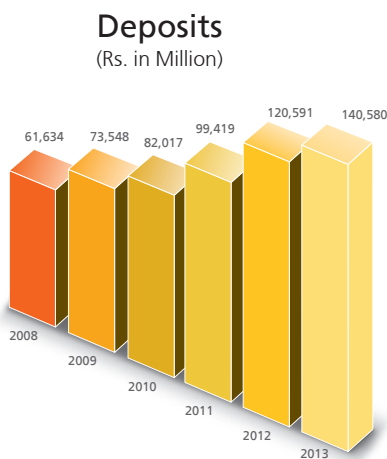
There has been some respite of Inflationary pressure which during the first half of FY 13 was driven by elimination of subsidies, one time taxation measures and some tightening of commodity prices. The CPI for Jan 2014 was registered as 7.9 percent against 9.18% for Dec 2013. State Bank of Pakistan (SBP) consequently kept the discount rate unchanged at 10 percent in its Jan-14 monetary policy. Furthermore, there has been some growth witnessed in the private sector credit and highlight was grant of GSP plus status for Pakistan's exports into the EU. This should provide impetus to the country's exports and improve the balance of payment position.

BUSINESS OVERVIEW

Your Bank has delivered well against its strategy and achieved all performance targets set for 2013. Foremost being Minimum Capital Requirement of SBP which was successfully met. The bank is well capitalized and meets the SBP Basel III requirements which became effective at 31 December 2013.

The bank's strategic focus has been and remains managed business growth, process improvement, and proactive management of cost and delinquent assets. During the year bank launched a corporate campaign via brand positioning as "Roshan Har Qadam", which was well received by the public giving bank a good market presence.

In line with its strategy, the deposits base of the Bank increased to Rs.140.58 billion which translates into compounded annual growth rate (CAGR) of 17.93 percent over last six years. The CASA component of deposits shows as impressive a growth, with six years CAGR of 22.77 percent. This is translation of banks focus to mobilize low cost deposits. Similarly net advances now stand at Rs.97.179 billion with six year CAGR of 15.36 percent.



DIRECTORS' REPORT TO SHAREHOLDERS

OPERATING RESULTS

The highlights of financial results for 2013 are presented as follows:

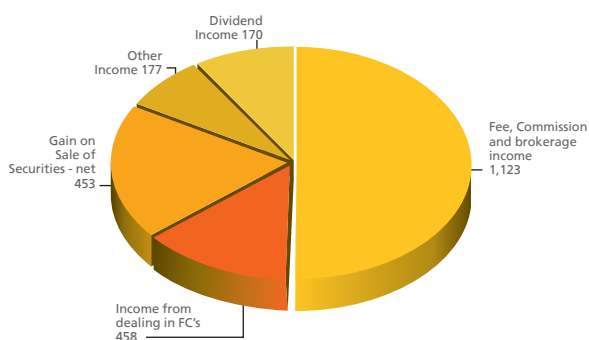
Profit & Loss Account	2013	2012	Variance (%)
	------(Rupees in 000)-----		
Net Interest Margin & Non Markup Income	7,230,726	6,700,966	7.91
Non Markup Expenses	4,965,251	4,459,278	11.35
Profit before Tax & Provisions	2,265,475	2,241,688	1.06
Provisions (net of recoveries)	735,080	519,632	41.46
Profit before Tax	1,530,395	1,722,056	-11.13
Profit after Tax	1,036,857	1,104,193	-6.10
Earning Per Share - Rupee	0.94	1.00	-6.15

Statement of Financial Position	2013	2012	Variance (%)
	------(Rupees in 000)-----		
Paid up Capital (Net of discount)	10,023,275	9,021,035	11.11
Shareholders Equity (excluding Surplus)	12,450,416	11,378,299	9.42
Deposits	140,579,907	120,591,496	16.58
Advances - net	97,179,028	76,825,006	26.49
Investments - net	46,702,797	59,517,180	-21.53

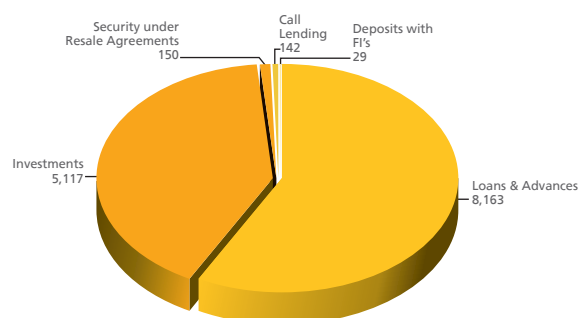
Despite the challenging macro-economic and business environment, the Bank has posted consistent financial results. Bank's profit after tax stood at Rs 1,037 million while pre-tax profit amounted to Rs 1,530 million. Bank's profit before taxation and provision is better than last year which is a reflection of bank's resilience to withstand the operating pressures faced by the industry throughout 2013.

Bank's Revenue (Net Markup income and Non Markup Income) is up by 7.91 percent when compared to last year. The Net Markup income is almost at par with last year in spite of compressing spreads while non-markup income is higher by 28.19 percent. Fee based revenue contributed to 32.92 percent of this increase while bank also realized significant capital gains through investment portfolio.

Non-Interest Income 2013
(Rs. in Million)



Interest Income 2013
(Rs. in Million)



DIRECTORS' REPORT TO SHAREHOLDERS

Non markup expenses have registered a growth of 11.35 percent which is in line with bank's growth strategy and has also been impacted by inflationary pressure. Six new branches were added to the network while branches opened last year also added to the cost. The branch network of the Bank now stands at 239 and the staff comprises of 3,708 permanent and contractual employees (2012: 3,275).

Non-performing loans of the bank increased by mere 5 percent during the year. The asset quality of the bank has improved with infection ratio down to 9.99 percent (2012: 11.92 percent). The NPL coverage has been prudently managed and increased to 68.48 percent (2012: 64.76 percent).

The Balance Sheet has significantly grown with total assets increasing by 6.69 percent. Overall deposits show an impressive growth of 16.58 percent with CASA deposits increasing by 19.75 percent. Consequently bank's cost of deposits has been favorably impacted. Advances (net of provisions) grew by 26.49 percent which is extraordinary in view of industry's tendency to invest in government paper. Bank's has Advance (net) to Deposits ratio of 69.13 percent (2012: 63.71 percent). Surplus funds continue to be deployed in Government Securities.

MINIMUM CAPITAL REQUIREMENTS

The bank is fully compliant with the Minimum Capital Requirements (MCR) of the State Bank of Pakistan at 31 December 2013. This was achieved by issue of 10 percent Bonus Shares announced by the Board in its 132nd meeting held on 25 October 2013. As a result, the paid up capital (net of discount) of the Bank as at 31 December 2013 stands at Rs10,023 million

LOOKING AHEAD

Pressure on banking spreads is likely to persist in 2014. The discount rate took an upward turn when SBP in its monetary policy announcement of September 2013 increased the rate by 50 basis points (bps) followed by another 50 bps hike in November 2013. In conjunction with these announcements, the SBP established a formal linkage between the minimum rate of return on average balances held in saving/term deposits and the floor of the interest rate corridor. Effectively, the return on saving/term deposits now cannot be less than 50 bps lower than the floor of the interest rate corridor. As a result banks confront a serious challenge to their spread margins. While this policy has been designed to stimulate credit off take in the system, the results has been to the contrary, given the high sensitivity to credit quality in the system.

Despite this challenging landscape, your bank believes that there are beneficial opportunities to be exploited. During 2014, your bank will continue to pursue a growth strategy with a view to further strengthen our balance sheet. After successfully attaining the Minimum capital requirement of SBP in 2013, the bank is well placed to strengthen its financial position and add value for our shareholders.

The Bank aims on increasing its core deposit base, expand its lending outreach (especially in SME / Commercial), increase trade business volumes and achieve sustainable gains on our expense base. With regard to the latter, the bank will continue to invest in order to build greater efficiencies in its operating platform. We intend to retain our emphasis on improving the product menu and client services. Another area of high priority in 2014 is focus on credit quality with effective management of infected and watch listed relationships.

The branding and service quality programs which were successfully launched in 2013 will continue to be focused upon in 2014.

CREDIT RATING

The Pakistan Credit Rating Agency (PACRA) maintained the long term credit rating of AA- (Double A Minus) and short term rating of A1+ (A One Plus) through its notification dated: 22 June 2013 [2012: long term AA- (Double A Minus): short term A1+ (A One Plus) and instrument rating A+ (A plus)].

BOARD OF DIRECTORS

The existing Board which was elected on 30 March 2011 will complete its three years term on 28 March 2014. New Board of Directors shall be elected in 22nd Annual General Meeting of the Shareholders to be held on 28 March 2014.

DIRECTORS' REPORT TO SHAREHOLDERS

BOARD AND COMMITTEE'S MEETINGS

Details of the meetings of the Board of Directors and its Sub-Committees held during 2013 and the attendance by each director/committee member are given as under.

Name	Board of Directors	Audit Committee	Credit Committee	Risk Management Committee	Human Resource Committee
Mr. Alauddin Feerasta Chairman of the Board	6/6	*	4/4	*	*
Mr. Mohammad Aftab Manzoor Chief Executive Officer / President	6/6	*	4/4	5/5	4/4
Mr. Nooruddin Feerasta	**5/6	4/4	4/4	*	*
Mr. Inam Elahi	6/6	4/4	4/4	5/5	4/4
Mr. Muhammad Rashid Zahir	6/6	4/4	*	*	*
Syed Ali Zafar	**2/6	*	*	*	*
Mr. Manzoor Ahmed (NIT Nominee)	**5/6	*	*	*	4/4
Mr. Shahid Anwar (NIT Nominee)	6/6	4/4	*	5/5	4/4
Total Number of meetings held	6	4	4	5	4

Note: *not a member of the Committee

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

STATEMENT OF INVESTMENTS OF PROVIDENT AND GRATUITY FUNDS

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

	31 December 2013 (Un-audited)	31 December 2012 (Audited)
	(Rupees in '000)	
Investments of Provident Fund	478,744	326,347
Investments of Gratuity Fund	351,208	122,794

COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

As required by the Code of Corporate Governance (the Code), a prescribed statement by the Board, along with Auditors' Review Report thereon, forms part of this Annual Report.

DIRECTORS' REPORT TO SHAREHOLDERS

The directors are pleased to give the following statement as required by clause (xvi) of the Code:

- 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 except for change explained in Note 4.4; 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.

STATEMENT ON RISK MANAGEMENT FRAMEWORK

The Board of Directors, through its Board Risk Management Committee (BRMC) ensures that decision making is aligned with the Bank's strategies and risk appetite. The Board receives regular updates on the key risks of the Bank including a quarterly comprehensive summary of the Bank's risk profile and performance of the portfolio against defined goals. Summary is also presented quarterly to the Credit Risk Management Committee (CRMC) and the Market Risk Management Committee (MRMC) which includes senior executives of the Bank, in particular the Chief Executive Officer (CEO) and the Chief Risk Officer (CRO), who are responsible for day to day risk management under the oversight of the Board.

Bank has taken numerous strategic steps to further strengthen the overall risk management framework, salient features of which are summarised below:

- Your bank has developed an internal Credit Risk Rating models for Corporate, Small & Medium Enterprise, Agriculture and Consumer obligors with the assistance of SAS-Enterprise Miner; the world renowned business analytics software. In order to move towards FIRB approach, these rating models are aligned with the probability of default, duly approved by the Board.
- Another milestone achieved by the bank was automation of Capital Adequacy Ratio (CAR) calculation through Credit Risk Management Solution (CRMS) and Market Risk Management Solution (MRMS). This automation is duly vetted by our internal auditors.
- Bank has a well-defined Internal Capital Adequacy Policy (ICAAP) to comprehensively evaluate and document all risks and substantially appropriate capital allocation for both regulatory and economic capital.
- Bank has in place a robust mechanism on stress testing and through its Risk Management Group carries out this process regularly so as to estimate the potential impact of extreme events on the Bank's earnings, balance sheet, capital, market liquidity.

Your Bank devotes considerable resources in managing the risks to which it is exposed. The momentum attained thus far will be continued in the future through significant investments in human resources, technology and training.

STATEMENT ON INTERNAL CONTROLS

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

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

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 19 February 2014 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.

DIRECTORS' REPORT TO SHAREHOLDERS

EXTERNAL AUDITORS

The retiring auditors, being M/s. KPMG Taseer Hadi & Co., Chartered Accountants have served as external auditors for five years and are required to be rotated in accordance with the requirement of Clause xxxvii (a) of Code of Corporate Governance - 2012. The Audit Committee has suggested the name of M/s. A.F. Ferguson & Co., Chartered Accountants as external auditors of the Bank for the next term. The Board of Directors, based on the suggestion of the Audit Committee, recommended the name of M/s. A.F. Ferguson & Co., Chartered Accountants as external auditors for the next term. The external auditor's appointment shall be subject to approval in the forthcoming Annual General Meeting.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

The bank is committed to serving the society both directly and indirectly and in this regard has contributed in various ways and means. Besides, contributing towards national exchequer and employee benefit schemes, the Bank has been a regular contributor in the philanthropic and sports activities. A summary of bank's key CSR activities during the year form part of this Annual Report.

SIX YEARS' OPERATING AND FINANCIAL DATA

Six year financial performance of the bank is presented on page No. 30.

PATTERN OF SHAREHOLDING

The pattern of shareholding as required under section 236(2)(d) of the Companies Ordinance, 1984 and Clause (xvi) of the Code of Corporate Governance forms part of this Annual Report.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to express my sincere appreciation to the customers and shareholders for their continued trust and patronage, the State Bank of Pakistan, the Securities and Exchange Commission of Pakistan and other regulatory bodies for their continued guidance and support. I would also like to record specific appreciation for all employees for their dedication, devotion and hard work throughout the year 2013.

On behalf of the Board of Directors

ALAUDDIN FEERASTA

Chairman

Lahore: 19 February 2014

STATEMENT OF INTERNAL CONTROLS YEAR ENDED 31 DECEMBER 2013

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

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

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

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

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

The results of testing for the year 2013 showed that the controls were operating effectively throughout the year. Moreover, the bank has satisfactorily completed all stages of internal controls over financial reporting as prescribed by SBP and have been given waiver from submission of Long Form Report by the External Auditors for the year 2013.

MOHAMMED AFTAB MANZOOR

President & Chief Executive Officer

Lahore: 19 February 2014

CORPORATE SOCIAL RESPONSIBILITIES (CSR) ACTIVITIES

Support for Various Causes

Soneri Bank has reflected its new brand promise of “Roshan Har Qadam”, in various diverse CSR initiatives, investing in communities, education, health and youth activities. With our vision to empower the society to grow, we have honored a number of humanitarian activities in 2013 that would nurture and strengthen our relationships in our businesses, and with the community, government and our customers. It would help to eradicate poverty, enable improvement & sustainability in the lives of millions of people. Soneri Bank played a pivotal role with regards to socio-economic development in areas of women’s empowerment, health & education (basic, technical and vocational).

The Agha Khan University

Soneri Bank’s generous commitment to Neo-natal Intensive Care Unit (NICU) & Pediatric Intensive Care Unit (PICU) will be disseminated to the expansion plans of both the units over a period of three years. The Agha Khan University Hospital provides the best and most comprehensive medical care in Pakistan. All facilities and treatments are accessible to every citizen in the country, irrespective of their financial status. With this philanthropic approach, Soneri Bank plays an integral role in uplifting the socio-economic dynamics of the country and facilitating the expansion plans of the institution.

Pakistan Centre for Philanthropy and other bodies (AKU)

Soneri Bank supported a research study of Indigenous Individual Philanthropy in Pakistan, designed to update the findings of a research on individual philanthropy conducted by the Agha Khan development Network. This would enhance the social development objectives by promoting the creation of more social assets through enhanced charitable giving, and would supplement the government’s development efforts. In time, it would reduce the burden of poverty via introduction of more schools, clinics and training institutes.

Soneri Bank, with its generous contribution would play an integral part in mobilizing Corporate Philanthropy and in formulation of enabling policy and administrative environment for enhancing the volume and effectiveness of philanthropy for social development.

Soneri Bank has further contributed to The Patients’ Behbud Society for AKU and encouraged Zakat donation to the institutions via its branches in terms of their campaign dissemination. In areas of mentorship, Agha Khan Youth of National Youth Camps was supported encouraging leadership skills, entrepreneurship, career development, volunteerism, ethics and diversity.

Shaukat Khanum Memorial Cancer Hospital and Research Centre

A sponsorship was given for the treatment of poor cancer patients at a state-of-art cancer centre of Pakistan that has been providing financially supported treatment to over 75% of its patients for the last 17 years.

Development in Literacy (DIL)

A sponsorship for establishing a school in Korangi was given to improve the dismal state of education in Pakistan’s underdeveloped areas. DIL establishes, adopts and manages primary and secondary schools for underprivileged children in partnership with non-governmental organizations in Pakistan.

Promoting Arts & Culture

Soneri Bank packaged and sponsored a selection of Pakistani Classical, Folk and Sufi music, developed by Tehzeeb Foundation working for the advancement and promotion of music, literature and fine arts in Pakistan, along with preservation and archiving of Classical music of the sub-continent.

CODE OF CONDUCT (SUMMARIZED VERSION)

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

OBJECTIVE

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

1. OUTSIDE BUSINESS INTEREST

No employees shall engage directly or indirectly, in any other business but shall faithfully and diligently, perform the duties entrusted to him /her from time to time and devote maximum time and attention to work of the Bank, and ensure his/her best endeavors to promote its interest and welfare. Neither shall take up any activity which will bring him/her any reward or remuneration or benefit, directly or indirectly other than from the job at the Bank.

2. FINANCIAL INTEREST

No employee or his/her immediate family shall enter into speculative and trading activity in stocks, shares, bonds, or any other securities or commodities, either on his/her own account or that of any other person, firm, company, nor shall involve in other speculative activity (ies) including betting/gambling. Further, an employee and his/her immediate family shall not derive any benefit or assist others to derive any benefit from the access to and possession of information about the Bank, which is not in the public domain and thus constitutes inside information. All the employees are required to comply with the applicable company law on prevention of inside trading.

3. ANTI BRIBERY & CORRUPTION

No employee shall accept any presents either in cash or kind from Bank clients, suppliers, vendors and contractors or others, by way of illegal gratification or otherwise. Any such instance where business judgment has been compromised due to such monetary or non-monetary gifts will be considered as a violation of this code. Accepting gifts and benefits that may appear as engaging others in bribery or influencing for a consideration for an official or business favor is prohibited.

No Employee shall give or take bribe or engage in any form of corruption.

4. VIOLATION OF LAW

No payment or transaction should be made or undertaken, by an employee or authorized or instructed to be made or undertaken by any other person or the Bank if the consequence of that transaction or payment would be the violation of any law in force.

5. POLITICAL PARTICIPATION

No employee shall take part in, subscribe in any aid of, assist in or take part in any political activity whatsoever. No employee shall canvass or otherwise, interfere or use his/her influence in connection with or take part in any election to a legislative or local body, whether in Pakistan or elsewhere. Provided that a Bank employee who is qualified to vote at such election may exercise his/her right to vote.

6. PROTECTING BANKS RESOURCES

An Employee must not peruse such outside business activity(ies) and relationships using Banks resources (including but not limited to physical space, office supplies, office communication equipment or time) or allow any outside business, civic or charitable activities to interfere with his/her job performance. Employee must never compromise on integrity, either for personal or professional benefit. Each employee is also personally responsible for the integrity of the information, reports and records under his/her control.

7. ACT OF MISCONDUCT

Employee shall not commit any act of subversion or misconduct or misbehaviors; and will also not act in any manner, which could be prejudicial or detrimental to the interest of the Bank. The Bank shall be entitled to dispense with the services of any employee, any time per the law of his/her employment and/or repeated negligence, disobedience, dishonesty, breach of trust, acts of any other misconduct or subversion without any notice.

8. DATA SECURITY AND CONFIDENTIALITY

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

CODE OF CONDUCT (SUMMARIZED VERSION)

9. ABIDANCE OF LAWS OF THE LAND

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

10. PUNCTUALITY

Employees are expected to be at work on time every business day. In the event that employee is absent or late due to illness, accident or personal reasons, he/she is required to inform his/her supervisor as soon as possible so that the department may make other arrangements for substitute help while the employee is away.

11. SEPARATION FROM THE BANK

In case of resignation every employee will have to attend his/her duties until the resignation is accepted and employee is properly relieved by the competent authority. In case he/she fails to attend his/her duty after tendering resignation, the resignation will not be considered and he/she may be dealt according to the relevant HR Policy.

Employee at the time of separation from Bank should return Bank assets, facilities (blackberry, laptop, mobile etc), visiting and Identity cards, stamps etc.

12. ETHICS, DISCRIMINATION OR HARRASSMENT

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

13. DRESS CODE & PERSONAL HYGEINE

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

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

14. PROTECTING BANK RESOURCES

All employees are responsible for safeguarding the tangible and intangible assets of Bank and its customers, suppliers and distributors that are under their control. Bank assets may be used only for proper company purpose. Misappropriation, carelessness or waste of Bank assets is a breach of one's duty to the Bank and should be avoided at all cost.

15. FRAUD, THEFT OR ILLEGAL ACTIVITY

An employee must not :

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

16. EMPLOYEE IDENTIFICATION & SECURITY

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

17. USAGE OF COMMUNICATION TOOLS

Bank's telephone, e-mail, voice-mail, computer, systems etc are primarily for business purposes. Employees may not use these systems in a manner that could be harmful or embarrassing to Bank. Personal communications using these systems must be kept to a minimum. In case of his/her separation from the Bank, all rights to property and information generated or obtained as part of an employment relationship remains the exclusive property of the Bank only.

CODE OF CONDUCT (SUMMARIZED VERSION)

An employee must never use Bank systems to transmit or receive electronic images or text of a sexual nature or containing ethnic slurs, racial epithets or any other material of a harassing, offensive or lewd nature

18. RECORD MANAGEMENT

Records are very important business assets. The Bank is committed to managing its records in a consistent, systematic and reliable manner; records provides evidence for business activities and decisions and are often required to meet legal and regulatory requirements. Employees are required to retain the records in accordance with their importance and applicable statutory record retention requirements and Bank policies.

19. TAXATION

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

20. WORKFORCE DIVERSITY

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

21. RELATED STAFF MEMBERS

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

22. DRUG FREE WORKPLACE

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

23. HEALTH AND SAFETY

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

24. UNFAIR DEALING PRACTICES

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

25. MEDIA AND PUBLIC SPEAKING

No employee other than the authorized personnel is allowed to publish, make speech, give interviews or make public appearance that are connected to Bank's business interests, else an approval is required from HR, Head of Compliance and President.

26. VENDOR RELATIONSHIP

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

27. CONFLICT OF INTEREST

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

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

CODE OF CONDUCT (SUMMARIZED VERSION)

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

28. ACCESS TO BUSINESS INFORMATION

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

29. CUSTOMER CONFIDENTIALITY

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

30. PERSONAL INVESTMENTS

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

31. PERSONAL FINANCIAL NEEDS

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

32. MODIFICATIONS AND AMENDMENTS

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

33. BREACH OF CODE OF CONDUCT

In case of the breach of any of the above "Code of Conduct", the employee shall be liable to disciplinary action. This shall be without prejudice, to any other rights and remedies of the Bank.

Failure to observe these policies may result in a disciplinary action, up to and including immediate termination of employment or any other relationship with the Bank. Furthermore, violations of this Code may also be violations of the law and may result in civil or criminal penalties.

If an employee has any questions about these policies or would like to report violation of the Code of Conduct, he/she may approach Head of Compliance Division or Head of Human Resources for further guidance and advice

STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

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

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

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

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

The independent directors meet the criteria of independence under clause i(b) of the CCG.

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

STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

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

MOHAMMAD AFTAB MANZOOR

President / Chief Executive Officer

Lahore: 19 February 2014

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



KPMG Taseer Hadi & Co.
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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 (xa) of Listing Regulations 35 (previously Regulation No. 37) notified by the Karachi Stock Exchange Limited vide circular no. KSE/N-269 dated 19 January 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 2013.

Karachi: 19 February 2014

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

AUDITORS' REPORT TO THE MEMBERS



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We have audited the annexed statement of financial position of Soneri Bank Limited ("the Bank") as at 31 December 2013 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 2013, in which are incorporated the unaudited certified returns from the branches except for 35 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 except for the changes referred in the note 4.4 of these financial statements with which we concur;
 - 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 2013 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: 19 February 2014

KPMG Taseer Hadi & Co.
Chartered Accountants
Muhammad Taufiq

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2013

	Note	2013	2012 (Restated)	2011 (Restated)
----- (Rupees in '000) -----				
ASSETS				
Cash and balances with treasury banks	6	12,672,753	11,491,348	8,959,130
Balances with other banks	7	957,170	1,249,168	879,000
Lendings to financial and other institutions	8	2,737,751	1,123,067	813,190
Investments - net	9	46,702,797	59,517,180	45,775,969
Advances - net	10	97,179,028	76,825,006	65,339,947
Operating fixed assets	11	4,008,574	4,015,233	3,833,916
Deferred tax assets - net	12	103,495	304,047	385,925
Other assets - net	13	4,872,304	4,104,348	3,769,078
		169,233,872	158,629,397	129,756,155
LIABILITIES				
Bills payable	15	2,577,943	2,522,405	1,571,314
Borrowings	16	10,485,479	20,398,487	14,557,179
Deposits and other accounts	17	140,579,907	120,591,496	99,419,293
Sub-ordinated loans	18	-	299,280	897,840
Liabilities against assets subject to finance lease		-	-	-
Deferred tax liabilities - net	12	-	-	-
Other liabilities	19	2,307,900	2,485,556	2,377,385
		155,951,229	146,297,224	118,823,011
NET ASSETS				
		13,282,643	12,332,173	10,933,144
REPRESENTED BY				
Share capital	20	11,024,636	10,022,396	9,029,185
Reserves		617,500	410,129	1,182,501
Discount on issue of right shares		(1,001,361)	(1,001,361)	(1,001,361)
Unappropriated profit		1,809,641	1,947,135	982,333
		12,450,416	11,378,299	10,192,658
Surplus on revaluation of assets - net of tax	21	832,227	953,874	740,486
		13,282,643	12,332,173	10,933,144
CONTINGENCIES AND COMMITMENTS				
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The annexed notes 1 to 44 and Annexures I, II, III & IV form an integral part of these financial statements.

ALAUDDIN FEERASTA
CHAIRMAN

MOHAMMAD AFTAB MANZOOR
PRESIDENT AND
CHIEF EXECUTIVE OFFICER

NOORUDDIN FEERASTA
DIRECTOR

SYED ALI ZAFAR
DIRECTOR

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013 (Rupees in '000)	2012 (Restated)
Mark-up / return / interest earned	23	13,601,389	13,778,206
Mark-up / return / interest expensed	24	8,751,084	8,934,172
Net mark-up / return / interest income		4,850,305	4,844,034
Provision against non-performing loans and advances - net	10.3	722,529	487,504
Provision for diminution in the value of investments	9.3	12,506	30,023
Bad debts written off directly	10.5	45	2,105
		735,080	519,632
Net mark-up / return / interest income after provisions		4,115,225	4,324,402
Non mark-up / interest income			
Fee, commission and brokerage income		1,123,007	953,996
Dividend income		169,610	172,823
Income from dealing in foreign currencies	25	457,678	236,590
Gain on sale of securities - net	26	453,754	356,128
Unrealised loss on revaluation of investments classified as 'held for trading' / future contracts		(522)	(169)
Other income	27	176,894	137,564
Total non-mark-up / interest income		2,380,421	1,856,932
		6,495,646	6,181,334
Non mark-up / interest expenses			
Administrative expenses	28	4,937,841	4,248,241
(Reversal) / provision against other assets - net	13.1	(30,328)	33,129
Other charges	29	57,738	177,908
Total non-mark-up / interest expenses		4,965,251	4,459,278
		1,530,395	1,722,056
Extra ordinary / unusual items		-	-
Profit before taxation		1,530,395	1,722,056
Taxation - Current	30	542,000	683,000
- Prior years	30	(416,458)	-
- Deferred	30	367,996	(65,137)
		493,538	617,863
Profit after taxation		1,036,857	1,104,193
			(Rupee)
			(Restated)
Basic and diluted earnings per share	31	0.94	1.00

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STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013 (Rupees in '000)	2012 (Restated)
Profit after taxation for the year		1,036,857	1,104,193
Other comprehensive income			
Surplus / (deficit) on revaluation of "Available-for-sale securities"	(i)	-	-
Surplus on revaluation of operating fixed assets	(ii)	-	-
Actuarial (loss) / gain on defined benefit plan		(37,528)	36,024
Deferred tax on actuarial loss		13,135	(12,608)
		(24,393)	23,416
Total Comprehensive income transferred to equity		<u>1,012,464</u>	<u>1,127,609</u>

(i) Surplus / deficit on revaluation of "Available-for-Sale" securities net of tax 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.

(ii) Surplus on revaluation of operating fixed assets net of tax is presented under separate head below equity as "Surplus / (deficit) on revaluation of assets" in accordance with the requirements of section 235 of the Companies Ordinance, 1984.

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CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2013

Note	2013	2012 (Restated)
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	1,530,395	1,722,056
Less: Dividend income	169,610	172,823
	<u>1,360,785</u>	<u>1,549,233</u>
Adjustments:		
Depreciation	616,055	562,729
Amortisation of intangible assets	96,663	88,003
Operating fixed assets written off directly	29,141	2,031
Provision for diminution in the value of investments	12,506	30,023
Write-off / Reversal of provision for diminution in the value of investments recognised in capital gains	(38,575)	(114,275)
Unrealised loss on revaluation of investments classified as held-for-trading	522	169
Provision against non-performing loans and advances	722,529	487,504
(Reversal) / provision against other assets	(30,328)	33,129
Gain on sale of operating fixed assets	(17,814)	(7,379)
Bad debts written off directly	45	2,105
	<u>1,390,744</u>	<u>1,084,039</u>
	2,751,529	2,633,272
(Increase) / decrease in operating assets		
Lendings to financial and other institutions	(1,614,684)	(309,877)
Advances	(21,076,596)	(11,974,668)
Others assets (excluding advance taxation)	(125,093)	(254,470)
	<u>(22,816,373)</u>	<u>(12,539,015)</u>
Increase / (decrease) in operating liabilities		
Bills payable	55,538	951,091
Borrowings	(9,913,008)	5,841,308
Deposits and other accounts	19,988,411	21,172,203
Other liabilities	(215,184)	144,196
	<u>9,915,757</u>	<u>28,108,798</u>
	(10,149,087)	18,203,055
Income tax paid	(738,444)	(821,562)
Net cash (outflow) / inflow from operating activities	<u>(10,887,531)</u>	<u>17,381,493</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in held for trading securities	(1,552,772)	(12,914)
Net investments in available for sale securities	13,177,864	(12,873,114)
Net investments in held to maturity securities	998,902	(365,272)
Dividend received	169,610	197,454
Purchase of operating fixed assets	(748,491)	(835,492)
Sale proceeds on disposal of operating fixed assets	31,105	8,791
Net cash generated / (used) in investing activities	<u>12,076,218</u>	<u>(13,880,547)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of sub-ordinated loan	(299,280)	(598,560)
Net cash used in financing activities	<u>(299,280)</u>	<u>(598,560)</u>
Increase in cash and cash equivalents	889,407	2,902,386
Cash and cash equivalents at beginning of the year	12,740,516	9,838,130
Cash and cash equivalents at end of the year	<u>13,629,923</u>	<u>12,740,516</u>

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STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2013

	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 1 January 2012 as previously reported	9,029,185	(1,001,361)	1,405	616,886	564,210	1,026,476	10,236,801
Effect of change in accounting policy with respect to actuarial gains and losses - net of tax (note 5.11)	-	-	-	-	-	(44,143)	(44,143)
Balance as at 1 January 2012 (restated)	9,029,185	(1,001,361)	1,405	616,886	564,210	982,333	10,192,658
Changes in equity: 2012							
Transactions with owners recognised directly in equity							
Issue of bonus shares	993,211	-	-	(429,001)	(564,210)	-	-
Comprehensive Income							
Total comprehensive income for the year ended 31 December 2012 - profit for the year	-	-	-	-	-	1,104,193	1,104,193
Other Comprehensive income -net of tax	-	-	-	-	-	23,416	23,416
Transfer from surplus on revaluation of operating fixed assets to unappropriated profit - net of tax (note 21.1)	-	-	-	-	-	58,032	58,032
Transfer to statutory reserve	-	-	-	220,839	-	(220,839)	-
Balance as at 31 December 2012 (restated)	10,022,396	(1,001,361)	1,405	408,724	-	1,947,135	11,378,299
Transfer to General Reserves	-	-	-	-	1,000,000	(1,000,000)	-
Changes in equity 2013:							
Transactions with owners recognised directly in equity							
Issue of bonus shares	1,002,240	-	-	-	(1,000,000)	(2,240)	-
Comprehensive Income							
Total comprehensive income for the year ended 31 December 2013 - profit for the year	-	-	-	-	-	1,036,857	1,036,857
Other Comprehensive income -net of tax	-	-	-	-	-	(24,393)	(24,393)
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax (note 21.1)	-	-	-	-	-	59,653	59,653
Transfer to statutory reserve	-	-	-	207,371	-	(207,371)	-
Balance as at 31 December 2013	11,024,636	(1,001,361)	1,405	616,095	-	1,809,641	12,450,416

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

(b) As more fully explained in note 9.8 and 10.4 of these financial statements the amount of Rs.1,253.114 million net of tax as at 31 December 2013 represents additional profit arising from availing forced sale value benefit while determining provisioning requirement, which is not available for the purpose of distribution of dividend to shareholders.

The annexed notes 1 to 44 and Annexures I, II, III & IV form an integral part of these financial statements.

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DIRECTOR

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

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. Its registered office is situated at Rupal House 241-242, Upper Mall Scheme, Anand Road, Lahore, Punjab and its shares are quoted on all the three stock exchanges in Pakistan. The Bank is engaged in banking services as described in the Banking Companies Ordinance, 1962 and operates with 239 branches including nine Islamic banking branches (2012: 233 branches including eight Islamic banking branches) in Pakistan.

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:

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 1 January 2014:

- IFRIC 21- Levies 'an Interpretation on the accounting for levies imposed by governments' (effective for annual periods beginning on or after 1 January 2014). IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.
- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32. Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement.
- Amendment to IAS 36 "Impairment of Assets" Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014). These narrow-scope amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.
- Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" Continuing hedge accounting after derivative novations (effective for annual periods beginning on or after 1 January 2014). The amendments add a limited exception to IAS 39, to provide relief from discontinuing an existing hedging relationship when a novation that was not contemplated in the original hedging documentation meets specific criteria.
- Amendments to IAS 19 "Employee Benefits" Employee contributions – a practical approach (effective for annual periods beginning on or after 1 July 2014). The practical expedient addresses an issue that arose when amendments were made in 2011 to the previous pension accounting requirements. The amendments introduce a relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria.

- Annual Improvements 2010-2012 and 2011-2013 cycles (most amendments will apply prospectively for annual period beginning on or after 1 July 2014). The new cycle of improvements contain amendments to the following standards:
- IFRS 2 'Share-based Payment'. IFRS 2 has been amended to clarify the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition'. The amendment also clarifies both: how to distinguish between a market condition and a non-market performance condition and the basis on which a performance condition can be differentiated from a vesting condition.
- IFRS 3 'Business Combinations'. These amendments clarify the classification and measurement of contingent consideration in a business combination. Further IFRS 3 has also been amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements including joint operations in the financial statements of the joint arrangement themselves.
- IFRS 8 'Operating Segments' has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria. In addition this amendment clarifies that a reconciliation of the total of the reportable segment's assets to the entity assets is required only if this information is regularly provided to the entity's chief operating decision maker. This change aligns the disclosure requirements with those for segment liabilities.
- Amendments to IAS 16 'Property, plant and equipment' and IAS 38 'Intangible Assets'. The amendments clarify the requirements of the revaluation model in IAS 16 and IAS 38, recognizing that the restatement of accumulated depreciation (amortization) is not always proportionate to the change in the gross carrying amount of the asset.
- IAS 24 'Related Party Disclosure'. The definition of related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity.
- IAS 40 'Investment Property'. IAS 40 has been amended to clarify that an entity should: assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition of the investment property constitutes a business combination.

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 Functional and presentation currency

These financial statements are presented in Pakistani Rupee which is the currency of primary economic environment in which the Bank operates.

4.3 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 loans and advances (notes 5.4, 10.3 and 10.4)
- iii) income taxes and deferred taxation (notes 5.9, 22.8.1 and 30)
- iv) accounting for defined benefit plan (notes 5.11 and 34)
- v) depreciation, amortization methods, useful lives and revaluation of operating fixed assets (note 5.5 and 11)
- vi) fair value of derivatives (Note 5.18.2)

4.4 CHANGE IN ACCOUNTING POLICY

Except for the changes below, the Bank has consistently applied the accounting policies as set out in notes to these financial statements.

4.4.1 Defined benefit plan

With effect from 1 January 2013, IAS 19 revised is applicable. As per the revision, all the actuarial gains/losses arise during the year will be recognized immediately in the other comprehensive income (OCI) and all the past service cost (vested or non vested) will be recognized in current year profit and loss account. Therefore, the change for deferring past service cost / gains and losses to recognizing these immediately needs to be made retrospectively in accordance with IAS 8 Accounting Policies, Changes in accounting estimates 'and errors', and accordingly the opening equity needs to be adjusted and cost related to past services may not continue to be deferred. Cost deferred in the past need to be recognized retrospectively so that the profit and loss account for the current period reflects values related to the current period only as if the revised standard had always applied.

Effect of retrospective application of change in accounting policy are as follows:

Effect on Balance sheet report	31 December 2012			31 December 2011		
	As previously reported	Restated	As restated	As previously reported	Restated	As restated
	------(Rupees in '000)-----					
(Decrease) / increase in defined benefit obligation	-	31,889	31,889	-	(67,912)	67,912
Increase / (decrease) in deferred tax asset	-	11,162	11,162	-	23,769	23,769
Unappropriated profit	<u>1,967,862</u>	<u>(20,727)</u>	<u>1,947,135</u>	<u>1,026,476</u>	<u>(44,143)</u>	<u>982,333</u>

The comprehensive disclosure to this effect is set out in note 34 to these financial statements. The revised policy is stated under note 5.11

4.4.2 Segment Reporting

During the year, the Bank has changed the composition of its reportable segments. As a result, Commercial Banking sector has been merged with Corporate and Retail banking segments. Accordingly the comparative segment information relating to total income, expenses and certain other information for the year ended 31 December 2012 and assets and liabilities as at 31 December 2012 has been restated to bring it in line with the current organization structure of the Bank. As per reorganized structure, the Bank is operating through three business segments as fully explained in note 5.20.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 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) Lending under margin trading system

Securities purchased under margin financing are recorded as "lending to financial and other institution" at the fair value of the consideration given. All margin financing transactions are accounted for on the transaction date. Income on margin financing is accrued over the period of the contract.

(d) 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, 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 sukuk 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.

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 and small enterprises financings 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 Musharaka based financing, the Bank enters into a Musharaka 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 Musharaka share by the customer.

5.5 Operating fixed assets and depreciation

Owned

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

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 is now 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 are allowed upto 1% of such total gross advances.

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. 757.738 million.

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 an approved funded gratuity scheme for all its permanent employees. The bank recognises expense in accordance with revised IAS 19 "Employees Benefits". The actuarial valuation is carried out using the projected unit credit method. Actuarial gains and losses are recognised immediately in other comprehensive income. Past service cost is recognised immediately in profit and loss account.

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

5.12 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% of basic salaries of the employees.

5.13 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. During 2012, the Bank revised its compensated absences plan such that going forward the outstanding leaves balances shall expire at the end of each financial year. Moreover the management introduced a scheme to settle the previous outstanding leaves against encashment. The balance on date of change is being accounted for as per transitional option given.

5.14 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.

5.15 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.
- Fee, commission and brokerage income is recognised on accrual basis upon performance of services.
- 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 amortised using effective yield method and taken to profit and loss account.
- Gains and losses on disposal of investments and operating fixed assets are dealt with through the profit and loss account in the year in which they arise.

5.16 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) Translation gains and losses

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

(c) 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.

5.17 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.

5.18 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.

5.19 Financial instruments

5.19.1 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.

5.19.2 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.

5.19.3 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.

5.20 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

Corporate banking includes financing, deposits and services provided to corporate customers including services in connection with mergers and acquisition, underwriting, privatisation, securitisation, syndication, IPOs.

b) Trading and sales

It includes fixed income, equity, foreign exchanges, lending and repos.

c) Retail banking

It includes all retail related lendings and deposits and banking services (including staff, consumer and SME financing).

5.21 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.

5.22 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 2013.

	Note	2013 (Rupees in '000)	2012
6 CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency	6.1	3,068,125	3,048,933
Foreign currencies		775,566	438,995
In transit			
Local currency		-	8,900
Foreign currency		85,143	-
With State Bank of Pakistan in			
Local currency current account	6.2	5,133,639	4,833,267
Foreign currency current account	6.3	604,460	629,657
Foreign currency deposit account against foreign currency deposits mobilised	6.4	1,823,288	1,699,731
With National Bank of Pakistan in			
Local currency current account		1,182,532	831,865
		<u>12,672,753</u>	<u>11,491,348</u>

6.1 This includes National Prize Bonds of Rs. 8.819 million (2012: Rs. 7.363 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 cash reserve account maintained with SBP at an amount equivalent to at least 5% of the Bank's foreign currency deposits mobilised under FE-25 scheme and carry NIL return (2012: Nil return).
- 6.4** This represents special cash reserve maintained with SBP at an amount equivalent to at least 15% of the Bank's foreign currency deposits mobilised under FE-25 scheme and carry Nil return (2012: Nil return).

	Note	2013 (Rupees in '000)	2012
7 BALANCES WITH OTHER BANKS			
In Pakistan			
In current accounts		223,956	140,041
In deposit accounts	7.1	250,026	26,447
Outside Pakistan			
In current accounts	7.2	483,188	1,082,680
		<u>957,170</u>	<u>1,249,168</u>

- 7.1** This includes funds placed with Meezan Bank Limited of Rs 250 million under overnight Musharaka agreement carrying mark-up rate of 6.5%.
- 7.2** This includes Rs. 155.842 million (2012: Rs. 549.978 million) held in Automated Investment Plans. This balance is current by nature. However, if increased over a specified amount, it entitles the Bank to earn interest income from the correspondent banks at agreed upon rates.

	Note	2013 (Rupees in '000)	2012
8 LENDINGS TO FINANCIAL AND OTHER INSTITUTIONS			
Call money lending	8.2	1,000,000	1,000,000
Repurchase agreement lending	8.3	990,954	-
Margin Trading System	8.4	46,797	123,067
Letter of placement	8.5	700,000	-
		<u>2,737,751</u>	<u>1,123,067</u>
8.1 Particulars of lendings			
In local currency		2,737,751	1,123,067
In foreign currencies		-	-
		<u>2,737,751</u>	<u>1,123,067</u>

- 8.2** This represents lending to a commercial bank in the inter bank money market. It carries mark-up at rate of 10.20% per annum (2012: 9.75% 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	2013			2012		
		Held by bank	Further given as collateral	Total	Held by bank	Further given as collateral	Total
----- (Rupees in '000) -----							
Market Treasury Bills	8.3.1	990,954	-	990,954	-	-	-
		<u>990,954</u>	<u>-</u>	<u>990,954</u>	<u>-</u>	<u>-</u>	<u>-</u>

- 8.3.1** The above lending carries mark-up at the rate of 9.85% per annum (2012: NIL per annum) and has a maturity period of one month.
- 8.4** This represents lending which carries mark-up at the rate ranging from 11.75% to 16.20% per annum (2012: 12% to 16.97% per annum) and have a maturity period of upto two months.
- 8.5** This represents lending to Pakistan Brunei Investment Company. It carries mark-up at rate of 10% per annum (2012: NIL% per annum) and has a maturity period of 40 days.

9 INVESTMENTS

9.1 Investments by types

Note	2013			2012		
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
	----- (Rupees in '000) -----					
Held for trading Securities						
Held for trading securities						
Fully paid-up ordinary shares	8,636	-	8,636	12,914	-	12,914
Market Treasury Bills	1,557,050	-	1,557,050	-	-	-
	1,565,686	-	1,565,686	12,914	-	12,914
Available for sale securities						
Market Treasury Bills	32,945,900	1,348,100	34,294,000	37,602,471	11,496,891	49,099,362
Pakistan Investment Bonds Government of Pakistan	5,956,285	-	5,956,285	4,665,901	-	4,665,901
Ijarah Sukuk	200,000	-	200,000	200,000	-	200,000
Fully paid-up ordinary shares	1,434,115	-	1,434,115	731,769	-	731,769
Term Finance Certificates	49,095	-	49,095	-	-	-
Units of mutual funds	212,098	-	212,098	626,425	-	626,425
	40,797,493	1,348,100	42,145,593	43,826,566	11,496,891	55,323,457
Held to maturity securities						
Pakistan Investment Bonds	264,859	-	264,859	1,475,734	-	1,475,734
Term Finance Certificates, Bonds and Sukuks	2,616,380	-	2,616,380	2,404,407	-	2,404,407
	2,881,239	-	2,881,239	3,880,141	-	3,880,141
Investments at cost	45,244,418	1,348,100	46,592,518	47,719,621	11,496,891	59,216,512
Less: Provision for diminution in the value of investments	9.3 (134,363)	-	(134,363)	(160,432)	-	(160,432)
Investments (net of provision)	45,110,055	1,348,100	46,458,155	47,559,189	11,496,891	59,056,080
Deficit on revaluation of Held-for-trading securities	(323)	-	(323)	(169)	-	(169)
Surplus / (deficit) on revaluation of available for sale securities	21.2 246,420	(1,455)	244,965	374,260	87,009	461,269
Total investments	45,356,152	1,346,645	46,702,797	47,933,280	11,583,900	59,517,180

	Note	2013 (Rupees in '000)	2012
9.2 Investments by segments			
Federal Government Securities			
- Market Treasury Bills	9.11	35,851,050	49,099,362
- Pakistan Investment Bonds	9.5 & 9.11	6,221,144	6,141,635
- Government of Pakistan Ijarah Sukuk		1,900,004	1,200,056
		<u>43,972,198</u>	<u>56,441,053</u>
Fully paid-up ordinary shares of Rs. 10 each			
Listed companies			
- Agritech Limited [729,679 (2012: 729,679)]	9.6	25,539	25,539
- Arif Habib Investments Limited [535,000 (2012: 535,000)]		12,224	12,224
- Attock Petroleum Limited [123,600 (2012: NIL)]		50,805	-
- Bank Alfalah Limited [7,000,000 (2012: 1,807,500)]		156,529	28,917
- Bank Al Habib Limited [598,000 (2012: NIL)]		20,289	-
- D.G.Khan Cement Company Limited [2,000,000 (2012: 575,000)]		152,756	31,014
- Engro Corporation Limited [1,200,000 (2012: 668,400)]		152,238	64,472
- Fatima Fertilizer Company Limited [2,450,000 (2012: 1,764,000)]		63,086	44,223
- Fauji Fertilizer Company Limited [2,450,000 (2012: 1,033,700)]		193,623	106,029
- National Bank of Pakistan Limited [400,000 (2012: NIL)]		23,399	-
- National Refinery Limited [NIL (2012: 49,200)]		-	10,586
- Nishat Chunian Limited [2,550,000 (2012: NIL)]		136,718	-
- Nishat Mills Limited [1,250,000 (2012: 452,500)]		91,331	28,735
- Pakistan Oilfields Limited [425,500 (2012: 283,774)]		185,262	113,695
- Pakistan Petroleum Limited [500,000 (2012: 700,000)]		81,477	117,995
- Pakistan State Oil Company Limited [100,000 (2012: 25,000)]		31,347	5,650
- Pak Suzuki Motors Company Limited [125,125 (2012: 160,925)]		11,408	14,671
- Pakistan Telecommunication Limited [NIL (2012: 400,000)]		-	7,264
- The Hub Power Company Limited [NIL (2012: 900,000)]		-	37,903
- United Bank Limited [100,000 (2012: 703,000)]		12,920	53,966
Un-listed companies			
- Islamabad Stock Exchange Limited [3,034,603 (2012: 3,034,603)] (Chief Executive: Mr. Aftab Ahmed Chaudhry)	9.14	11,100	11,100
- Khushhali Bank Limited [2,500,000 (2012: 2,500,000) (President: Mr. M. Ghalib Nishtar)	9.10	25,000	25,000
- Pakistan Export Finance Guarantee Agency Limited [569,958 (2012: 569,958)] (Chief Executive: Mr. S. M. Zaeem)	9.12	5,700	5,700
- DHA Cogen Limited [5,853,822 (2012: NIL)] (Chief Executive: Mr. Siraj ul Haq)	9.13	-	-
		<u>1,442,751</u>	<u>744,683</u>
Term Finance Certificates, Debentures, Bonds and Participation Term Certificates			
Listed Term Finance Certificates of Rs. 5,000 each			
- Allied Bank Limited 1st Issue[11,000 (2012: 11,000)]		27,319	54,131
- Allied Bank Limited 2nd Issue[12,973 (2012: 12,973)]		64,761	64,786
- Askari Bank Limited 1st Issue[NIL (2012: 5,000)]		-	24,925
- Askari Bank Limited 2nd Issue[NIL (2012: 12,961)]		-	64,624
- Askari Bank Limited 3rd Issue[7,000 (2012: 7,000)]		34,944	34,958
- Azgard Nine Limited [10,000 (2012: 10,000)]	9.8	16,269	16,269
Balance carried forward		143,293	259,693

	Note	2013 (Rupees in '000)	2012
Balance brought forward		143,293	259,693
- Bank Alfalah Limited [NIL (2012: 3,000)]		-	9,974
- Bank AL Habib Limited 2nd issue [8,000 (2012: 8,000)]		39,503	39,162
- Engro Fertilizer Limited 3rd issue [20,000 (2012: 10,000)]		97,117	47,168
- Engro Fertilizer Limited 4th issue [6,325 (2012: 6,325)]		26,565	29,082
- Escorts Investment Bank Limited [2,000 (2012: 2,000)]		999	1,998
- Faysal Bank Limited [6,000 (2012: 6,000)]		14,970	29,940
- JS-ABAMCO Financial Receivables Securitization Limited [5,000 (2012: 5,000)]		2,083	6,248
- Pak Arab Fertilizer Limited [NIL (2012: 5,000)]		-	7,387
- Pakistan Mobile Communication Limited [NIL (2012: 5,000)]		-	4,160
- Standard Chartered Bank (Pakistan) Limited 3rd Issue [NIL (2012: 5,000)]		-	6,250
- United Bank Limited 2nd issue [NIL (2012: 7,000)]		-	34,990
- United Bank Limited 3rd issue [9,716 (2012: 9,716)]		16,161	32,322
- United Bank Limited 4th issue [NIL (2012: 5,000)]		-	22,611
Un-listed Term Finance Certificates of Rs. 5,000 each, unless otherwise specified			
- Agritech Limited [1,488 (2012: 1,488)]	9.7	7,440	7,440
- Al-Abbas Sugar Mills Limited [NIL (2012: 6,000)]		-	5,988
- Avari Hotels Limited [25,000 (2012: 25,000)]		46,538	106,143
- Azgard Nine Limited [2,150 (2012: 2,150)]	9.8	10,750	10,750
- Bank Alfalah Limited- 4th Issue [10,000 (2012: 10,000)]		49,920	49,940
- Faysal Bank Limited- 2nd Issue [15,000 (2012: 15,000)]		74,910	74,940
- Gharibwal Cement Limited [NIL (2012: 13,100)]		-	63,465
- Jahangir Siddiqui & Company Limited 2nd Issue [4 certificates of Rs. 5,000,000 each (2012: 4 certificates of Rs.5,000,000 each)]		4,984	14,952
- JDW Sugar Mills Limited [16,600 (2012: 16,600)]		9,222	27,667
- Orix Leasing Pakistan Limited [NIL (2012: 1,500 of Rs. 100,000 each)]		-	25,000
- Standard Chartered Bank (Pakistan) Limited 4th Issue [40,000 (2012: 40,000)]		200,000	200,000
Sukuk Certificates and Bonds of Rs. 5,000 each, unless otherwise specified			
- Amreli Steels Limited [10,000 units (2012: 10,000 units)]		42,000	46,000
- Century Paper & Board Mills Limited [NIL (2012: 10,000)]		-	20,000
- Eden Housing Limited [10,000 (2012: 10,000)]		13,120	24,360
- House Building Finance Corporation Limited "A" [10,000 (2012: 10,000)]		5,000	15,000
- House Building Finance Corporation Limited "B" [3,000 (2012: 3,000)]		1,450	4,199
- Liberty Power Tech Limited [1,099,430 certificates of Rs.100 each (2012: 1,099,430 certificates of Rs.100 each)]		92,942	101,018
- Pak Elektron Limited [10,000 (2012: 10,000)]		21,429	21,429
- Sui Southern Gas Company Limited [NIL (2012: 20,000)]		-	10,000
- Three Star Hosiery Mills (Private) Limited [5,100 (2012: 5,100)]		25,215	25,215
- WAPDA bonds [4,000 (2012: 4,000)]	9.9	19,860	19,860
		965,471	1,404,351
Units of Mutual Funds			
Open ended			
- Askari Sovereign Yield Enhancer Fund [NIL (2012: 529,857)] (Managed by Askari Investment Management Limited)		-	50,000
- Atlas Money Market Fund [NIL (2012: 102,982)] (Managed by Atlas Asset Management Limited)		-	50,000
- JS Income Fund [NIL (2012: 921,977)] (Managed by JS Investments Limited)		-	77,024
- NIT Government Bond Fund [NIL (2012: 23,792,529)] (Managed by National Investment Trust Limited)		-	250,000
- NIT Income Fund [9,211,835 (2012: 9,211,835)] (Managed by National Investment Trust Limited)		100,000	100,000
Closed-end			
- PICIC Growth Fund [8,000,000 (2012: 7,222,000)]		112,098	99,401
		212,098	626,425
Total Investments at cost		46,592,518	59,216,512
Less: Provision for diminution in the value of investments	9.3	(134,363)	(160,432)
Investments (net of provision)		46,458,155	59,056,080
Deficit on revaluation of held for trading securities		(323)	(169)
Surplus on revaluation of available for sale securities	21.2	244,965	461,269
Total investments		46,702,797	59,517,180

	Note	2013 (Rupees in '000)	2012
9.3 Particulars of provision for diminution in the value of investments			
Opening balance		160,432	250,756
Charge for the year		12,506	30,023
Transfer		-	(6,072)
Write-off		(38,575)	
Reversals recognised in capital gains		-	(114,275)
Closing balance		<u>134,363</u>	<u>160,432</u>
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	9.6	21,954	21,565
Unlisted companies			
- Fully paid up ordinary shares of Rs. 10 each			
- Pakistan Export Finance Guarantee Agency Limited		5,700	5,700
Open end mutual funds		-	-
Held to maturity securities			
Term Finance Certificates of Rs. 5,000/- each			
- Gharibwal Cement Limited		-	63,465
- Agritech Limited	9.7	7,440	7,440
- Azgard Nine Limited	9.8	22,925	17,187
Sukuk Certificates and Bonds of Rs. 5,000/- each			
- Eden Housing Limited		9,840	-
- Pak Electron Limited		21,429	-
- Three Stars Hosiery Mills (Private) Limited		25,215	25,215
- WAPDA Sukuk	9.9	<u>19,860</u>	<u>19,860</u>
		<u>134,363</u>	<u>160,432</u>

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 (2012: 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 During 2012, the Bank with other lenders of Azgard Nine Limited entered into the Share Transfer and Debt Swap Agreement dated 12 April 2012. The Bank under the agreement acquired 605,138 shares of Agritech Limited at a price of Rs. 35 per share and settled the loan exposure of Rs. 21.180 million against it. The Bank has also acquired 124,541 shares against cash consideration of Rs. 4.359 million. The total shares held with the Bank are 729,679 at Rs. 35 per share. The share price at 31 December 2013 stood at Rs. 12.67 per share and the Bank has recorded an impairment loss of Rs. 17.023 million on these shares. During the year the State Bank of Pakistan vide circular no. BPRD / BRD - (Policy) / 2013 - 1857 dated 15 February 2013 has clarified that such shares need not to be classified as strategic investment.

9.7 During the year the State Bank of Pakistan vide through circular no. BPRD / BRD - (Policy) / 2013 - 1857 dated 15 February 2013, directed the Bank to provide the classified exposure of term finance certificates of Agritech Limited in phase manner. However, the Bank has made a provision of Rs. 7.440 million against total outstanding exposure of Rs. 7.440 million in respect of provision for diminution in the value of held to maturity investments.

9.8 During the year the State Bank of Pakistan vide through circular no. BPRD / BRD - (Policy) / 2013 - 1857 dated 15 February 2013, directed the Bank to provide the classified exposure of term finance certificates of Azgard Nine Limited in phased manner. Bank has made 100% provision as per the afore mentioned circular which amounted to Rs. 22.925 million against outstanding exposure of Rs. 27.019 million in prior year after considering a forced sale value (FSV) benefit of Rs. 4.094 million secured against the mortgaged property.

9.9 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. The Bank has filed a recovery suit which is pending before the Sindh High Court, Karachi.

- 9.10** 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).
- 9.11** Market Treasury Bills and Pakistan Investment Bonds are eligible for discounting with the State Bank of Pakistan.
- 9.12** This investment is fully provided and as per "shares subscription agreement", can only be sold to an existing investor.
- 9.13** DHA Cogen Limited shares were received under the enforcement of pledge of third party share by the consortium bank. These were recorded at nil value as the break-up value of shares as of 31 December 2013 is Rs.(24.98) per share.
- 9.14** This includes shares of Islamabad Stock Exchange Limited (ISEL) acquired in pursuance of corporatization and demutualization of ISEL as a public company limited by shares. Out of total 3,034,603 number of shares so acquired 1,820,762 shares have been deposited in a blocked account with the Central Depository Company of Pakistan Limited (CDC). The said shares and Trading Right Entitlement (TRE) Certificate were received against surrender of Stock Exchange Membership Card. As the fair value of both the asset transferred and asset obtained can not be determined with reasonable accuracy, the above investment has been recorded at the carrying value of Stock Exchange Membership Card in Bank's books.
- 9.15 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	January 2014 to June 2014	On maturity	8.95 to 9.91	At maturity
Pakistan Investment Bonds	April 2014 to January 2024	On maturity	8.00 to 12.00	Semi-annually
Term Finance Certificates (Refer Annexure IV)				
Sukuk Bonds (Refer Annexure IV)				

9.16 Quality of available for sale securities

Securities (at market value)	2013		2012	
	Amount (Rupees in '000)	Rating	Amount (Rupees in '000)	Rating
Federal Government Securities				
- Market Treasury Bills	34,216,488	N / A	49,301,735	N / A
- Pakistan Investment Bonds	5,922,731	N / A	4,869,724	N / A
- Ijarah Sukuk Bonds	202,260	N / A	201,920	N / A
Fully paid up ordinary shares of Rs. 10 each				
Listed companies				
- Fauji Fertilizer Company Limited	201,528	N / A	121,088	N / A
- Engro Corporation Limited (Formerly Engro Chemical Pakistan Limited)	190,056	AA-(L), A1 (S)	61,520	AA(L), A1+ (S)
- National Refinery Limited	-		10,416	AAA-(L), A1 +(S)
- National Bank of Pakistan Limited	23,224	AAA-(L), A1 (S)	-	
- Bank Al Habib Limited	24,847	AA-(L), A1 +(S)	-	
- D.G.Khan Cement Company Limited	171,460	N / A	31,384	N / A
- Agritech Limited	9,245	D	8,515	D
- Fatima Fertilizer Company Limited	69,972	A+(L), A1(S)	46,570	A+(L), A1(S)
- Pakistan State Oil Company Limited	33,222	AA-(L), A1 +(S)	-	
- Pakistan Oilfields Limited	211,775	N / A	124,162	N / A
- Pakistan Petroleum Limited	106,980	N / A	123,752	N / A
- United Bank Limited	13,255	AA+(L), A1+ (S)	58,820	AA+(L), A1+ (S)
- Bank Alfalah Limited	189,280	AA+(L), A1+ (S)	30,402	AA+(L), A1+ (S)
- Arif Habib Investments Limited	7,929	AM2	8,030	A+(L), A1 (S)
- The Hub Power Company Limited	-		40,716	AA+(L), A1+ (S)
- Pak Suzuki Motors Company Limited	19,255	N / A	14,103	N / A
- Attock Petroleum Limited	61,762	N / A	-	
- Nishat Chunian Limited	144,480	A-(L), A2 (S)	-	
- Nishat Mills Limited	159,050	AA-(L), A1+ (S)	28,892	AA-(L), A1+ (S)
Un-listed companies - at cost				
- Khushhali Bank Limited	25,000	A(L), A-1(S)	25,000	A(L), A-1(S)
- Islamabad Stock Exchange Limited	11,100	N / A	11,100	N / A
- Pakistan Export Finance Guarantee Agency Limited	5,700	N / A	5,700	N / A
Balance carried forward	42,020,599		55,123,549	

Securities (at market value)	2013		2012	
	Amount (Rupees in '000)	Rating	Amount (Rupees in '000)	Rating
Balance brought forward	42,020,599		55,123,549	
Units of Mutual Funds				
Open-ended				
- Askari Sovereign Yield Enhancer Fund	-		53,455	AA-(f)
- NIT Government Bond Fund	-		250,205	AA(f)
- JS Income Fund	-		82,443	AA(f)
- Atlas Money Market Fund	-		52,011	AA(f)
- NIT Income Fund	97,369	N/A	100,079	A+(f)
Term Finance Certificates				
- Engro Corporation Limited	49,996	A+	-	
Closed-end				
- PICIC Growth Fund	200,640	N/A	118,441	MFR 1-Star
Total	<u>42,368,604</u>		<u>55,780,183</u>	

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

	Note	2013 (Rupees in '000)	2012 (Rupees in '000)
9.17 Unrealized Loss/ (Gain) on revaluation of investments classified as held for trading			
Ordinary shares of listed companies		(394)	169
Market Treasury Bills		717	-
10 ADVANCES			
Loans, cash credits, running finances, etc.			
In Pakistan		97,397,600	75,901,692
Outside Pakistan		-	-
		<u>97,397,600</u>	<u>75,901,692</u>
Bills discounted and purchased (excluding treasury bills)			
Payable in Pakistan		707,037	1,368,579
Payable outside Pakistan		6,212,896	5,984,092
		<u>6,919,933</u>	<u>7,352,671</u>
Advances - gross		<u>104,317,533</u>	<u>83,254,363</u>
Provision for non-performing advances	10.3	(7,138,505)	(6,429,357)
Advances - net of provision		<u>97,179,028</u>	<u>76,825,006</u>
10.1 Particulars of advances (Gross)			
10.1.1 In local currency			
In foreign currencies		94,656,743	74,398,554
		<u>9,660,790</u>	<u>8,855,809</u>
		<u>104,317,533</u>	<u>83,254,363</u>
10.1.2 Short Term (for upto one year)			
Long Term (for over one year)		80,710,563	68,671,436
		<u>23,606,970</u>	<u>14,582,927</u>
		<u>104,317,533</u>	<u>83,254,363</u>

10.2 Advances include Rs. 10,424.111 million (2012: Rs. 9,927.397 million) which have been placed under non-performing status as detailed below:

Category of Classification	2013								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
(Rupees in '000)									
Other Assets Especially									
Mentioned*	91,332	-	91,332	850	-	850	850	-	850
Substandard	678,007	-	678,007	98,841	-	98,841	98,841	-	98,841
Doubtful	1,105,755	-	1,105,755	333,796	-	333,796	333,796	-	333,796
Loss	8,549,017	-	8,549,017	6,675,237	-	6,675,237	6,675,237	-	6,675,237
	<u>10,424,111</u>	<u>-</u>	<u>10,424,111</u>	<u>7,108,724</u>	<u>-</u>	<u>7,108,724</u>	<u>7,108,724</u>	<u>-</u>	<u>7,108,724</u>

Category of Classification	2012								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Other Assets Especially Mentioned*	78,968	-	78,968	-	-	-	-	-	-
Substandard	921,281	-	921,281	149,513	-	149,513	149,513	-	149,513
Doubtful	1,234,281	-	1,234,281	417,495	-	417,495	417,495	-	417,495
Loss	7,692,867	-	7,692,867	5,853,895	-	5,853,895	5,853,895	-	5,853,895
	<u>9,927,397</u>	<u>-</u>	<u>9,927,397</u>	<u>6,420,903</u>	<u>-</u>	<u>6,420,903</u>	<u>6,420,903</u>	<u>-</u>	<u>6,420,903</u>

*The Other assets especially mentioned category pertains to agricultural finance and small enterprise amounting to Rs 30.225 million and Rs 61.108 million respectively.

10.3 Particulars of provision against non-performing loans and advances

Note	2013				2012			
	Specific	Consumer	Small Enterprises	Total	Specific	Consumer	Small Enterprises	Total
	(Rupees in '000)							
Opening balance	6,420,903	8,454	-	6,429,357	5,723,149	8,526	-	5,731,675
Charge for the year	1,196,205	2,327	19,000	1,217,532	1,452,320	-	-	1,452,320
Reversals	(495,003)	-	-	(495,003)	(964,744)	(72)	-	(964,816)
	701,202	2,327	19,000	722,529	487,576	(72)	-	487,504
Transfers	-	-	-	-	213,961	-	-	213,961
Amount written off 10.5	(13,381)	-	-	(13,381)	(3,783)	-	-	(3,783)
Closing balance	<u>7,108,724</u>	<u>10,781</u>	<u>19,000</u>	<u>7,138,505</u>	<u>6,420,903</u>	<u>8,454</u>	<u>-</u>	<u>6,429,357</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 Provision against small enterprises represents general provision maintained at an amount equal to 1.0% of the fully secured performing portfolio and 2.0% of the unsecured performing portfolio as required under the Prudential Regulations issued by SBP.

10.3.3 Particulars of provision against non-performing loans and advances

	2013				2012			
	Specific	Consumer	Small Enterprises	Total	Specific	Consumer	Small Enterprises	Total
	(Rupees in '000)							
In local currency	7,108,724	10,781	19,000	7,138,505	6,420,903	8,454	-	6,429,357
In foreign currencies	-	-	-	-	-	-	-	-
	<u>7,108,724</u>	<u>10,781</u>	<u>19,000</u>	<u>7,138,505</u>	<u>6,420,903</u>	<u>8,454</u>	<u>-</u>	<u>6,429,357</u>

10.4 During the current year, the Bank decided to avail additional FSV benefit under BSD circular No.01 dated 21 October 2011. Such benefit is availed on case to case basis, based on the risk assessment policies of the Bank. This resulted in reduction of provision against non-performing loans and advances by Rs. 85.112 million.

Had the benefit of FSV not availed by the Bank, the specific provision against non-performing advances tax would have been higher by approximately Rs. 1,923.773 million as at 31 December 2013 and advances (net off provision) would have been lower by same amount. Further the net of tax profit, amounted to Rs. 1,250.452 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 realisable through litigation. These securities comprise of charge against various tangible assets of the borrower including land, building and machinery, stock in trade, etc.

	Note	2013 (Rupees in '000)	2012
10.5 Particulars of write offs:			
10.5.1 Against provisions	10.3	13,381	3,783
Directly charged to profit and loss account		45	2,105
		<u>13,426</u>	<u>5,888</u>
10.5.2 Write offs of Rs. 500,000 and above	10.6	12,634	4,801
Write offs of below Rs. 500,000		792	1,087
		<u>13,426</u>	<u>5,888</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 2013 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.

Debts due by directors, executives or officers of the Bank or any of them either severally or jointly with any other persons*

	Note	2013 (Rupees in '000)	2012
Balance at beginning of the year		1,091,698	391,166
Loans granted during the year		662,147	835,935
Repayments		(218,552)	(135,403)
Balance at end of the year		<u>1,535,293</u>	<u>1,091,698</u>

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

	Note	2013 (Rupees in '000)	2012
11 OPERATING FIXED ASSETS			
Capital work-in-progress	11.1	108,217	186,121
Property and equipment	11.2	3,823,322	3,690,711
Intangible assets	11.3	77,035	138,401
		<u>4,008,574</u>	<u>4,015,233</u>
11.1 Capital work-in-progress			
Civil works		70,429	142,398
Advances to suppliers and contractors		35,176	33,215
Advance against purchase of premises		-	5,490
Consultant's fee and other charges		2,612	5,018
		<u>108,217</u>	<u>186,121</u>

11.2 Property and equipments

	2013										
	COST / REVALUATION				ACCUMULATED DEPRECIATION						
	At 01 January 2013	Additions / (deletions)	Revaluation surplus	Adjustments	At 31 December 2013	At 01 January 2013	Charge for the year / (depreciation on deletions)	Adjustments	At 31 December 2013	Book value at 31 December 2013	Rate of depreciation
	(Rupees in '000)										%
Free hold land	362,778	-	-	-	362,778	-	-	-	-	362,778	-
Leasehold land	109,209	51,480	-	-	160,689	-	-	-	-	160,689	-
Buildings on freehold land	87,348	40,221	-	-	127,569	5,720	6,666	-	12,386	115,183	5 - 9
Buildings on leasehold land	2,074,931	8,555 (5,632)	-	-	2,077,854	656,981	118,054 (1,906)	-	773,129	1,304,725	5 - 13
Leasehold improvements	660,119	196,407 (48,221)	-	-	808,305	120,158	36,892 (16,219)	-	140,831	667,474	5
Furniture and fixtures	252,550	69,474 (592)	-	-	321,432	100,568	25,813 (408)	-	125,973	195,459	10
Electrical, office and computer equipment	1,895,074	189,989 (26,689)	-	-	2,058,374	1,155,099	280,168 (23,355)	-	1,411,912	646,462	20
Vehicles	174,210	37,762 (25,052)	-	-	186,920	81,077	31,647 (21,866)	-	90,858	96,062	20
Assets held under Ijarah											
Motor vehicles	203,944	5,934 (11,826)	-	-	198,052	70,943	40,321 (11,826)	-	99,438	98,614	Over the Ijarah period
Plant and machinery	174,284	191,276 (17,482)	-	-	348,078	113,190	76,494 (17,482)	-	172,202	175,876	Over the Ijarah period
	5,994,447	791,098 (135,494)	-	-	6,650,051	2,303,736	616,055 (93,062)	-	2,826,729	3,823,322	

	2012										
	COST / REVALUATION				ACCUMULATED DEPRECIATION						
	At 01 January 2012	Additions / (deletions)	Revaluation surplus	Adjustments	At 31 December 2012	At 01 January 2012	Charge for the year / (depreciation on deletions)	Adjustments	At 31 December 2012	Book value at 31 December 2012	Rate of depreciation
	(Rupees in '000)										%
Free hold land	77,647	76,568	-	208,563	362,778	-	-	-	-	362,778	-
Leasehold land	-	-	-	109,209	109,209	-	-	-	-	109,209	-
Building on freehold land	-	5,000	-	82,348	87,348	-	5,720	-	5,720	81,628	5 - 9
Building on leasehold land	2,438,652	36,399	-	(400,120)	2,074,931	540,820	116,161	-	656,981	1,417,950	5 - 13
Leasehold improvements	512,051	149,748 (1,680)	-	-	660,119	93,517	28,129 (1,488)	-	120,158	539,961	5
Furniture and fixtures	204,275	50,249 (1,974)	-	-	252,550	82,591	19,488 (1,511)	-	100,568	151,982	10
Electrical, office and computer equipment	1,658,060	275,784 (38,770)	-	-	1,895,074	919,980	271,555 (36,436)	-	1,155,099	739,975	20
Vehicles	134,795	48,895 (9,480)	-	-	174,210	59,683	30,420 (9,026)	-	81,077	93,133	20
Assets held under Ijarah											
Motor vehicles	150,143	68,671 (14,870)	-	-	203,944	52,909	32,904 (14,870)	-	70,943	133,001	Over the Ijarah period
Plant and machinery	185,146	34,122 (44,984)	-	-	174,284	99,822	58,352 (44,984)	-	113,190	61,094	Over the Ijarah period
	5,360,769	745,436 (111,758)	-	-	5,994,447	1,849,322	562,729 (108,315)	-	2,303,736	3,690,711	

11.2.1 The cost of fully depreciated property and equipment still in use amounts to Rs. 838.465 million (2012: Rs. 577.557 million).

11.2.2 During the year 2011, the Bank's freehold / leasehold land and buildings on freehold / 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. As a result of revaluation the market value of freehold / leasehold land and buildings on freehold / leasehold land were determined at Rs. 1,977.670 million.

Had there been no revaluation, the carrying amount of revalued assets at 31 December 2013 would have been Rs.944.812 million (2012: Rs. 983.020 million).

11.2.3 The Islamic banking branches of the Bank have entered into Ijarah transactions with customers during the year. These Ijarah transactions are 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:

	2013 (Rupees in '000)	2012
Not later than one year	36,089	8,443
Later than one year but not later than five years	170,368	185,651
	<u>206,457</u>	<u>194,094</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 (whichever is less) are given in Annexure - III which is an integral part of these financial statements.

11.3 Intangible assets

		2013						
		-----Cost-----			-----Accumulated Amortization-----			
Note	At 01 January 2013	Additions / (deletions)	At 31 December 2013	At 01 January 2013	Charge for the year / (amortisation on deletion)	At 31 December 2013	Net Book value at 31 December 2013	Annual rate amortisation %
(Rupees in '000)								
Software	317,994	34,634	352,628	180,521	95,548	276,069	76,559	33.33
Trademark	2,848	663	3,511	1,920	1,115	3,035	476	33.33
Islamabad Stock Exchange - Trading Rights Entitlement (TRE) Certificate	-	-	-	-	-	-	-	-
11.4	-	-	-	-	-	-	-	-
	<u>320,842</u>	<u>35,297</u>	<u>356,139</u>	<u>182,441</u>	<u>96,663</u>	<u>279,104</u>	<u>77,035</u>	
		2012						
		-----Cost-----			-----Accumulated Amortization-----			
Note	At 01 January 2012	Additions / (deletions)	At 31 December 2012	At 01 January 2012	Charge for the year / (amortisation on deletion)	At 31 December 2012	Net Book value at 31 December 2012	Annual rate amortisation %
(Rupees in '000)								
Software	280,843	37,151	317,994	93,466	87,055	180,521	137,473	33.33
Trademark	2,818	30	2,848	972	948	1,920	928	33.33
Islamabad Stock Exchange - Trading Rights Entitlement (TRE) Certificate	-	-	-	-	-	-	-	-
11.4	-	-	-	-	-	-	-	-
	<u>283,661</u>	<u>37,181</u>	<u>320,842</u>	<u>94,438</u>	<u>88,003</u>	<u>182,441</u>	<u>138,401</u>	

11.4 The Trading Right Entitlement Certificate (TRE Certificate) acquired on surrender of Islamabad Stock Exchange Membership Card is stated at Nil value.

According to section 5 of the Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2012 an initial shareholder who has been issued TRE certificate and is not registered as a corporate broker with the Exchange, is required to do so within two years from the date of demutualization i.e. 27 August 2012 which is going to end on 26 August 2014.

Further, any initial shareholder who does not want to commence business within the said period of two years is also required to transfer its TRE certificate to any other shareholder.

Failing to commence business as a corporate broker or to transfer the TRE certificate will result in the lapse of the TRE certificate.

11.5 The additions mainly represent license fee in respect of acquisition of various softwares amounting to Rs. 34.634 million (2012: Rs. 37.151 million) for support of the new core banking software namely Sonaware Dot Net.

	Note	2013 (Rupees in '000)	2012 (Rupees in '000)
12 DEFERRED TAX ASSETS - NET			
Deferred debits arising in respect of:			
Provision for diminution in the value of investments		-	48,603
Actuarial loss on defined benefit plan		24,296	11,161
Provision against non-performing advances		757,738	1,130,410
		<u>782,034</u>	<u>1,190,174</u>
Deferred credits arising in respect of:			
Accelerated tax depreciation		(367,494)	(388,651)
Surplus on revaluation of fixed assets	21.1	(314,407)	(346,528)
Surplus on revaluation of securities	21.2	3,362	(150,948)
		<u>(678,539)</u>	<u>(886,127)</u>
Deferred tax asset - net		<u>103,495</u>	<u>304,047</u>
13 OTHER ASSETS			
Income / mark-up accrued in local currency		2,342,808	1,957,809
Income / mark-up accrued in foreign currency		5,630	5,775
Dividend receivable		-	-
Advances, deposits and prepayments		413,658	468,400
Unrealised gain on forward foreign exchange contracts		-	189,063
Advance taxation (provisions less payments)		1,878,774	1,265,872
Cash Margin against Future Trading		428	172
Cash Margin against Margin Trading		12,500	9,500
Non-banking assets acquired in satisfaction of claim	13.3	17,400	17,400
Stationery and stamps in hand		96,050	102,506
Due from the State Bank of Pakistan		49,670	53,945
Others	13.2	212,964	226,150
		<u>5,029,882</u>	<u>4,296,592</u>
Less: Provision held against other assets	13.1	<u>(157,578)</u>	<u>(192,244)</u>
Other assets (net of provision)		<u>4,872,304</u>	<u>4,104,348</u>
13.1 Provision against other assets			
Opening balance		192,244	162,225
Charge for the year		4,890	33,129
Reversal		(35,218)	-
		<u>(30,328)</u>	<u>33,129</u>
Write-offs		(4,338)	(3,110)
Closing balance		<u>157,578</u>	<u>192,244</u>
13.2			
This includes an amount of Rs. 143.964 million (2012: Rs. 172.840 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.			
13.3			
Market value of non-banking assets acquired in satisfaction of claim		<u>21,079</u>	<u>17,175</u>

	Note	2013 (Rupees in '000)	2012
14 CONTINGENT ASSETS			
There were no contingent assets as at the balance sheet date.			
15 BILLS PAYABLE			
In Pakistan		2,577,943	2,522,405
Outside Pakistan		-	-
		<u>2,577,943</u>	<u>2,522,405</u>
16 BORROWINGS			
In Pakistan		10,116,193	20,356,020
Outside Pakistan		369,286	42,467
		<u>10,485,479</u>	<u>20,398,487</u>
16.1 Particulars of borrowings with respect to currencies			
In local currency		10,116,193	20,356,020
In foreign currencies		369,286	42,467
		<u>10,485,479</u>	<u>20,398,487</u>
16.2 Details of borrowings secured / unsecured			
Secured			
Borrowings from the State Bank of Pakistan			
Under Export Refinance Scheme	16.2.1	6,866,019	7,569,455
Long Term Financing Facility for plant & machinery	16.2.2	848,067	834,518
Long Term Finance - export oriented projects	16.2.3	182,650	329,297
Modernization of SME-Rice Husking	16.2.4	4,969	17,549
Financing facility for storage of agriculture produce	16.2.5	24,867	33,156
Repurchase agreement borrowings		-	10,578,064
Repurchase agreement borrowings - other banks	16.2.6	<u>1,339,621</u>	<u>993,981</u>
		9,266,193	20,356,020
Unsecured			
Call borrowings	16.2.7	850,000	-
Overdrawn nostro accounts		<u>369,286</u>	<u>42,467</u>
		1,219,286	42,467
		<u>10,485,479</u>	<u>20,398,487</u>

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 8.30% to 8.40% per annum (2012: 8.50% to 10.00% 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 8.40% to 8.80% per annum (2012: 8.20% to 11.00% 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 (2012: 5.50% to 6.25% per annum).

16.2.5 This represents borrowings from the SBP under scheme for storage of agriculture produce at the rate ranging from 5.50% to 6.50% per annum (2012: 5.50% to 6.50% per annum).

16.2.6 This represents repurchase agreement at rate ranging from 9.50% to 9.70% per annum (2012: 8.75% per annum), and having maturity dates upto six months.

16.2.7 This represents borrowings from commercial bank in the inter bank money market. It carries mark-up at rate ranging from 9.40% to 10.0% per annum (2012: NIL% per annum) and have a maturity period of upto two months.

	Note	2013 (Rupees in '000)	2012
17 DEPOSITS AND OTHER ACCOUNTS			
Customers			
Remunerative			
Fixed deposits		41,947,218	38,228,631
Savings deposits		64,339,770	55,075,350
Non-Remunerative			
Current Accounts		32,102,977	25,130,788
Call deposits		214,312	187,268
Margin deposits		1,449,775	1,719,185
		<u>140,054,052</u>	<u>120,341,222</u>
Financial Institutions			
Remunerative - savings deposits		525,677	250,096
Non-remunerative current deposits		178	178
		<u>525,855</u>	<u>250,274</u>
		<u>140,579,907</u>	<u>120,591,496</u>
17.1 Particulars of deposits			
In local currency		128,852,085	109,482,749
In foreign currencies		11,727,822	11,347,822
		<u>140,579,907</u>	<u>120,830,571</u>
18 SUB-ORDINATED LOANS - UNSECURED (NON-PARTICIPATORY)			
Listed Term Finance Certificates		-	299,280
19 OTHER LIABILITIES			
Mark-up / return / interest payable in local currency		1,210,088	1,222,787
Mark-up / return / interest payable in foreign currencies		16,324	65,560
Unearned commission and income on bills discounted		50,966	55,200
Unrealised loss on forward foreign exchange contracts		32,224	-
Accrued expenses		362,068	448,214
Branch adjustment account - net		106,289	7,269
Provision for employees' compensated absences	19.1	30,999	179,222
Sundry Deposits		266,414	239,075
Others		232,528	268,229
		<u>2,307,900</u>	<u>2,485,556</u>

19.1 This represents provision in respect of certain employees who have opted to carry forward their accumulated leaves until 31 December 2014.

20 SHARE CAPITAL

20.1 Authorised capital

	2013 (Number of shares)	2012		2013 (Rupees in '000)	2012
	<u>1,200,000,000</u>	<u>1,200,000,000</u>	Ordinary shares of Rs. 10/- each	<u>12,000,000</u>	<u>12,000,000</u>

20.2 Issued, subscribed and paid-up capital

	2013			2012			2013	2012
	Issued for cash	Issued as bonus shares	Total	Issued for cash	Issued as bonus shares	Total	(Rupees in '000)	
	Number of shares							
Opening balance	387,397,655	614,841,875	1,002,239,530	387,397,655	515,520,840	902,918,495	10,022,395	9,029,185
Shares issued during the year	-	100,223,953	100,223,953	-	99,321,035	99,321,035	1,002,241	993,211
Closing balance	387,397,655	715,065,828	1,102,463,483	387,397,655	614,841,875	1,002,239,530	11,024,636	10,022,396

During the year, the Bank has issued 10.00% bonus shares (100,223,953 shares) to all its shareholders, as a result of which the paid up capital of the Bank as at 31 December 2013 stood at Rs. 10,023 million as against the requirement by the State Bank of Pakistan of Rs. 10,000 million.

20.3 Major shareholders as at 31 December 2013 are as follows:

Name of shareholder	Number of shares held	Percentage of shareholding
National Investment (Unit) Trust	191,614,966	17.38%
Trustees - Alauddin Feerasta Trust	243,808,049	22.11%
Trustees - Feerasta Senior Trust	240,151,718	21.78%
Trustees - Alnu Trust	120,131,449	10.90%
	<u>795,706,182</u>	<u>72.17%</u>

	Note	2013 (Rupees in '000)	2012
21 SURPLUS ON REVALUATION OF ASSETS - NET OF TAX			
Surplus / (deficit) on revaluation (net of tax) of:			
- operating fixed assets	21.1	583,900	643,553
- available for sale securities	21.2	248,327	310,321
		<u>832,227</u>	<u>953,874</u>
21.1 Surplus on revaluation of fixed assets - net of tax			
Surplus on revaluation of operating fixed assets		990,081	1,079,361
Adjustment arising in respect of revaluation of operating fixed assets		-	-
Transferred to unappropriated profit in respect of incremental depreciation charge on related assets - net of deferred tax		(59,653)	(58,032)
Related deferred tax liability		(32,121)	(31,248)
		<u>(91,774)</u>	<u>(89,280)</u>
Surplus on revaluation of operating fixed assets		898,307	990,081
Less: Related deferred tax liability	12	(314,407)	(346,528)
		<u>583,900</u>	<u>643,553</u>
21.2 Surplus on revaluation of available for sale securities - net of tax			
Federal Government Securities		(108,806)	408,117
Quoted shares / closed end mutual funds		356,401	41,984
Others - open ended mutual funds		(2,630)	11,168
		<u>244,965</u>	<u>461,269</u>
Related deferred tax liability	12	3,362	(150,948)
		<u>248,327</u>	<u>310,321</u>

	2013 (Rupees in '000)	2012 (Rupees in '000)
22 CONTINGENCIES AND COMMITMENTS		
22.1 Direct credit substitutes		
Financial guarantees issued favouring:		
- Government	1,308,692	1,420,685
- Others	95,235	275,420
	1,403,927	1,696,105
22.2 Transaction-related contingent liabilities		
Guarantees issued favouring:		
- Government	4,580,937	3,554,075
- Financial institutions	160,592	327,417
- Others	2,645,675	2,950,663
	7,387,204	6,832,155
22.3 Trade-related contingent liabilities		
Letters of credit	16,497,354	21,132,353
Acceptances	4,637,712	2,559,741
22.4 Commitments in respect of forward lending		
Commitments to extend credit	4,950,000	1,250,000
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	15,728,958	9,701,704
- From customers	3,559,891	5,824,561
	19,288,849	15,526,265
Sale		
- To other banks	16,519,673	11,627,310
- To customers	2,092,717	594,803
	18,612,390	12,222,113
The maturities of the above contracts are spread over a period of one year.		
22.6 Commitments in respect of equity future contracts		
Purchase	-	33,701
Sale	8,763	47,142
22.7 Commitments in respect of lendings to financial and other institutions		
Margin trading system	13,131	24,992

22.8 Other Contingencies

22.8.1 Taxation

(a) For the tax year 2011, the Bank had filed return under self assessment scheme as envisaged in section 120 of the Income Tax Ordinance, 2001. The income tax department has amended the assessment of tax year 2011 under section 122(5A) of the Income Tax Ordinance, 2001. The amended assessment order has been passed by adding / disallowing certain expenses / deductions resulting in additional tax liability of Rs.313.383 million.

The Bank has filed appeal before the Appellate Tribunal Inland Revenue (ATIR) for the above referred tax year against these disallowances and deductions.

(b) For years ended 31 December 2008, 2009 and 2010, aggregate liability of Rs.159.10 million has been adjudged under Rule 40A of the Federal Excise Rules 2005 read with section 7 of the Federal Excise Act 2005, on the grounds that Bank failed to deposit applicable Federal Excise Duty on certain income heads. Against the said liability the Bank had preferred appeal before the Commissioner Inland Revenue (Appeals). As a result of appeal filed by the Bank before the Commissioner Inland Revenue (Appeals) certain add backs have been deleted and a net liability of Rs.89.44 million is now pending against which the Bank has preferred an appeal before the Appellate Tribunal Inland Revenue.

(c) For the year ended 31 December 2011, a liability of Rs. 59.277million has been adjudged under Rule 40A of the Federal Excise Rules 2005 read with section 7 of the Federal Excise Act 2005, on the grounds that the Bank failed to deposit applicable Federal Excise Duty on certain income heads. Against the said liability the Bank has preferred an appeal before the Commissioner Inland Revenue (Appeals).

(d) The tax department has filed tax references before honourable Lahore High Court, Lahore in respect of certain deductions primarily of provisions against advances which were allowed by the Appellate Tribunal Inland Revenue (ATIR) for assessment year 2000-2001 to tax year 2010.

(e) For the tax year 2011 the tax authority has passed an order under section 161/205 by treating the Bank as assesses in default for non-deduction of tax on certain payments and has created a net demand of Rs.20.03 million. Against the said demand the Bank has filed an appeal before the Commissioner Inland Revenue (CIR).

(f) The Bank and its tax advisor are of the view that the above issues will ultimately be decided in Bank's favour. Therefore no additional provision has been made in these financial statements.

22.8.2 Claims against the Bank not acknowledged as debts amounted to Rs. 2.4 million (2012: Rs. 2.4 million).

22.8.3 A penalty of Rs. 50 million has been imposed by Competition Commission of Pakistan ("the Commission") on the Bank on account of uncompetitive behaviour and imposing uniform cost on cash withdrawal from ATM transaction. The Bank alongwith other Bank's had filed a constitutional petition before the Competition Appellate Tribunal which has set aside the order of the Commission. Against the said order of the Competition Appellate Tribunal, the Commission has filed an appeal before the Supreme Court of Pakistan, the hearing of which is pending.

	2013 (Rupees in '000)	2012
23 MARK-UP / RETURN / INTEREST EARNED		
On loans and advances to customers	8,162,626	7,969,164
On investments:		
- Held for trading securities	119,783	-
- Available for sale securities	4,652,135	5,192,812
- Held to maturity securities	344,975	402,655
On deposits with financial institutions	29,234	30,085
On securities purchased under resale agreements	150,375	115,205
On call money lendings	142,261	68,285
	<u>13,601,389</u>	<u>13,778,206</u>
24 MARK-UP / RETURN / INTEREST EXPENSED		
Deposits	7,696,805	7,513,907
Securities sold under repurchase agreements	376,683	536,521
Call borrowings	11,815	11,145
Sub - ordinated loans	11,133	87,417
Borrowings from the State Bank of Pakistan under various re-finance schemes	654,648	785,182
	<u>8,751,084</u>	<u>8,934,172</u>
25 INCOME FROM DEALING IN FOREIGN CURRENCIES		

This includes conversion cost of foreign currency transactions into / from local currency funds (i.e. swap cost on foreign currency transactions) which amounts to Rs. 225.857 million (2012: Rs. 331.294 million).

	Note	2013 (Rupees in '000)	2012
26 GAIN ON SALE OF SECURITIES - NET			
Ordinary shares - Listed companies		260,417	71,700
Mutual funds' units		46,103	147,200
Pakistan Investment Bonds		107,506	58,086
Market Treasury Bills		37,295	70,851
Term Finance Certificates		2,138	-
GOP Ijarah Sukuk		295	8,291
		<u>453,754</u>	<u>356,128</u>
27 OTHER INCOME			
Net profit on sale of property and equipment		17,814	7,379
Income on Ijarah		154,844	126,031
Staff notice period and other recoveries		4,236	2,579
Royalty income		-	1,575
		<u>176,894</u>	<u>137,564</u>
28 ADMINISTRATIVE EXPENSES			
Salaries, allowances, etc.		1,843,501	1,590,662
Charge/(Reversal) for employees' compensated absences	28.1	(136,106)	78,822
Charge for defined benefit plan	34.8	77,626	51,911
Contribution to defined contribution plan	35	66,973	43,948
Non-executive directors' fees, allowances and other expenses		1,725	1,834
Rent, taxes, insurance, electricity, etc.		773,154	607,884
Legal and professional charges		36,260	34,913
Communications		80,099	58,721
Repairs and maintenance		104,672	49,147
Stationery and printing		88,407	59,124
Advertisement and publicity		94,865	34,916
Donations	28.2	10,550	100
Auditors' remuneration	28.3	4,850	6,052
Depreciation	11.2	616,055	562,729
Amortisation	11.3	96,663	88,003
Brokerage & commission		14,691	11,947
Automation expenses		315,708	277,103
Entertainment		103,698	83,729
Fees & subscription		19,726	30,987
Motor vehicles running expenses		138,832	113,389
Remittance charges		8,151	12,815
Service charges		391,444	287,949
Training expenses		10,477	12,970
Travelling expenses		33,568	46,334
Others		<u>142,252</u>	<u>102,252</u>
		<u>4,937,841</u>	<u>4,248,241</u>

28.1 During 2012, the Bank revised its compensated absences plan such that going forward the outstanding leaves balances shall expire at the end of each financial year. Moreover the management introduced a scheme to settle the previous outstanding leaves against encashment. This resulted in reduction of the required provision held under this account.

	Note	2013 (Rupees in '000)	2012 (Rupees in '000)
28.2 Details of the donations given during the year are as follows:			
Donee			
The Aga Khan Hospital and Medical College Foundation	28.2.1	10,000	-
Pakistan Centre for Philanthropy		500	-
Quetta Bankers Club - For earthquake victims		50	-
Karwan-e-Hayat		-	100
		<u>10,550</u>	<u>100</u>

28.2.1 Mr. Alauddin Feerasta Chairman of the bank is also a member of the Governing Body of The Aga Khan Hospital and Medical College Foundation.

	2013 (Rupees in '000)	2012 (Rupees in '000)
28.3 Auditors' remuneration		
Audit fee	1,100	1,000
Fee for audit of provident and gratuity funds	100	100
Audit of branches and other certifications	2,630	3,762
Fee for half yearly review of financial statements	440	400
Out-of-pocket expenses	580	790
	<u>4,850</u>	<u>6,052</u>
29 OTHER CHARGES		
Penalties imposed by the State Bank of Pakistan		
- on account of annual inspection	-	13,571
- on account of misreporting, non-compliance etc.	45	206
Operating fixed assets written-off	29,141	2,031
Taxes paid	-	120,000
Workers' Welfare Fund	33,522	42,100
Zakat refunded	(4,970)	-
	<u>57,738</u>	<u>177,908</u>
30 TAXATION		
For the year		
Current	542,000	683,000
Deferred	(31,158)	(65,137)
	<u>510,842</u>	<u>617,863</u>
For prior years		
Current	(416,458)	-
Deferred	399,154	-
	(17,304)	-
	<u>493,538</u>	<u>617,863</u>
30.1 Relationship between tax expense and accounting profit		
Profit before taxation	1,530,395	1,722,056
Tax at the applicable tax rate of 35% (2011: 35%)	535,638	602,720
Income chargeable to tax at reduced rates	(32,614)	(57,174)
Tax effect on permanent differences	16	60,822
Others	(9,502)	11,495
	<u>493,538</u>	<u>617,863</u>

	Note	2013 (Rupees in '000)*	2012
31 BASIC / DILUTED EARNINGS PER SHARE			
Profit for the year after taxation		<u>1,036,857</u>	<u>1,104,193</u>
		Number of shares (Restated)	
Weighted average number of ordinary shares		<u>1,102,463,483</u>	<u>1,102,463,483</u>
		(Rupee) (Restated)	
Basic and diluted earnings per share		<u>0.94</u>	<u>1.00</u>
31.1 Earnings per share for the year 2012 has been restated for the effect of bonus shares issued.			
		2013 (Rupees in '000)	2012
32 CASH AND CASH EQUIVALENTS			
Cash and balances with treasury banks	6	12,672,753	11,491,348
Balances with other banks	7	<u>957,170</u>	<u>1,249,168</u>
		<u>13,629,923</u>	<u>12,740,516</u>
		2013 (Number of employees)	2012
33 STAFF STRENGTH			
Permanent		2,835	2,644
Temporary / on contractual basis etc.		<u>30</u>	<u>43</u>
Bank's own staff strength at the end of the year		2,865	2,687
Outsourced	33.1	<u>843</u>	<u>588</u>
Total staff strength at the end of the year		<u>3,708</u>	<u>3,275</u>

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

34 DEFINED BENEFIT PLAN

34.1 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.

34.2 Principal actuarial assumptions

The latest actuarial valuation was carried out as at 31 December 2013 using the "Projected Unit Credit Actuarial Cost Method". The information provided in notes 34.2 to 34.12 has been obtained from the actuarial valuation carried out as at 31 December 2013. The main assumptions used for actuarial valuation were as follows:

	Note	2013	2012
- Discount rate		13.00%	12.00%
- Expected rate of increase in salaries		11.00%	10.00%
- Expected rate of return on investments		13.00%	12.00%
- Withdrawal rate before normal retirement age		"heavy"	"moderate"
		2013 (Rupees in '000)	2012
34.3 Reconciliation of payable to defined benefit plan			
Present value of defined benefit obligations		385,636	266,409
Fair value of plan assets		<u>(385,636)</u>	<u>(234,635)</u>
Net actuarial losses not recognised	34.6	<u>-</u>	<u>(31,774)</u>
		<u>-</u>	<u>-</u>

The gratuity plan assets include a deposit maintained by the scheme with the Bank amounting to Rs. 38.229 million (2012: Rs. 97.796 million).

	2013 (Rupees in '000)	2012
34.4 Movement in defined benefit obligation		
Obligation at the beginning of the year	266,409	254,243
Current service cost	50,342	39,521
Interest cost	36,263	33,167
Benefits paid by the fund	(22,813)	(22,500)
Actuarial (gain) / loss on obligation	33,303	(38,022)
Past service cost	22,132	-
Obligation at the end of the year	<u>385,636</u>	<u>266,409</u>
34.5 Movement in fair value of plan assets		
Fair value at the beginning of the year	234,635	186,331
Expected return on plan assets	31,111	25,026
Contribution by the Bank	147,044	51,911
Benefits paid by the fund	(22,813)	(22,500)
Actuarial (loss) / gain on plan assets	(4,341)	(6,133)
Fair value at the end of the year	<u>385,636</u>	<u>234,635</u>
34.6 Movement of actuarial (gain) / loss during the year		
Remaining loss at previous valuation	31,774	67,912
Annual amortisation of loss amount	1,528	(4,249)
Remaining unrecognised loss	<u>33,302</u>	<u>63,663</u>
Liability (gain) / loss	(37,643)	(38,022)
Asset loss / (gain)	4,341	6,133
Amount unrecognised	<u>-</u>	<u>31,774</u>
34.7 Movement in payable to defined benefit plan		
Opening balance	-	-
Charge for the year	147,044	51,911
Bank's contribution to the fund made during the year	(147,044)	(51,911)
Closing balance	<u>-</u>	<u>-</u>
34.8 Charge for defined benefit plan		
Current service cost	50,342	39,521
Interest cost	36,263	33,167
Expected return on plan assets	(31,111)	(25,026)
Amortisation of loss	-	4,249
Past service cost	22,132	-
	<u>77,626</u>	<u>51,911</u>
34.9 Actual return on plan assets	<u>30,675</u>	<u>20,369</u>

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

	Gratuity Fund				
	2013	2012	2011	2010	2009
	(Rupees in '000)				
Present value of defined benefit obligation	385,636	266,409	254,243	183,709	185,129
Fair value of plan assets	385,636	234,635	186,331	142,546	147,142
(Deficit)	-	(31,774)	(67,912)	(41,163)	(37,987)
Experience adjustments on plan liabilities (gain)	33,303	18,298	32,130	1,384	2,311
Experience adjustments on plan assets loss / (gain)	(436)	4,656	(2,519)	2,570	(4,176)

34.11 Components of plan assets as a percentage of total plan assets

	Gratuity Fund			
	2013 (Rupees in '000)	(Percent)	2012 (Rupees in '000)	(Percent)
Debt	181,800	47.14%	123,078	52.46%
Others	203,836	52.86%	111,557	47.54%
	385,636	100.00%	234,635	100.00%

As per the actuarial recommendations the expected return on plan assets was taken as 13.00% per annum. The expected return on plan assets was determined by considering the expected returns on the assets underlying the current investment policy.

34.12 The expected gratuity expense for the next year commencing 1 January 2014 works out to Rs. 61.644 million.

35 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. The contribution made by the Bank and its employees during the year amounted to Rs. 66.973 million each (2012: Rs. 43.948 million each). The number of employees as at 31 December 2013 eligible under the scheme were 2,413 (2012: 1,932 employees).

36 COMPENSATION OF DIRECTORS AND EXECUTIVES

	President / Chief Executive Officer		Directors		*Executives	
	2013	2012	2013	2012	2013	2012
	(Rupees in '000)					
Fees	-	-	1,725	1,834	-	-
Managerial remuneration	31,138	27,310	-	-	401,040	306,761
Charge for defined benefit plan	3,983	3,621	-	-	32,090	20,110
Contribution to defined contribution plan	2,594	2,275	-	-	27,160	22,220
Rent and house maintenance	14,012	12,938	-	-	153,721	112,082
Utilities	1,192	835	-	-	4,494	28,020
Medical	349	205	-	-	37,502	20,102
Bonus, leave encashment and others	15,269	5,689	-	-	334,102	63,870
	68,537	52,873	1,725	1,834	990,109	573,165
Number of persons	1	1	5	5	470	302

The aggregate amount charged to income as fee to directors and remuneration to other key management personnel was Rs. 1.725 million and Rs. 179.369 million (2012: Rs. 1.834 million and Rs. 193.009 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.

37 FAIR VALUE OF FINANCIAL INSTRUMENTS

- 37.1** 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 42 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.

37.2 Off-balance sheet financial instruments

	2013		2012	
	Book value	Fair value	Book value	Fair value
	(Rupees in '000)			
Forward purchase of foreign exchange	19,288,849	19,037,209	15,526,265	15,696,256
Forward sale of foreign exchange	18,612,390	18,392,973	12,222,113	12,203,042
Equity future purchase contract	-	-	33,701	33,340
Equity future sale contract	8,763	-	47,142	46,044

38 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Corporate	Trading & Sales	Retail Banking	Total
	----- (Rupees in '000) -----			
31 December 2013				
Total income	5,270,347	6,209,079	4,502,384	15,981,810
Total expenses	5,194,587	4,979,497	4,277,331	14,451,415
Net income / (loss)	75,760	1,229,582	225,053	1,530,395
Segment assets (Gross)	66,445,140	50,701,862	59,359,738	176,506,740
Segment non performing loans	1,926,695	-	8,497,416	10,424,111
Segment provision required *	1,247,165	10,375	6,015,328	7,272,868
Segment liabilities	13,542,534	2,718,166	139,690,529	155,951,229
Segment return on net assets (ROA) (%)	0.12	2.43	0.42	0.90
Segment cost of funds (%)	7.96	9.17	5.83	6.07
31 December 2012				
Total income	4,902,773	6,236,922	4,495,443	15,635,138
Total expenses	4,224,833	5,497,525	4,190,724	13,913,082
Net income	677,940	739,397	304,719	1,722,056
Segment assets (Gross)	52,485,988	63,504,662	49,228,705	165,219,355
Segment non performing loans	1,590,044	-	8,337,353	9,927,397
Segment provision required *	1,035,942	10,410	5,543,606	6,589,958
Segment liabilities	10,780,594	11,948,521	123,568,109	146,297,224
Segment return on net assets (ROA) (%)	1.32	1.16	0.70	1.09
Segment cost of funds (%)	6.85	10.75	7.00	7.17

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

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

39 TRUST ACTIVITIES

The Bank is currently not engaged in any trust activities.

40 RELATED PARTY TRANSACTIONS

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

Usual transactions with related parties include deposits, advances, acceptances and provision of other banking services which 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 34 and 35. Remuneration to the key management personnel is disclosed in note 36 to these financial statements.

The details of transactions with related parties during the year other than those which have been disclosed elsewhere 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	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	(Rupees in '000)									
Deposits										
At 1 January	13,539	15,470	1,080,222	960,368	606,467	476,536	121,098	141,149	538,037	494,012
Received during the year	292,590	571,800	2,169,266	2,185,229	48,320,065	49,298,807	5,846,361	152,969	1,290,601	1,027,850
Transfers / Reclassification	-	-	-	-	-	-	-	-	-	-
Withdrawn during the year	(295,517)	(573,731)	(2,007,461)	(2,065,375)	(48,224,575)	(49,168,876)	(5,662,178)	(173,020)	(1,609,886)	(983,825)
At 31 December	10,612	13,539	1,242,027	1,080,222	701,957	606,467	305,281	121,098	218,752	538,037
Profit / interest expense on deposits	549	292	177,230	144,084	47,756	55,842	32,139	10,023	49,127	50,984
Commission / brokerage bank charges recovered	22	15	24	16	1727	1749	3	1	3	2
Transaction-related contingent liabilities	-	-	-	-	29,123	29,319	-	-	-	-
Trade-related contingent liabilities	-	-	-	-	182,443	111,493	-	-	-	-
Gain on sale of vehicle	-	-	840	-	-	-	-	-	-	-

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:

	2013 (Rupees in '000)	2012
Advances		
Balance at beginning of the year	432,483	375,964
Loans granted during the year	126,595	158,704
Repayments	(118,836)	(102,185)
Balance at end of the year	440,242	432,483

These loans were given to key management personnel as per the terms of their employment. Mark-up on these advances amounts to Rs. 39.748 million (2012: Rs.33.186 million).

41 CAPITAL ADEQUACY

41.1 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 commensurating with the level of risk. It is the policy of the Bank to maintain adequate 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 capital management are as follows:

- To be an appropriately capitalised institution, as defined by regulatory authorities and in accordance with risk profile;
- Maintain strong ratings and 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 required that the minimum paid up capital (net of losses) for Banks to be raised to Rs. 10 billion by the year ended 31 December 2013. The raise was to be achieved in a phased manner requiring Rs. 10 billion paid up capital (net of losses) by the end of the financial year 2013. The paid up capital (net of losses) of the Bank for the year ended 31 December 2013 stood at Rs. 10,023.275 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 2013. The Bank's CAR as at 31 December 2013 was approximately 11.22 percent of its risk weighted exposure.

The capital of the Bank is managed keeping in view the minimum "Capital Adequacy Ratio" required by the SBP through BPRD Circular No. 06: dated 15 August 2013. 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, ensuring better recovery management and striking balance with low risk assets. 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.

For the purpose of calculating capital under the capital adequacy framework, the capital of the bank is classified in two tiers as per the Basel III framework. The total regulatory capital consists of the sum of Tier 1 Capital and Tier 2 Capital. Tier 1 Capital includes Common Equity Tier 1 (CET1) and Additional Tier 1 Capital (AT1). CET1 of our bank includes the sum of fully paid up capital, balance in share premium, reserves for issuance of bonus share, general/statutory reserves as disclosed in the balance sheet, un-appropriated profit, less regulatory adjustments. The Bank's common shares are perpetual in nature and are non-convertible. The common shares have the last subordination in case of liquidation.

AT1 capital includes Instruments issued by the banks that meet the qualifying criteria for AT1, Share premium resulting from the issuance of AT1 instruments less regulatory adjustments applicable on AT1 Capital. The Bank has not allocated any AT1 capital.

Tier 2 Capital includes Subordinated debt / Instruments, Share premium resulting from the issue of instruments included in Tier 2, Revaluation Reserves (net of deficits, if any), General Provisions or General Reserves for loan losses, Foreign Exchange Translation Reserves, Undisclosed Reserves less regulatory adjustments applicable on Tier-2 capital. The bank has not issued any subordinated debt / instruments, therefore its Tier 2 capital comprises of revaluation reserve (upto a maximum of 45% of the balance in the related revaluation reserve) and general provisions for loan losses.

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.

41.2 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 III standardised approach is presented below, except for figure of 2012 which have been calculated using Basel III standardized approach:

	2013	2012 (Restated)
	(Rupees in '000)	
Regulatory capital base		
Common Equity Tier I capital (CET1) : Instruments and Reserves		
Share capital	10,023,275	9,021,035
Share premium	1,405	1,405
Reserves	616,095	408,724
Unappropriated / unremitted profits (Net of losses)	1,809,641	1,947,135
Minority in the equity of the subsidiaries	-	-
Less: Regulatory Adjustments		
Book value of goodwill and intangibles(net of deferred tax liabilities)	(77,035)	(138,401)
Shortfall of provisions against classified assets	-	-
Shortfall of provisions against classified assets	-	-
Reciprocal cross holdings in CET1 capital instruments	(144,482)	-
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-
Impairment on equity securities - net of tax not charged to profit and loss account	-	-
Calculation difference (expected losses vs. eligible provisions)	-	-
Total Common Equity Tier I capital	12,228,899	11,239,898
Additional Tier I (AT 1) Capital		
Qualifying Additional Tier-1 instruments plus any related share premium of which :classified as Equity and Liability	-	-
Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	-	-

	2013 (Rupees in '000)	2012 (Restated) (Rupees in '000)
Less: Regulatory Adjustments		
Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	-	-
Investment in own AT1 capital instruments	-	-
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
Total Additional Tier I (AT 1) Capital	-	-
Tier 2 Capital		
Subordinated debt (upto 50% of total Tier 1 Capital)	-	-
General provisions subject to 1.25% of total risk weighted assets	29,781	8,454
Revaluation reserve (upto 45%)		
of which : Revaluation reserves on Property	404,238	445,536
of which : Unrealized Gains/Losses on AFS	110,234	207,572
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
Less: Regulatory Adjustments		
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-
Receiprocal cross holdings in Tier 2 capital	(39,707)	-
Total Tier 2 capital	504,546	661,562
Total regulatory capital	12,733,445	11,901,460

Risk-weighted exposures	Note	2013		2012	
		Capital Requirement	Risk adjusted value	Capital Requirement	Risk adjusted value
Credit Risk		(Rupees in '000)		(Restated) (Rupees in '000)	
Portfolios subject to standardised approach (Comprehensive Approach)					
On-Balance Sheet Items:					
Sovereign and central banks		-	-	-	-
Public Sector Entities (PSEs)		958,428	9,584,280	387,233	3,872,332
Banks and securities firms		101,966	1,019,663	218,396	2,183,962
Corporate portfolio	41.3	5,848,857	58,488,570	4,766,356	47,663,558
Retail non mortgages	41.3	820,514	8,205,142	756,903	7,569,025
Mortgages – Residential		46,792	467,919	33,503	335,032
Securitized assets		-	-	-	-
Listed equities and regulatory capital issued by banks		208,930	2,089,297	159,646	1,596,461
Unlisted equity investments		5,415	54,150	86,144	861,440
Fixed assets		393,154	3,931,539	387,683	3,876,832
Other assets		267,875	2,678,752	239,658	2,396,577
Past due exposures		338,368	3,383,680	357,447	3,574,468
		8,990,299	89,902,992	7,392,969	73,929,687
Off balance sheet items:					
Non-Market Related:-					
Direct credit substitutes	41.4	806,919	8,069,186	497,823	4,978,232
Performance-related contingencies	41.4	260,204	2,602,043	267,270	2,672,699
Trade-related contingencies	41.4	292,405	2,924,053	406,065	4,060,648
Lending of securities or posting of securities as collateral		-	-	-	-
Other commitments		-	-	-	-
Other commitments with certain drawdown		-	-	-	-
		1,359,528	13,595,282	1,171,158	11,711,579
Market related:-					
Outstanding interest rate contracts		-	-	-	-
Outstanding foreign exchange contracts	41.5	40,453	404,527	10,412	104,120
		40,453	404,527	10,412	104,120
Total credit risk exposures		10,390,280	103,902,801	8,574,539	85,745,386
Market Risk					
Capital Requirement for portfolios subject to Standardized Approach					
Interest rate risk		11,773	147,163	4,465	55,813
Equity position risk		35,008	437,600	9,406	117,575
Foreign exchange risk		7,020	87,742	3,402	42,537
Position in options		-	-	-	-
Total market risk exposures		53,801	672,505	17,273	215,925

	2013		2012	
	Capital Requirement	Risk adjusted value	Capital Requirement (Restated)	Risk adjusted value
	(Rupees in '000)		(Rupees in '000)	
Operational Risk				
Capital Requirement for operational risks	940,860	11,760,750	817,149	10,214,363
TOTAL	<u>11,384,941</u>	<u>116,336,056</u>	<u>9,408,961</u>	<u>96,175,674</u>
Capital Adequacy Ratio				
Total eligible regulatory capital held	<u>12,733,445</u>		<u>11,901,460</u>	
Total Risk Weighted Assets	<u>116,336,056</u>		<u>96,175,674</u>	
Capital Adequacy Ratio	<u>10.95%</u>		<u>12.37%</u>	
Capital Ratios and Buffers				
CET1 to total RWA	10.51%		11.69%	
Tier-1 capital to total RWA	10.51%		11.69%	
Total capital to RWA	10.95%		12.37%	
Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)	5.0%		5.0%	
of which: capital conservation buffer requirement	0%		0%	
of which: countercyclical buffer requirement	0%		0%	
of which: D-SIB or G-SIB buffer requirement	0%		0%	
CET1 available to meet buffers (as a percentage of risk weighted assets)	5.51%		6.69%	
National minimum capital requirements prescribed by SBP				
CET1 minimum ratio	5%		5%	
Tier 1 minimum ratio	6.5%		6.5%	
Total capital minimum ratio	10%		10%	
Amounts below the thresholds for deduction (before risk weighting)				
Non-significant investments in the capital of other financial entities	793,065		931,057	
Significant investments in the common stock of financial entities	-		-	
Deferred tax assets arising from temporary differences (net of related tax liability)	103,495		304,047	
Applicable caps on the inclusion of provisions in Tier 2				
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	29,781		8,454	
Cap on inclusion of provisions in Tier 2 under standardized approach	1,299,732		1,071,817	

41.3 Cash margin and eligible securities amounting to Rs. 2,684.245 million have been deducted from gross advances using comprehensive approach to credit risk mitigation under Basel III. Advances are not net off with general provision amounting to Rs. 29.781 million which is reported separately in Tier II (supplementary) capital as per BSD circular letter number 03 dated 20 May 2006.

41.4 Cash margin and eligible securities amounting to Rs 1,772.029 million have been deducted from off-balance sheet items.

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

41.6 Capital Structure Reconciliation

TABLE : 41.6.1

Assets

Cash and balances with treasury banks
Balanced with other banks
Lending to financial institutions
Investments
Advances
Operating fixed assets
Deferred tax assets
Other assets

2013	2012 (Restated)
(Rupees in '000)	
12,672,753	11,491,348
957,170	1,249,168
2,737,751	1,123,067
46,702,797	59,517,180
97,179,028	76,825,006
4,008,574	4,015,233
103,495	304,047
<u>4,872,304</u>	<u>4,104,348</u>
<u>169,233,872</u>	<u>158,629,397</u>

Total assets**Liabilities & Equity**

Bills payable
Borrowings
Deposits and other accounts
Sub-ordinated loans
Liabilities against assets subject to finance lease
Deferred tax liabilities
Other liabilities

2,577,943	2,522,405
10,485,479	20,398,487
140,579,907	120,830,571
-	299,280
-	-
-	-
<u>2,307,900</u>	<u>2,246,481</u>

Total liabilities

Share capital/ Head office capital account
Reserves
Unappropriated/ Unremitted profit/ (losses)
Minority Interest
Surplus on revaluation of assets

155,951,229	146,297,224
10,023,275	9,021,035
617,500	410,129
1,809,641	1,947,135
-	-
<u>832,227</u>	<u>953,874</u>

Total liabilities & equity

<u>169,233,872</u>	<u>158,629,397</u>
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TABLE : 41.6.2

Assets

Cash and balances with treasury banks
Balanced with other banks
Lending to financial institutions
Investments
of which: Non-significant capital investments in capital of other financial institutions exceeding 10% threshold
of which: significant capital investments in financial sector entities exceeding regulatory threshold
of which: Mutual Funds exceeding regulatory threshold
of which: reciprocal crossholding of capital instrument
Advances
shortfall in provisions/ excess of total EL amount over eligible provisions under IRB
general provisions reflected in Tier 2 capital
Fixed Assets
Deferred Tax Assets
of which: DTAs excluding those arising from temporary differences
of which: DTAs arising from temporary differences exceeding regulatory threshold
Other assets
of which: Goodwill
of which: Intangibles
of which: Defined-benefit pension fund net assets

12,672,753	11,491,348
957,170	1,249,168
2,737,751	1,123,067
46,702,797	59,517,180
-	-
-	-
184,189	-
97,179,028	76,825,006
-	-
29,781	8,454
4,008,574	4,015,233
103,495	304,047
-	-
-	-
4,872,304	4,104,348
-	-
77,035	138,401
-	-

Total assets

<u>169,233,872</u>	<u>158,629,397</u>
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Liabilities & Equity

Bills payable
Borrowings
Deposits and other accounts
Sub-ordinated loans
of which: eligible for inclusion in AT1
of which: eligible for inclusion in Tier 2
Liabilities against assets subject to finance lease
Deferred tax liabilities
of which: DTLs related to goodwill
of which: DTLs related to intangible assets
of which: DTLs related to defined pension fund net assets
of which: other deferred tax liabilities
Other liabilities

2,577,943	2,522,405
10,485,479	20,398,487
140,579,907	120,830,571
-	299,280
-	-
-	299,280
-	-
-	-
-	-
-	-
-	-
-	-
-	-
<u>2,307,900</u>	<u>2,246,481</u>

Total liabilities

<u>155,951,229</u>	<u>146,297,224</u>
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	2013	2012 (Restated)
	(Rupees in '000)	
Share capital	10,023,275	9,021,035
of which: amount eligible for CET1	10,023,275	9,021,035
of which: amount eligible for AT1	-	-
Reserves	617,500	410,129
of which: portion eligible for inclusion in CET1 belonged to General Reserve	616,095	408,724
of which: portion eligible for inclusion in CET1 belonged to Share Premium	1,405	1,405
of which: portion eligible for inclusion in Tier 2	-	-
Unappropriated profit/ (losses)	1,809,641	1,947,135
Minority Interest	-	-
of which: portion eligible for inclusion in CET1	-	-
of which: portion eligible for inclusion in AT1	-	-
of which: portion eligible for inclusion in Tier 2	-	-
Surplus on revaluation of assets	832,227	953,874
of which: Revaluation reserves on Property	583,900	643,553
of which: Unrealized Gains/Losses on AFS	248,327	310,321
In case of Deficit on revaluation (deduction from CET1)	-	-
Total liabilities & Equity	169,233,872	158,629,397

Basel III Disclosure**TABLE : 41.6.3****Component of regulatory capital reported by bank**

	2013	2012 (Restated)
	(Rupees in '000)	
Common Equity Tier 1 capital (CET1): Instruments and reserves		
Fully Paid-up Capital / Capital deposited with SBP	10,023,275	9,021,035
Balance in Share Premium Account	1,405	1,405
Reserve for issue of Bonus Shares	-	-
General / Statutory Reserves	616,095	408,724
Gain / (Losses) on derivatives held as Cash Flow Hedge	-	-
Unappropriated/unremitted profits/(losses)	1,809,641	1,947,135
Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-	-
CET 1 before Regulatory Adjustments	12,450,416	11,378,299
Common Equity Tier 1 capital: Regulatory adjustments		
Goodwill (net of related deferred tax liability)	-	-
All other intangibles (net of any associated deferred tax liability)	77,035	138,401
Shortfall of provisions against classified assets	-	-
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
Defined-benefit pension fund net assets	-	-
Reciprocal cross holdings in CET1 capital instruments	144,482	-
Cash flow hedge reserve	-	-
Investment in own shares/ CET1 instruments	-	-
Securitization gain on sale	-	-
Capital shortfall of regulated subsidiaries	-	-
Deficit on account of revaluation from bank's holdings of property/ AFS	-	-
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	-
Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-
Amount exceeding 15% threshold	-	-
of which: significant investments in the common stocks of financial entities	-	-
of which: deferred tax assets arising from temporary differences	-	-
National specific regulatory adjustments applied to CET1 capital	-	-
Investment in TFCs of other banks exceeding the prescribed limit	-	-
Any other deduction specified by SBP (mention details)	-	-
Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	-	-
Total regulatory adjustments applied to CET1	221,517	138,401
Common Equity Tier 1	12,228,899	11,239,898

	2013 (Rupees in '000)	2012 (Restated) (Rupees in '000)
Additional Tier 1 (AT 1) Capital		
Qualifying Additional Tier-1 instruments plus any related share premium	-	-
of which: Classified as equity	-	-
of which: Classified as liabilities	-	-
Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties	-	-
(amount allowed in group AT 1)	-	-
of which: instrument issued by subsidiaries subject to phase out	-	-
AT1 before regulatory adjustments	-	-
Additional Tier 1 Capital: regulatory adjustments		
Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	-	-
Investment in own AT1 capital instruments	-	-
Reciprocal cross holdings in Additional Tier 1 capital instruments	-	-
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-
Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital	-	-
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	-
Total of Regulatory Adjustment applied to AT1 capital	-	-
Additional Tier 1 capital	-	-
Additional Tier 1 capital recognized for capital adequacy	-	-
Tier 1 Capital (CET1 + admissible AT1)	<u>12,228,899</u>	<u>11,239,898</u>
Tier 2 Capital		
Qualifying Tier 2 capital instruments under Basel III	-	-
Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)	-	-
Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)	-	-
of which: instruments issued by subsidiaries subject to phase out	-	-
General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	29,781	8,454
Revaluation Reserves eligible for Tier 2	514,472	653,108
of which: portion pertaining to Property	404,238	445,536
of which: portion pertaining to AFS securities	110,234	207,572
Foreign Exchange Translation Reserves	-	-
Undisclosed/Other Reserves (if any)	-	-
T2 before regulatory adjustments	<u>544,253</u>	<u>661,562</u>
Tier 2 Capital: regulatory adjustments		
Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	-	-
Reciprocal cross holdings in Tier 2 instruments	39,707	-
Investment in own Tier 2 capital instrument	-	-
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-
Amount of Regulatory Adjustment applied to T2 capital	-	-
Tier 2 capital (T2)	-	-
Tier 2 capital recognized for capital adequacy	-	-
Excess Additional Tier 1 capital recognized in Tier 2 capital	-	-
Total Tier 2 capital admissible for capital adequacy	-	-
TOTAL CAPITAL (T1 + admissible T2)	<u>12,733,445</u>	<u>11,901,460</u>

41.7 Main Features of Regulatory Capital Instruments

Main Features	Common Shares
1 Issuer	Soneri Bank Ltd
2 Unique identifier (eg KSE Symbol or Bloomberg identifier etc.)	SNBL
3 Governing law(s) of the instrument	Pakistan
Regulatory treatment	
4 Transitional Basel III rules	Fully Paid Capital
5 Post-transitional Basel III rules	Fully Paid Capital
6 Eligible at solo/ group/ group & solo	Solo
7 Instrument type	Common Tier-1
8 Amount recognized in regulatory capital (Currency in PKR thousands, as of reporting date)	Rs. 10,023,275
9 Par value of instrument	Rs.10
10 Accounting classification	Equity
11 Original date of issuance	Various From 1992
12 Perpetual or dated	Perpetual
13 Original maturity date	N/A
14 Issuer call subject to prior supervisory approval	No
15 Optional call date, contingent call dates and redemption amount	N/A
16 Subsequent call dates, if applicable	N/A
Coupons / dividends	
17 Fixed or floating dividend/ coupon	Floating
18 coupon rate and any related index/ benchmark	KSE-100
19 Existence of a dividend stopper	No
20 Fully discretionary, partially discretionary or mandatory	No
21 Existence of step up or other incentive to redeem	No
22 Noncumulative or cumulative	Noncumulative
23 Convertible or non-convertible	Nonconvertible
24 If convertible, conversion trigger (s)	N/A
25 If convertible, fully or partially	N/A
26 If convertible, conversion rate	N/A
27 If convertible, mandatory or optional conversion	N/A
28 If convertible, specify instrument type convertible into	N/A
29 If convertible, specify issuer of instrument it converts into	N/A
30 Write-down feature	
31 If write-down, write-down trigger(s)	N/A
32 If write-down, full or partial	N/A
33 If write-down, permanent or temporary	N/A
34 If temporary write-down, description of write-up mechanism	N/A
35 Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	N/A
36 Non-compliant transitioned features	N/A
37 If yes, specify non-compliant features	N/A

42 RISK MANAGEMENT

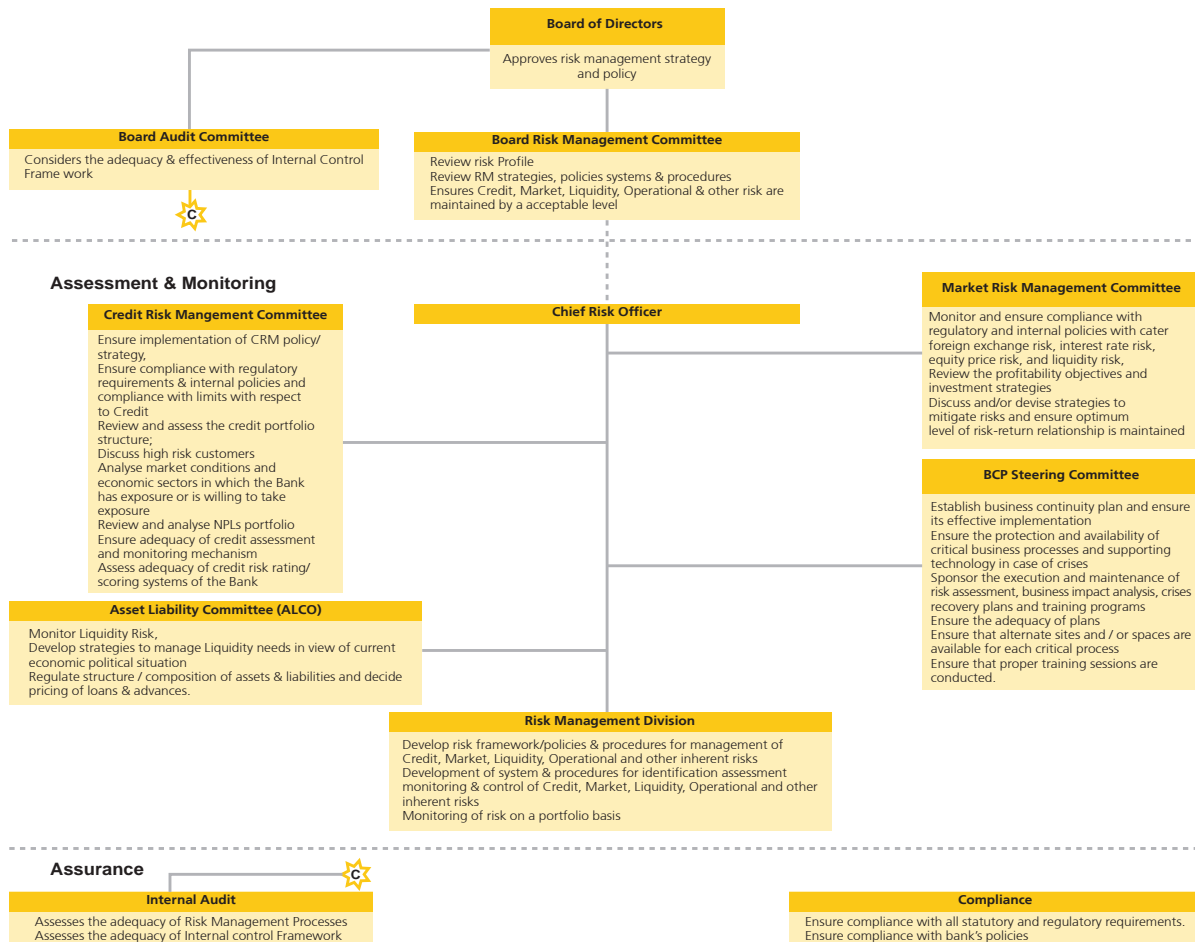
The primary goal of risk management is to identify, assess and monitor risks inherent in the activities of the Bank and take adequate measures to manage and control these risks on timely basis. This will help in achieving sustainable business growth and financial and non-financial targets with better 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 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.

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 time 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 monitoring and managing 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 down 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.



The bank has a well-established risk management structure, with an active Board of Directors and Board Risk Management Committee supported by an experienced senior management team and a centralized risk management group which is independent of the business lines.

Risk Management Function



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-III advanced approaches in the coming years.

42.1 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.

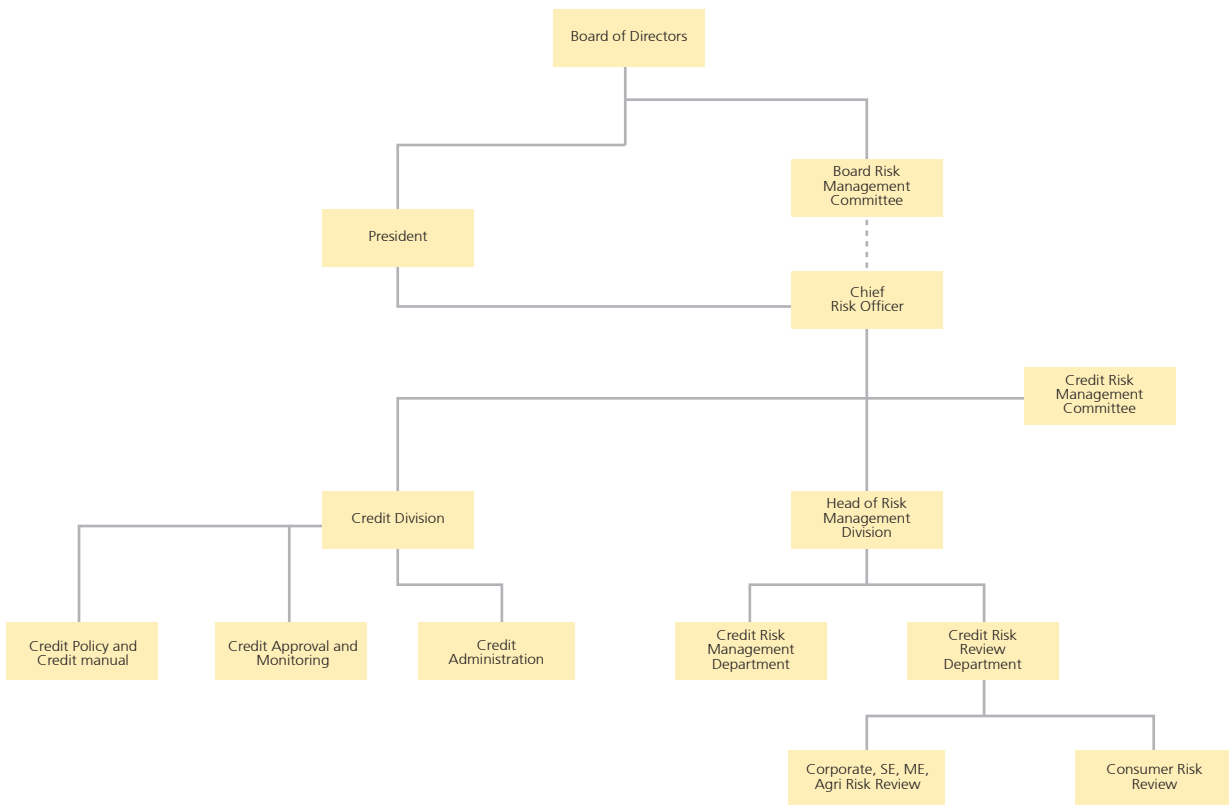
Credit Risk Management Objectives and Organization

Lending of money is the core business activity, a major source of revenue and hence a significant exposure of the Bank. All of this lending is mainly funded 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 Enterprise Risk Management (ERM) solution of SAS which was purchased by the Bank in 2010 provides adequate grounds in making better credit decisions, measured risk-taking, better loan pricing and efficient capital allocation their against; thus resulting in 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 have 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.

Credit Portfolio Management

Besides managing credit risk at transaction level, the Bank regularly monitors credit risk at portfolio level and ensures that no undue concentration of risk is present in the overall credit exposure 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 Rating System provides solid grounds for the assessment and measurement of credit risk against each obligor in addition to fulfil regulatory requirements. The Bank has revised and updated its Corporate, Small Enterprises & Medium Enterprises, and Agriculture Finance Obligor Risk Rating (ORR) in the year 2013 as per the requirement of Basel II for adopting Foundation Internal Rating Based Approach (FIRB) using SAS Enterprise Miner which have been approved by the BOD. The Bank also has BOD approved, Facility Risk Rating System (FRR) for its Corporate, Retail and Consumer clients.

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, in accordance with regulatory requirements. 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 risk procedural manual, credit manual and credit 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 BOD approved risk appetite, 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 mitigate 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.

42.1.1 Segmental information

42.1.1.1 Segments by class of business

	2013					
	Advances (Gross)		Deposits		**Contingencies and commitments	
	(Rupees in '000)	(Percent)	(Rupees in '000)	(Percent)	(Rupees in '000)	(Percent)
Agriculture, Forestry, Hunting and Fishing	1,666,149	1.60%	3,313,396	2.36%	800,068	2.67%
Textile	22,367,009	21.44%	1,896,144	1.35%	3,577,416	11.95%
Chemical and Pharmaceuticals	1,842,394	1.77%	383,447	0.27%	1,927,566	6.44%
Cement	783,514	0.75%	4,843	0.00%	38,037	0.13%
Sugar	2,008,127	1.93%	214,529	0.15%	56,987	0.19%
Footwear and Leather Garments	872,889	0.84%	481,000	0.34%	153,609	0.51%
Automobile and Transportation Equipment	5,157,672	4.94%	5,662,594	4.03%	3,865,159	12.92%
Electronics and Electrical Appliances	514,593	0.49%	164,467	0.12%	333,370	1.11%
Construction	702,280	0.67%	990,258	0.70%	538,482	1.80%
Power (electricity), Gas, Water, Sanitary	2,309,647	2.21%	4,007,856	2.85%	900,985	3.01%
Wholesale and Retail Trade	1,779,928	1.71%	4,074,514	2.90%	447,998	1.50%
Exports / Imports	6,455,973	6.19%	1,862,998	1.33%	2,447,224	8.18%
Financial	723,088	0.69%	2,663,479	1.89%	-	0.00%
Insurance	-	0.00%	90,495	0.06%	-	0.00%
Individuals	5,705,353	5.47%	77,227,567	54.93%	1,384,210	4.63%
Others*	51,428,917	49.30%	37,542,320	26.72%	13,455,086	44.96%
	104,317,533	100.00%	140,579,907	100.00%	29,926,197	100.00%

Segments by class of business

	2012					
	Advances (Gross)		Deposits		Contingencies and commitments	
	(Rupees in '000)	(Percent)	(Rupees in '000)	(Percent)	(Rupees in '000)	(Percent)
Agriculture, Forestry, Hunting and Fishing	1,991,008	2.39%	1,748,122	1.45%	532,638	1.65%
Textile	16,660,102	20.01%	1,507,983	1.25%	2,406,358	7.47%
Chemical and Pharmaceuticals	1,886,264	2.27%	241,293	0.20%	492,907	1.53%
Cement	800,000	0.96%	29,489	0.02%	161,831	0.50%
Sugar	1,462,953	1.76%	-	0.00%	-	0.00%
Footwear and Leather Garments	862,671	1.04%	551,022	0.46%	158,538	0.49%
Automobile and transportation equipment	877,010	1.05%	4,762,414	3.94%	914,216	2.84%
Electronics and Electrical Appliances	1,213,313	1.46%	134,925	0.11%	2,586,882	8.03%
Construction	556,602	0.67%	1,095,207	0.91%	547,441	1.70%
Power (electricity), Gas, Water, Sanitary	2,297,990	2.76%	3,316,728	2.74%	86,587	0.27%
Wholesale and Retail Trade	1,398,862	1.68%	1,768,055	1.46%	573,744	1.78%
Exports / Imports	6,414,321	7.70%	1,263,795	1.05%	2,587,231	8.03%
Financial	1,200,351	1.44%	2,537,617	2.10%	5,564	0.02%
Insurance	-	0.00%	340,277	0.28%	-	0.00%
Individuals	4,154,272	4.99%	67,371,789	55.76%	2,357,763	7.32%
Others*	41,478,644	49.82%	34,161,855	28.27%	18,808,654	58.37%
	83,254,363	100.00%	120,830,571	100.00%	32,220,354	100.00%

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

**Contingencies only includes trade-related contingencies

42.1.1.2 Segment by sector

	2013					
	Advances (Gross)		Deposits		*Contingencies and commitments	
	(Rupees in '000)	(Percent)	(Rupees in '000)	(Percent)	(Rupees in '000)	(Percent)
Public / Government	18,703,425	17.93%	17,578,981	12.50%	53,865	0.18%
Private	85,614,108	82.07%	123,000,926	87.50%	29,872,332	99.82%
	104,317,533	100.00%	140,579,907	100.00%	29,926,197	100.00%

	2012					
	Advances (Gross)		Deposits		*Contingencies and commitments	
	(Rupees in '000)	(Percent)	(Rupees in '000)	(Percent)	(Rupees in '000)	(Percent)
Public / Government	7,633,011	9.17%	13,256,563	10.97%	46,765	0.15%
Private	75,621,352	90.83%	107,574,008	89.03%	32,173,589	99.85%
	83,254,363	100.00%	120,830,571	100.00%	32,220,354	100.00%

42.1.1.3 Details of non-performing advances and specific provisions by class of business segment

	2013		2012	
	Classified Advances	Specific Provision Held	Classified Advances	Specific Provision Held
	(Rupees in '000)			
Agriculture, Forestry, Hunting and Fishing	149,035	11,442	131,284	4,337
Textile	5,688,415	4,201,952	5,576,016	3,911,039
Chemical and Pharmaceuticals	72,606	46,497	65,264	43,627
Cement	86,149	19,164	100,832	21,394
Sugar	-	-	-	-
Footwear and Leather garments	1,954	1,954	1,954	1,954
Automobile and transportation equipment	149	-	239	-
Electronics and electrical appliances	161,973	104,118	180,918	104,575
Construction	-	-	-	-
Power (electricity), Gas, Water, Sanitary	-	-	-	-
Wholesale and Retail Trade	-	-	-	-
Exports / Imports	-	-	-	-
Financial	-	-	-	-
Insurance	-	-	-	-
Services	-	-	-	-
Individuals	50,981	39,430	31,272	30,190
Others	4,212,849	2,684,167	3,839,618	2,303,787
	10,424,111	7,108,724	9,927,397	6,420,903

*Contingencies only includes trade-related contingencies

42.1.1.4 Details of non-performing advances and specific provision by sector

	2013		2012	
	Classified Advances	Specific Provision Held	Classified Advances	Specific Provision Held
	----- (Rupees in '000) -----			
Public / Government	-	-	-	-
Private	10,424,111	7,108,724	9,927,397	6,420,903
	<u>10,424,111</u>	<u>7,108,724</u>	<u>9,927,397</u>	<u>6,420,903</u>

42.1.1.5 Geographical segment analysis

	2013			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and Commitments
	----- (Rupees in '000) -----			
Pakistan	1,530,395	169,233,872	13,282,643	72,799,330
Asia Pacific (including South Asia)	-	-	-	-
Europe	-	-	-	-
United States of America and Canada	-	-	-	-
Middle East	-	-	-	-
Others	-	-	-	-
	<u>1,530,395</u>	<u>169,233,872</u>	<u>13,282,643</u>	<u>72,799,330</u>

	2012			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and Commitments
	----- (Rupees in '000) -----			
Pakistan	1,722,056	158,629,397	12,332,173	61,324,567
Asia Pacific (including South Asia)	-	-	-	-
Europe	-	-	-	-
United States of America and Canada	-	-	-	-
Middle East	-	-	-	-
Others	-	-	-	-
	<u>1,722,056</u>	<u>158,629,397</u>	<u>12,332,173</u>	<u>61,324,567</u>

42.2 Credit Risk – General Disclosures, Basel III Specific

The Bank has adopted Standardized Approach of the Basel III 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 84% of the total exposure, 1% represents claims fully secured by residential property and the remaining 15% exposure pertains to claims categorized as retail portfolio.

42.3 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 approved by SBP, 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 subject to the standardized approach, amount of Bank's outstanding (rated & unrated) in each risk bucket after risk mitigation as well as those that are deducted are as follows:

Exposure	Rating category No.	Amount outstanding	Deduction CRM*	Net Amount
Corporate	1-6	63,169,051	50	5,975,797
Banks (local)	1-6	4,814,992	-	73,767
Banks (foreign)	1-6	1,852,732	101,058	1,153,872
Sovereigns, central banks, etc.		69,346,747	-	54,107,020
Unrated		29,399,550	4,938,206	103,175,332
Total		<u>168,583,072</u>	<u>5,039,314</u>	<u>164,485,788</u>

* CRM= Credit Risk Mitigation

Main types of collateral taken by the bank are:-

- Cash Margin
- Lien on deposits / government securities

The Bank has adopted the comprehensive approach to credit risk mitigation under Basel III and therefore has applied haircuts to the collateral. Moreover all eligible collaterals that includes Cash/Liquid Securities have been taken into account with respect to credit risk mitigation.

42.4 Market Risk

42.4.1 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.

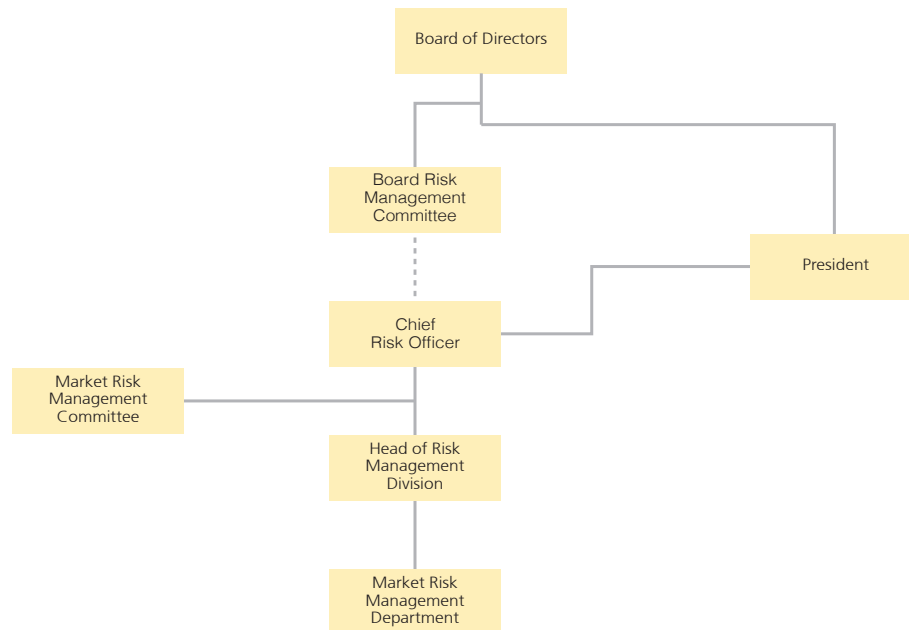
Market Risk Management Objective & Organization

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 analysis to facilitate better investment decisions, measured risk-taking and efficient capital allocation their against; thus leading to efficient and effective use of funds.

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, off market rates, tolerance PV01 limits and assess market risk in money market transactions, investments in equity securities and foreign exchange transactions. In order to mitigate unnecessary risk and ensure minimum business losses. Earmarking Policy has also been implemented to ensure risk migration from high risk to low risk 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 III 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.

The Bank's principle market risk measurement methodology are VAR and stress testing. Historical financial market rates, prices and volatility serve as the basis for the statistical VAR model underlying the potential loss estimation. The Bank use ten day holding period and the confidence level of 99% to model the risk in our different portfolios. The main assumptions and scenarios of our stress analysis includes:

1. Parallel shift in yield curve by 2%, 3% and 4%.
2. Change in slope of yield curve by changing short term, medium term and long term maturities by different rates.
3. Penalize or reward depending on net long or net short position in foreign currency exposure.
4. Fall in general equity price upto 50%.

42.4.2 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.

2013				
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
----- (Rupees in '000) -----				
Pakistan Rupee	155,795,807	143,806,526	1,216,715	13,205,996
United States Dollar	12,645,790	10,961,373	(1,684,768)	(351)
Great Britain Pound	304,075	638,864	342,741	7,952
Japanese Yen	201	3,468	989	(2,278)
Euro	397,798	519,727	130,212	8,283
Other currencies	90,201	21,271	(5,889)	63,041
	169,233,872	155,951,229	-	13,282,643

2012				
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
----- (Rupees in '000) -----				
Pakistan Rupee	146,053,214	134,900,303	1,178,667	12,331,578
United States Dollar	11,676,340	10,507,736	(1,207,477)	(38,873)
Great Britain Pound	239,191	448,525	217,539	8,205
Japanese Yen	9,443	256	(7,166)	2,021
Euro	575,387	440,404	(137,319)	(2,336)
Other currencies	75,822	-	(44,244)	31,578
	158,629,397	146,297,224	-	12,332,173

42.4.3 Equity Position Risk

The Bank has started investment in trading portfolio in 2012, equity trading portfolio includes both cash and future position. The bank also enhanced its equity trading portfolio size in 2013. The Bank invests in blue chip securities depending up on market mispricing. Further, the risk arising from investment in equity securities lies in both its banking & trading 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.

42.4.4 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. The bank quantify the yield curve risk via duration, PVBP and convexity for rate sensitive assets and liabilities are held in banking and trading book. The bank also measure impact on net worth depending on duration gap of rate sensitive assets and liabilities.

Effective Yield / Interest rate %	2013										Non-Interest bearing financial instruments	
	Total	Exposed to Yield/ Interest risk										
		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) -----												
On-balance sheet financial instruments												
Assets												
Cash and balances with												
treasury banks	-	12,672,753	-	-	-	-	-	-	-	-	-	12,672,753
Balances with other banks	6.50%	957,170	250,026	-	-	-	-	-	-	-	-	707,144
Lendings to financial and												
other institutions	10.08%	2,737,751	2,695,174	42,577	-	-	-	-	-	-	-	-
Investments	9.18%	46,702,797	3,482,040	14,582,360	20,932,165	638,332	2,119,148	2,038,267	470,737	374,664	84,624	1,980,460
Advances	9.93%	97,179,028	39,501,687	21,054,620	33,337,115	-	-	-	-	-	-	3,285,606
Other assets	-	4,314,308	-	-	-	-	-	-	-	-	-	4,314,308
		164,563,807	45,928,927	35,679,557	54,269,280	638,332	2,119,148	2,038,267	470,737	374,664	84,624	22,960,271
Liabilities												
Bills payable	-	2,577,943	-	-	-	-	-	-	-	-	-	2,577,943
Borrowings	7.02%	10,485,479	2,167,292	4,791,601	2,357,953	44,502	89,654	122,514	79,164	463,513	-	369,286
Deposits and other accounts	7.87%	140,579,907	20,003,444	12,131,294	74,677,927	-	-	-	-	-	-	33,767,242
Sub-ordinated loans	0.00%	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	-	2,098,084	-	-	-	-	-	-	-	-	-	2,098,084
		155,741,413	22,170,736	16,922,895	77,035,880	44,502	89,654	122,514	79,164	463,513	-	38,812,555
On-balance sheet gap		8,822,394	23,758,191	18,756,662	(22,766,600)	593,830	2,029,494	1,915,753	391,573	(88,849)	84,624	(15,852,284)
Non financial net assets		4,460,249										
Total net assets		13,282,643										
Off-balance sheet financial instruments												
Forward purchase of foreign												
exchange		19,288,849	11,233,771	6,021,511	1,924,367	109,200	-	-	-	-	-	-
Forward sale of foreign exchange		(18,612,390)	(9,925,216)	(6,174,287)	(1,601,297)	(911,590)	-	-	-	-	-	-
Off-balance sheet gap		676,459	1,308,555	(152,776)	323,070	(802,390)	-	-	-	-	-	-
Total Yield / Interest Risk Sensitivity Gap			25,066,746	18,603,886	(22,443,530)	(208,560)	2,029,494	1,915,753	391,573	(88,849)	84,624	(15,852,284)
Cumulative Yield / Interest Risk Sensitivity Gap			25,066,746	43,670,632	21,227,102	21,018,542	23,048,036	24,963,789	25,355,362	25,266,513	25,351,137	9,498,853

Effective Yield / Interest rate %	2012										Non-Interest bearing financial instruments	
	Exposed to Yield/ Interest risk											
	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)												
On-balance sheet financial instruments												
Assets												
Cash and balances with												
treasury banks	-	11,491,348	-	-	-	-	-	-	-	-	-	11,491,348
Balances with other banks	5%-6%	1,249,168	576,425	-	-	-	-	-	-	-	-	672,743
Lending to financial and												
other institutions	11.01%	1,123,067	1,123,067	-	-	-	-	-	-	-	-	-
Investments	11.12%	59,517,180	4,401,573	12,850,851	14,962,017	20,752,819	1,002,008	-	3,867,716	157,123	109,224	1,413,849
Advances	11.75%	76,825,006	33,223,605	13,024,031	27,079,330	-	-	-	-	-	-	3,498,040
Other assets	-	2,257,249	-	-	-	-	-	-	-	-	-	2,257,249
		152,463,018	39,324,670	25,874,882	42,041,347	20,752,819	1,002,008	-	3,867,716	157,123	109,224	19,333,229
Liabilities												
Bills payable	-	2,522,405	-	-	-	-	-	-	-	-	-	2,522,405
Borrowings	10.05%	20,398,487	11,644,483	2,427,101	5,025,911	292,152	305,062	264,773	282,088	114,450	-	42,467
Deposits and other accounts	6.84%	120,591,496	16,284,302	8,854,643	68,415,132	-	-	-	-	-	-	27,037,419
Sub-ordinated loans	10.95%	299,280	-	-	299,280	-	-	-	-	-	-	-
Other liabilities	-	2,152,124	-	-	-	-	-	-	-	-	-	2,152,124
		145,963,792	27,928,785	11,281,744	73,740,323	292,152	305,062	264,773	282,088	114,450	-	31,754,415
On-balance sheet gap		6,499,226	11,395,885	14,593,138	(31,698,976)	20,460,667	696,946	(264,773)	3,585,628	42,673	109,224	(12,421,186)
Non financial net assets		6,092,749										
Total net assets		12,591,975										
Off-balance sheet financial instruments												
Forward purchase of foreign												
exchange		15,526,265	8,193,418	5,983,482	1,206,893	142,472	-	-	-	-	-	-
Forward sale of foreign exchange		(12,222,113)	(8,565,892)	(3,366,158)	(290,063)	-	-	-	-	-	-	-
Off-balance sheet gap		3,304,152	(372,474)	2,617,324	916,830	142,472	-	-	-	-	-	-
Total Yield / Interest Risk Sensitivity Gap			11,023,411	17,210,462	(30,782,146)	20,603,139	696,946	(264,773)	3,585,628	42,673	109,224	(12,421,186)
Cumulative Yield / Interest Risk Sensitivity Gap			11,023,411	28,233,873	(2,548,273)	18,054,866	18,751,812	18,487,039	22,072,667	22,115,340	22,224,564	9,803,378

- The effective interest rate is a historical rate (for December month) 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.

42.5 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 fulfil 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 there 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.

Sources of liquidity are regularly reviewed / monitored by Asset and Liability Committee (ALCO) on regular periodic basis. ALCO reviews the current economic situation, projected cash flows and asset / liability mix and approve strategy for managing appropriate liquidity. The liquidity risk management policy of the Bank encompasses liquidity contingency plan for actions to be taken in case of liquidity crises.

Stress testing exercise is conducted, on periodic basis, to test the adequacy of liquidity contingency plan and to identify the extent of liquidity stress that the Bank is able to take in current conditions.

Our liquidity management framework allows us to run stress analysis on our balance sheet and off-balance positions, which include, but are not limited to, the following:

1. Significant withdrawal from corporate clients deposits.
2. Withdrawal of top ten, top fifteen, and top twenty deposits.
3. Loss in the funding value of unencumbered assets.
4. Availability of secure lending is subject to significant over collateralisation.

42.5.1 MATURITIES OF ASSETS AND LIABILITIES

	2013									
	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)										
Assets										
Cash and balances with treasury banks	12,672,753	12,672,753	-	-	-	-	-	-	-	-
Balances with other banks	957,170	957,170	-	-	-	-	-	-	-	-
Lendings to financial & other institutions	2,737,751	2,695,174	42,577	-	-	-	-	-	-	-
Investments - net	46,702,797	5,462,499	14,446,606	18,709,948	844,623	2,924,157	2,944,373	587,398	698,568	84,625
Advances - net	97,179,028	22,263,469	25,457,984	15,745,653	10,104,952	3,743,439	2,569,551	10,487,456	4,968,804	1,837,720
Operating fixed assets	4,008,574	108,822	163,841	104,092	400,086	906,483	541,383	443,511	626,463	713,893
Deferred tax assets - net	103,495	-	-	-	103,495	-	-	-	-	-
Other assets - net	4,872,304	2,989,380	-	-	1,878,774	-	-	4,150	-	-
Total	169,232,872	47,149,267	40,111,008	34,559,693	13,331,930	7,574,079	6,055,307	11,522,515	6,293,835	2,636,238
Liabilities										
Bills payable	2,577,943	2,577,943	-	-	-	-	-	-	-	-
Borrowings	10,485,479	2,536,578	4,791,601	2,357,953	44,502	89,654	122,514	79,164	463,513	-
Deposits and other accounts	140,579,907	24,228,815	22,961,426	20,854,530	25,387,175	5,950,525	2,464,949	7,073,834	7,905,213	23,753,140
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities - net	-	-	-	-	-	-	-	-	-	-
Other liabilities	2,307,900	2,126,278	-	-	181,622	-	-	-	-	-
Total	155,951,229	31,469,614	27,753,027	23,212,483	25,613,299	6,040,179	2,587,463	7,152,998	8,368,726	23,753,440
Net assets	13,282,643	15,679,653	12,357,981	11,347,210	(12,281,369)	1,533,900	3,467,844	4,369,517	(2,074,891)	(21,117,202)
Share capital	10,023,275									
Reserves	617,500									
Unappropriated profit	1,809,641									
Surplus on revaluation of assets	832,227									
Total	13,282,643									

	2012									
	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)										
Assets										
Cash and balances with treasury banks	11,491,348	11,491,348	-	-	-	-	-	-	-	-
Balances with other banks	1,249,168	1,249,168	-	-	-	-	-	-	-	-
Lendings to financial & other institutions	1,123,067	1,123,067	-	-	-	-	-	-	-	-
Investments - net	59,517,180	4,431,427	12,648,409	13,057,254	22,234,205	1,655,779	753,552	4,092,481	534,849	109,224
Advances - net	76,825,006	20,138,824	16,359,358	12,058,555	7,927,919	2,066,334	3,150,288	8,055,803	4,638,280	2,429,645
Operating fixed assets	4,015,233	33,492	124,275	256,822	741,408	757,989	225,478	529,470	945,169	401,130
Deferred tax assets - net	304,047	-	-	-	304,047	-	-	-	-	-
Other assets - net	4,104,348	4,097,269	-	-	-	-	-	7,079	-	-
Total	158,629,397	42,564,595	29,132,042	25,372,631	31,207,579	4,480,102	4,129,318	12,684,833	6,118,298	2,939,999
Liabilities										
Bills payable	2,522,405	2,522,405	-	-	-	-	-	-	-	-
Borrowings	20,398,487	11,697,650	2,417,101	5,025,911	292,152	305,062	264,773	281,388	114,450	-
Deposits and other accounts	120,591,496	19,299,747	17,951,571	19,717,487	21,685,025	5,865,581	3,480,276	5,908,547	6,600,305	20,082,957
Sub-ordinated loans	299,280	-	-	299,280	-	-	-	-	-	-
Deferred tax liabilities - net	-	-	-	-	-	-	-	-	-	-
Other liabilities	2,246,481	2,098,381	-	-	148,100	-	-	-	-	-
Total	146,058,149	35,618,183	20,368,672	25,042,678	22,125,277	6,170,643	3,745,049	6,189,935	6,714,755	20,082,957
Net assets	12,571,248	6,946,412	8,763,370	329,953	9,082,302	(1,690,541)	384,269	6,494,898	(596,457)	(17,142,958)
Share capital	9,021,035									
Reserves	410,129									
Unappropriated profit	1,947,135									
Surplus on revaluation of assets	953,874									
Total	12,332,173									

Saving and current deposits and running finance 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.

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

		2013									
		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) -----									
Assets											
Cash and balances with treasury banks											
	12,672,753	12,672,753	-	-	-	-	-	-	-	-	-
Balances with other banks											
	957,170	957,170	-	-	-	-	-	-	-	-	-
Lendings to financial & other institutions											
	2,737,751	2,695,174	42,577	-	-	-	-	-	-	-	-
Investments - net											
	46,702,797	5,462,499	14,446,606	18,709,948	844,623	2,924,157	2,944,373	587,398	698,568	84,625	
Advances - net											
	97,179,028	42,787,293	21,054,620	11,649,687	4,312,382	2,276,528	1,872,842	7,897,709	3,625,734	1,702,233	
Operating fixed assets											
	4,008,574	108,822	163,841	104,092	400,086	906,483	541,383	443,511	626,463	713,893	
Deferred tax assets - net											
	103,495	-	-	-	103,495	-	-	-	-	-	
Other assets - net											
	4,872,304	2,989,380	-	-	1,878,774	-	-	4,150	-	-	
	169,233,872	67,673,091	35,707,644	30,463,727	7,539,360	6,107,168	5,358,598	8,932,768	4,950,765	2,500,751	
Liabilities											
Bills payable											
	2,577,943	2,577,943	-	-	-	-	-	-	-	-	
Borrowings											
	10,485,479	2,536,578	4,791,601	2,357,953	44,502	89,654	122,514	79,164	463,513	-	
Deposits and other accounts											
	140,579,907	107,885,653	10,939,179	9,671,552	9,572,056	1,945,503	562,767	3,197	-	-	
Sub-ordinated loans											
	-	-	-	-	-	-	-	-	-	-	
Other liabilities											
	2,307,900	2,126,278	-	-	181,622	-	-	-	-	-	
	155,951,229	115,126,452	15,730,780	12,029,505	9,798,180	2,035,157	685,281	82,361	463,513	-	
Net assets											
	13,282,643	(47,453,361)	19,976,864	18,434,222	(2,258,820)	4,072,011	4,673,317	8,850,407	4,487,252	2,500,751	
Share capital											
	10,023,275										
Reserves											
	617,500										
Unappropriated profit											
	1,809,641										
Surplus on revaluation of assets											
	832,227										
	13,282,643										
		2012									
		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) -----									
Assets											
Cash and balances with treasury banks											
	11,491,348	11,491,348	-	-	-	-	-	-	-	-	
Balances with other banks											
	1,249,168	1,249,168	-	-	-	-	-	-	-	-	
Lendings to financial & other institutions											
	1,123,067	1,123,067	-	-	-	-	-	-	-	-	
Investments - net											
	59,517,180	4,431,427	12,648,409	13,057,254	22,234,205	1,655,779	753,552	4,092,481	534,849	109,224	
Advances - net											
	76,825,006	36,721,645	13,024,031	8,956,066	3,540,337	955,222	2,622,567	6,094,199	3,620,972	1,289,967	
Operating fixed assets											
	4,015,233	33,492	124,275	256,822	741,408	757,989	225,478	529,470	945,169	401,130	
Deferred tax assets - net											
	292,886	-	-	-	292,886	-	-	-	-	-	
Other assets - net											
	4,104,348	4,097,269	-	-	-	-	-	7,079	-	-	
	158,618,236	59,147,416	25,796,715	22,270,142	26,808,836	3,368,990	3,601,597	10,723,229	5,100,990	1,800,321	
Liabilities											
Bills payable											
	2,522,405	2,522,405	-	-	-	-	-	-	-	-	
Borrowings											
	20,398,487	11,697,650	2,417,101	5,025,911	292,152	305,062	264,773	281,388	114,450	-	
Deposits and other accounts											
	120,591,496	89,397,890	7,913,828	10,380,475	8,480,497	2,521,665	1,892,086	5,055	-	-	
Sub-ordinated loans											
	299,280	-	-	299,280	-	-	-	-	-	-	
Deferred tax liabilities - net											
	-	-	-	-	-	-	-	-	-	-	
Other liabilities											
	2,214,593	2,066,493	-	-	148,100	-	-	-	-	-	
	146,026,261	105,684,438	10,330,929	15,705,666	8,920,749	2,826,727	2,156,859	286,443	114,450	-	
Net assets											
	12,591,975	(46,537,022)	15,465,786	6,564,476	17,888,087	542,263	1,444,738	10,436,786	4,986,540	1,800,321	
Share capital											
	9,021,035										
Reserves											
	410,129										
Unappropriated profit											
	1,947,135										
Surplus on revaluation of assets											
	953,874										
	12,332,173										

The management believes that above 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 42.5.1 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.

42.6 Operational Risk

"Operational risk 'OpRisk' 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 is providing 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 business & support function of the bank 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

Operational risk monitoring is conducted through KRIs, identified in the RCSA exercise for each process. SAS OpRisk monitor is being used for KRI monitoring purposes while all branches, offices, divisions/departments report KRI reports on periodical basis to the Operational Risk Management Department (within the Risk Management Division).

Operational Risk Measurement

The Bank keeps a detailed track of its operational loss events and maintains a database in SAS OpRisk Monitor 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 again. A set-up has been created whereby departments and branches across the country are reporting loss events to the RMD. We also gather external loss events occurring in the banking industry, and design strategies to prevent similar incidents from happening to us.

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 and testing have been conducted across the country. Permanent back up sites have also been established and related testing has been carried out to relocate the critical staff on their designated back up sites. 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.

Transaction Risk Monitoring

Operational Risk Management Department (ORMD) performs transactions risk monitoring activity on Soneri Bank Visa Debit Cards with a help of system generated reports provided by ADC on a different set of parameters designed by RMD. ORMD highlights and identify fraudulent transactions and abnormal usage upon Debit cards and take necessary actions to mitigate exposure & safe guard the Bank from possible financial as well as reputational losses.

43 CORRESPONDING FIGURES

Prior year's figures has been reclassified for the purpose of better presentation and comparison. Changes made during the year are as follows;

Reclassification from Profit and loss account	Reclassification to Profit and loss account	Note	2013 (Rupees in '000)	2012 (Rupees in '000)
Other income	Fee, commission and brokerage income	43.1	<u>-</u>	<u>161,651</u>
Reclassification from Statement of Financial Position	Reclassification to Statement of Financial Position			
Deposits and other accounts - others	Other liability - sundry deposits		<u>-</u>	<u>266,414</u>

43.1 These represents rent on lockers, cheque book issuance charges, handling charges, rebate on bank charges on nostro accounts, prepayment and late payment surcharge, mobile banking charges, LC discrepancy charges and instrument clearing charges.

44 GENERAL

44.1 DATE OF AUTHORISATION

These financial statements were authorized for issue on 19 February 2014 by the Board of Directors of the Bank.

ALAUDDIN FEERASTA
CHAIRMAN

MOHAMMAD AFTAB MANZOOR
PRESIDENT AND
CHIEF EXECUTIVE OFFICER

NOORUDDIN FEERASTA
DIRECTOR

SYED ALI ZAFAR
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 2013**

Annexure - I

S. No.	Name and address of borrower	Name of individuals/patners/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	Butt Brothers Shop No.1,2 Band Khanna Road, Khurram Colony, Muslim Town, Rawalpindi	Mr. Muhammad Mujahid CNIC No. 37405-0274295-3	Mr. Muhammad Khalid Butt	0.994	0.081	-	1.075	0.094	-	0.466	0.560
2	Auto Zoo CNG Station Khasra No.116,121 Khewat No.46 & 42, B-4/642, Chirrah Road, Muslim Town,Rawalpindi	Mr. Imran Ali CNIC No. 33104-0612217-3 Mr. Tahir Mehmood CNIC No. 37405-7798167-9	Mr. Muhammad Ramzan Mr. Muhammad Yunis	-	1.346	-	1.346	-	-	2.372	2.372
3	Muhammad Fayyaz 130-G, Commercial Area, Phase-I, DHA, Lahore Cantt	Mr. Muhammad Fayyaz CNIC No. 35201-9801237-3	Mr. Khushi Muhammad	1.429	4.161	-	5.590	-	-	3.735	3.735
4	Amer Saleh Abbasi 442-X, Phase-III, DHA, Lahore	Mr. Amer Saleh Abbasi CNIC No. 37405-6331055-7	Mr. Muhammad Saleh	34.999	10.763	-	45.762	-	-	10.763	10.763
5	Paradise Spinning Mills (Pvt) Ltd 18-Empress Road, Lahore	Mr. Naveed Ahmed CNIC No. 33100-5820193-9 Mr. Usman Khalid CNIC No. 33100-6058801-5 Mr. Nazish Zahid CNIC No. 35201-4057463-7	Mr. Khurshid Ahmed Mr. Khalid Mehmood Mr. Munir Ahmed Malik	1.441	8.533	-	9.974	1.441	-	8.575	10.016
6	Yousuf Carpet Gallery 11, Embassy Villa, Plot # 28/29, Block-8, Clifton, Karachi	Mr. Waseem Yousuf CNIC No. 42301-9910871-7	Mr. Muhammad Yousuf	10.000	0.808	-	10.808	4.200	-	4.646	8.846
7	Universal Commodities Links C-48, Gulbai, SITE Industrial Area, Karachi	Mr. Abdul Rahim Motiwala CNIC No. 42201-7111692-5	Mr. Mohammad Zubair Motiwala	2.149	3.494	-	5.643	2.149	-	3.494	5.643
8	Pak Agro Company 52-53, Chamber of Commerce & Industrial Building, Aiwan-e-Tijarat Road, Karachi	Mrs. Tasneem Shahid CNIC No. 42000-0468860-8	w/o. Mr. Shahid Ahmed	23.008	0.211	-	23.219	4.750	-	15.452	20.202
9	Adcon 102-Saki Centre, 81-Ferozpur Road, Lahore	Mr. Shahid Iqbal CNIC No. 35202-0777735-7	Mr. Allah Ditta	0.700	0.253	-	0.953	-	-	0.518	0.518
10	Hussain Hatchery (Pvt) Ltd Plot No. 153/154 S. New Industrial Estate, Distt: Mirpur AJK	Mr. Muhammad Mustafa Haider Kazmi CNIC No. 81302-2202394-1 Mrs. Asmat Batool CNIC No. 81302-4851596-8 Mrs. Iram Batool CNIC No. 81302-2878799-2	Syed Iftikhar Hussain Kazmi w/o. Syed Amaan Ali Shah w/o. Syed Muhammad Mustafa Haider Kazmi	2.280	3.701	-	5.981	-	-	2.381	2.381
TOTAL				77.000	33.351	-	110.351	12.634	-	52.402	65.036

ISLAMIC BANKING BUSINESS

The Bank is operating nine Islamic banking branches at the end of current year as compared to eight Islamic banking branches at the end of prior year. The statement of financial position, profit and loss account and cash flow statement of these branches (including Islamic Banking Division) are as follows:

BSD circular letter No. 03 dated January 22, 2013 requires all Islamic Banks and Banks with Islamic Banking Branches to present all financing, advances for assets under Islamic modes of financing and any other related items pertaining to Islamic mode of financing under the caption "Islamic Financing and Related Assets" in the statement of Financial position. Previously, advances for assets under Islamic modes of financing were reported under "Other assets" and Ijarah assets were reported under "Operating fixed assets".

**(i) Statement of Financial Position
As at 31 December 2013**

	2013	2012
	(Rupees in '000)	
ASSETS		
Cash and balances with treasury banks	330,475	261,948
Balances with and due from financial institutions	250,026	26
Investments	1,908,714	1,231,261
Islamic Financing and Related Assets	2,407,437	2,520,652
Operating fixed assets	120,546	123,383
Due from Head Office	252,297	-
Other assets	159,864	153,980
Total Assets	5,429,359	4,291,250
LIABILITIES		
Bills payable	5,484	6,291
Due to financial institutions	97,044	118,425
Deposits and other accounts		
- Current accounts	805,783	489,043
- Saving accounts	2,255,074	1,315,463
- Term deposits	1,610,931	1,658,648
- Others	106,686	160,661
Due to Head Office	-	916
Other liabilities	80,268	107,459
Total Liabilities	4,961,270	3,856,906
NET ASSETS	468,089	434,344
REPRESENTED BY		
Islamic Banking Fund	400,000	400,000
Accumulated Profit	66,252	32,847
Surplus on revaluation of fixed assets	1,837	1,497
	468,089	434,344
(ii) Profit and Loss Account For the year ended 31 December 2013		
Profit / return on financing, investments and placements earned	525,549	531,658
Return on deposits and other dues expensed	(463,033)	(437,345)
Net income earned before provision	62,516	94,313
Reversal / (provision) against non-performing financings	39,742	(7,456)
Provision for diminution in value of investment	-	-
Net income earned after provision	39,742	(7,456)
OTHER INCOME	102,258	86,857
Fee, commission and brokerage income	192,430	154,742
	294,688	241,599
OTHER EXPENSES	228,436	208,752
Administrative expenses	228,436	208,752
PROFIT BEFORE TAXATION	66,252	32,847

(ii.a) These figures have been restated to exclude inter segment profitability charge of Rs.36.964 million@ 9.24% (2012: Rs.44.928 million @11.23%) in line with financial reporting requirement.

ISLAMIC BANKING BUSINESS

	2013	2012
	(Rupees in '000)	
(iii) Cash Flow Statement		
For the year ended 31 December 2013		
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	66,252	32,847
Less: Dividend income	-	-
	<u>66,252</u>	<u>32,847</u>
Adjustments:		
Depreciation / amortization	132,775	104,527
(Reversal) / provision against non-performing advances	(39,742)	7,456
Gain on sale of fixed assets	(812)	(92)
	<u>92,221</u>	<u>111,891</u>
	158,473	144,738
(Increase) / decrease in operating assets		
Islamic Financing and Related Assets-net	215,676	(569,917)
Others assets - (excluding advance taxation)	11,794	195,627
Due from head office	(252,297)	-
	<u>(24,827)</u>	<u>(374,290)</u>
Increase / (decrease) in operating liabilities		
Bills payable	(807)	(8,223)
Due to financial institutions	(21,381)	(5,550)
Deposits and other accounts	1,154,659	1,452,177
Other liabilities	(60,954)	(180,090)
	<u>1,071,517</u>	<u>1,258,314</u>
	1,205,163	1,028,762
Income tax paid	-	-
Net cash flows from operating activities	<u>1,205,163</u>	<u>1,028,762</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in securities	(677,113)	(622,444)
Dividend received	-	-
Investment in operating fixed assets (including intangible assets)	(210,373)	(304,415)
Proceeds from disposal of fixed assets	850	129
Net cash used in investing activities	<u>(886,636)</u>	<u>(926,730)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Sub-ordinated loan	-	-
Net cash (used in) financing activities	<u>-</u>	<u>-</u>
Increase in cash and cash equivalents	318,527	102,032
Cash and cash equivalents at the beginning of the period	261,974	159,942
Cash and cash equivalents at the end of the period	<u>580,501</u>	<u>261,974</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		
Cash and balances with treasury banks	330,475	261,948
Balances with other banks	250,026	26
	<u>580,501</u>	<u>261,974</u>
(iv) REMUNERATION TO SHARIAH ADVISOR	<u>1,200</u>	<u>1,141</u>
(v) CHARITY FUND		
Opening balance	138	11
Addition during the year	792	1,202
Payment/utilization during the year	(930)	(1,075)
Closing balance	<u>-</u>	<u>138</u>
(vi) Islamic Mode of Financing and related assets		
- Murabaha	525,091	1,274,059
- Ijarah	274,490	194,095
- Diminishing Musharaka	1,108,522	528,668
- Salam	417,369	372,195
- Advance against Islamic Financing:		
- Murabaha	27,608	29,410
- Car Ijarah	19,617	9,167
- Machine Ijarah	33,691	112,009
- Other Islamic modes	1,049	1,049
	<u>2,407,437</u>	<u>2,520,652</u>

ISLAMIC BANKING BUSINESS

(vii) Soneri Bank Limited - Islamic Banking Division (SBL - IBD) is maintaining following pools for profit declaration and distribution.

- (i) General Pool.
- (ii) IERS Musharika Pool.

Features, Risks and rewards of each pool is given below;

(i) General Pool**(a) Priority of utilization of funds in the general pool shall be**

- Equity Funds.
- Depositor Funds.
- Placement / Investments of Other IBI.
- Mudaraba Placement of SBL (Head Office).

(b) Weightages for distribution of profit in general pool

Profits are calculated on the basis of weightages assigned to different tiers and tenors. These weightages are announced at the beginning of the period, while considering weightages emphasis shall be given to the quantum, type and period of risk assessed by applying following factors.

- Contracted period, nature and type of deposits / fund.
- Payment cycle of profit on such deposit / fund i.e. monthly, quarterly or on maturity.
- Magnitude of Risk.

Any change in profit sharing weightages of any category of deposit / fund providers shall be applicable from next month.

(c) Identification and allocation of pool related income and expenditure

The allocation of income and expenditure to different pools is being done based on pre-defined basis and accounting principles as mentioned below;

The direct expenditure shall be charged to respective pool, while indirect expensed including the establishment cost shall be borne by SBL - IBD as Mudarib. The direct expenses to be charged to the pool may include depreciation of Ijarah assets, insurance / Takaful expenses of pool assets, stamp fee or documentation charges, brokerage fee for purchase of securities, impairment / losses due to physical damages to specific assets in pools etc. However, this is not exhaustive list; SBL - IBD pool management framework and the respective pool creation memo may identify and specify these and may similar expenses to be charged to the pool.

(d) Parameters associated with risk and rewards

Following are the consideration attached with risk and reward of general pool;

- Period, return, safety, security and liquidity of investment.
- All financing proposal under process at various stages and likely to be extended near future.
- Expected withdrawal of deposits according to the maturities affecting the deposit base.
- Maturities of funds obtained under modaraba arrangement from Head Office , Islamic Banking financial institutions.
- Element of risk associated with different kind of investments.
- Regulatory requirement .
- Shariah compliance.

(ii) IERS Musharika Pool

All the features and other details of this pool are in accordance with the SBP IERS Scheme and all circulars and instructions issued from time to time in this regard.

ISLAMIC BANKING BUSINESS**(viii) Avenues / sectors of economy / business where mudaraba based deposits have been deployed**

	2013	2012 (Restated)
	(Rupees in '000)	
Chemical and Pharmaceuticals	389,373	168,399
Agribusiness	420,037	468,070
Textile	150,639	81,719
GOP Ijarah Sukuk	1,902,265	1,202,062
Shoes and leather garments	8,039	59,443
Automobile and transportation equipment	145,223	90,938
Financial	256,475	19,225
Electronics and electrical appliances	24,185	16,017
Production and transmission of energy	-	10,000
Carpets & Rugs Manufacturer	194,607	120,723
Glass & Ceramics	342,064	404,127
Services	666,140	1,063,021
Others	42,906	48,195
(ix) Basis of profit allocation	<u>4,541,953</u>	<u>3,751,939</u>

For the month of January 2013 and February 2013, the profit was distributed between Mudarib and Rubbul Maal sharing ratio based upon Gross Income Level less Direct Expenses.

Rubbul Maal	50%
Mudarib	50%

From the month of March 2013 to 31 December 2013, the profit was distributed between Mudarib and Rubbul Maal as per following profit sharing ratio based upon Gross Income Level less Direct Expenses.

Rubbul Maal	60%
Mudarib	40%

(x) Mudarib share (in amount and percentage of distributable income)

	2013		2012	
	(Rupees in '000)	%	(Rupees in '000)	%
Rubbul Maal	350,256	59%	330,504	50%
Mudarib	246,973	41%	330,504	50%
	<u>597,229</u>		<u>661,008</u>	

(xi) Amount and percentage of mudarib share transferred to depositors through Hiba

	2013	2012
	(Rupees in '000)	
Mudarib share	246,973	330,504
Hiba	115,259	129,650
Hiba percentage of mudarib share	47%	39%

(xii) Profit rate earned vs Profit rate distributed to the depositors during the year ended 31 December 2013

Profit rate earned	9.58%
Profit rate distributed to depositors	6.67%

Disposal of fixed assets (refer note 11.2.4)**Annexure - III**

Disposals / deletions of property and equipment with original cost or book value in excess of rupees one million or two hundred fifty thousand respectively (whichever is less):

Particulars	Cost	Book value	Sale price / insurance proceeds	Mode of settlement / disposal	"Particulars of buyers / insurance companies"
----- Rupees in '000 -----					
Leasehold Improvement					
----- do -----					
Leasehold Improvement					
----- do -----	1,867	1,478	-	Write off	
----- do -----	8,637	7,666	-	Write off	
----- do -----	1,713	788	-	Write off	
----- do -----	3,214	1,679	-	Write off	
----- do -----	2,923	1,357	-	Write off	
----- do -----	2,785	392	-	Write off	
----- do -----	1,509	616	-	Write off	
----- do -----	5,919	3,443	4,241	Compensation	Lahore Development Authority
----- do -----	2,197	1,922	-	Write off	
----- do -----	2,052	1,736	-	Write off	
----- do -----	1,794	1,649	-	Write off	
----- do -----	334	264	-	Write off	
----- do -----	3,210	2,849	-	Write off	
----- do -----	1,284	591	-	Write off	
----- do -----	707	618	-	Write off	
----- do -----	370	336	-	Write off	
----- do -----	1,265	1,070	-	Write off	
----- do -----	550	505	-	Write off	
----- do -----	1,057	938	-	Write off	
WDV below Rs. 250,000/- each and cost of less than Rs. 1,000,000	4,834	2,105	121	Various	Various
	48,221	32,002	4,362		
Leasehold Building					
----- do -----	5,632	3,726	4,500	Sale	Mrs.Mehrunnisa
	5,632	3,726	4,500		
Furniture and fixtures					
Items with WDV of below Rs. 250,000/- and cost of less than Rs. 1,000,000	592	184	32	Various	Various
	592	184	32		
Electrical office and computer equipment					
----- do -----	1,354	-	380	Sale	M/s.S.M.Jaffar & Co.
----- do -----	776	297	365	Sale	M/s.S.M.Jaffar & Co.
----- do -----	1,091	-	145	Sale	M/s.S.M.Jaffar & Co.
----- do -----	1,212	-	125	Sale	M/s.S.M.Jaffar & Co.
----- do -----	1,536	-	420	Sale	M/s.S.M.Jaffar & Co.
----- do -----	1,024	-	200	Sale	M/s.S.M.Jaffar & Co.
----- do -----	429	272	-	Write off	
Items with WDV of below Rs. 250,000/- each and cost of less than Rs. 1,000,000	19,267	2,765	5,152	Various	Various
	26,689	3,334	6,787		
Motor vehicles					
----- do -----	1,428	71	840	Sale	Mr.Pervez Daredia
----- do -----	1,768	118	1,102	Sale	Syed Zeeshan Sohail Azmi
----- do -----	1,825	1,186	1,783	Sale	Mr.Zubair Ahmed
----- do -----	1,439	168	216	As per Service Rule	Mr. Siraj Baqar Jafri (Ex-Staff)
----- do -----	930	775	900	Insurance claim	EFU General Insurance
----- do -----	2,400	79	857	Sale	Mr.M.Naeem
Items with WDV of below Rs. 250,000/- each and cost of less than	15,262	789	9,726	Various	Various
	25,052	3,186	15,424		
	106,186	42,432	31,105		

Particulars of investment in Term Finance Certificates and Sukuk Bonds - (refer note 9.15)

Annexure - IV

Name of Investee	Number of Certificates / units held		Paid up value per certificate / units (Rupees)	Total paid up value before redemption (Rupees in '000)	Profit	Principal Redemption	Balance as at 31 December 2013	Balance as at 31 December 2012	Name of Chief Executive
	2013	2012					(Rupees in '000)	(Rupees in '000)	
(a) Held to maturity securities									
(i) Listed Term Finance Certificates:									
Allied Bank Limited - 1st issue	11,000	11,000	5,000	54,980	6 months Kibor + 1.90%	0.02% of principal amount in the first 72 months and remaining principal in four equal semi annual instalments starting from the 78th month from the date of issue.	27,319	54,131	Mr. Tariq Mehmood
Allied Bank Limited - 2nd issue	12,973	12,973	5,000	64,865	6 months Kibor + 0.85% (1-5 years) 6 months Kibor + 1.30% (6-10 years)	0.02% of principal amount in the first 114 months and remaining principal paid in 120th month from the date of issue.	64,761	64,786	Mr. Tariq Mehmood
Askari Bank Limited - 1st issue	-	5,000	5,000	25,000	6 months Kibor + 1.50%	0.02% of principal amount in the first 90 months and remaining principal paid in 96th month from the date of issue.	-	24,925	Mr. Syed Majeedullah Hussaini
Askari Bank Limited - 2nd issue	-	12,961	5,000	64,805	6 months Kibors + 1.50%	0.02% of principal amount in the first 90 months and remaining principal paid in 96th month from the date of issue.	-	64,624	Mr. Syed Majeedullah Hussaini
Askari Bank Limited - 3rd issue	7,000	7,000	5,000	35,000	6 months Kibor + 2.50% (1-5 years) 6 months Kibor + 2.95 (6-10 years)	0.02% of principal amount in the first 96 months and remaining principal in four equal semi annual instalments starting from the 102nd month from the date of issue.	34,944	34,958	Mr. Syed Majeedullah Hussaini
Azgard Nine Limited	10,000	10,000	5,000	50,000	*6 months Kibor + 1.00% (1-2 years) 6 months Kibor + 1.25% (3-5 years) 6 months Kibor + 1.00% (6-7.5 years) *	0.88% of principal amount in 42 month , 1.63% from 48 months to 66 months remaining principal in four equal semi annual instalments starting from the 72nd month from the date of issue.	16,269	16,269	Mr. Ahmed Shaikh
Bank Al Habib Limited - 2nd issue	8,000	8,000	5,000	39,985	6 months Kibor + 1.5%	0.02% of principal amount in the first 84 months and remaining principal in two equal semi annual instalments starting from the 90th month from the date of issue.	39,503	39,162	Mr. Abbas D. Habib
Bank Al Falah Limited - 3rd issue	-	3,000	5,000	15,000	6 months Kibor + 1.50%	0.02% of principal amount in the first 78 months and remaining principal in three equal semi annual instalments starting from the 84th month from the date of issue.	-	9,974	Mr. Atif Bajwa
Engro Fertilizers Limited 2nd Issue	10,000	10,000	5,000	49,980	6 months Kibor + 1.55%	0.02% of principal amount in the first 84 months and remaining principal in two equal semi annual instalments starting from the 90th month from the date of issue.	48,022	47,168	Mr. Ruhail Muhammad
Engro Fertilizers Limited 3rd Issue	6,325	6,325	5,000	31,625	6 months Kibor + 2.40%	0.02% of principal amount from 24 months, 3.98% from 30 months to 48 months, 6% from 54 months to 72 months remaining principal in two equal semi annual instalments starting from the 78th month from the date of issue.	26,565	29,082	Mr. Ruhail Muhammad
Escorts Investment Bank Limited	2,000	2,000	5,000	10,000	8.00 % Per Annum	Principal paid in six equal semi annual instalments starting from the 60th month from the date of issue.	999	1,998	Ms. Shazia Bashir
Faysal Bank Limited	6,000	6,000	5,000	30,000	6 months Kibor + 1.40%	0.02% of principal amount in the first 60 months and remaining principal in four equal semi annual instalments starting from the 66th month from the date of issue.	14,970	29,940	Mr. Naved A. Khan,
Financial Receivables Securitization Company Limited	5,000	5,000	5,000	25,000	6 months Kibor + 2.00% with a Floor of 8% and a Cap of 16% per annum	0.02% of principal amount in the first 12 months and remaining principal in twelve equal semi annual instalments starting from the 18th month from the date of issue.	2,083	6,248	Managed by JS Investments Ltd.
Pak Arab Fertilizers Limited	-	5,000	5,000	24,995	6 months Kibor + 1.55%	0.02% of principal amount in the first 24 months and remaining principal paid from 30th month from the date of issue.	-	7,387	Mr. Fawad Ahmed Mukhtar
Pakistan Mobile Communication (Pvt) Limited	-	5,000	5,000	25,000	6 months Kibor + 2.85%	0.02% of principal amount in the first 48 months and remaining principal paid from 54th month from the date of issue.	-	4,160	Mr. Rashid Khan
Standard Chartered Bank Limited	-	5,000	5,000	25,000	6 months Kibor + 2.00%	0.02% of principal amount from 48 months, 5.00% from 30 months to 48 months, 19.92% from 66 months to 72 months remaining principal in two equal semi annual instalments starting from the 78th month from the date of issue.	-	6,250	Mr. Mohsin Ali Nathani
United Bank Limited - 2nd issue	-	7,000	5,000	35,000	9.49 % Per Annum	0.02% of principal amount in the first 90 months and remaining principal paid in 96th month from the date of issue.	-	34,990	Mr. Atif R. Bokhari
United Bank Limited - 3rd issue	9,716	9,716	5,000	48,580	6 months Kibor + 1.70%	0.02% of principal amount in the first 60 months and remaining principal in six equal semi annual instalments starting from the 66th month from the date of issue.	16,161	32,322	Mr. Atif R. Bokhari
United Bank Limited - 4th issue	-	5,000	5,000	24,995	6 months Kibor + 0.85%	0.02% of principal amount in the first 114 months and remaining principal paid in 120th month from the date of issue.	-	22,611	Mr. Atif R. Bokhari
(ii) Un-listed Term Finance Certificates -									
Al Abbas Sugar Mills Limited	-	6,000	5,000	30,000	6 months Kibor + 1.75%	0.02% of principal amount from 12 months, 10.00% from 18 months to 60 months , remaining principal in two equal semi annual instalments starting from the 66th month from the date of issue.	-	5,988	Mr. Shunaid Qureshi

Particulars of investment in Term Finance Certificates and Sukuk Bonds - (refer note 9.15)

Annexure - IV

Name of Investee	Number of Certificates / units held		Paid up value per certificate / units (Rupees)	Total paid up value before redemption (Rupees in '000)	Profit	Principal Redemption	Balance as at 31 December 2013	Balance as at 31 December 2012	Name of Chief Executive
	2013	2012					(Rupees in '000)	(Rupees in '000)	
Agritech Limited	1,488	1,488	5,000	7,440	11.00 % Per Annum	0.02% of principal amount in the first 60 months and remaining principal paid in 66th month from the date of issue.	7,440	7,440	Mr. Ahmed Jaudet Bilal
Avani Hotel Limited	25,000	25,000	5,000	125,000	1 year Kibor + 2.5%	56.16% of principal amount in the 60 months 11.23 in 78 month sand remaining principal paid in 84th month from the date of issue.	46,538	106,143	Mr. Byram Dinshawji Avani
Azgard Nine Limited	2,150	2,150	5,000	10,750	NIL	10% of principal amount from 24 months to 36 months , 18% from 42 months to 48 months remaining principal in two equal semi annual instalments starting from the 54th month from the date of issue.	10,750	10,750	Mr. Ahmed Shaikh
Bank Al Falah Limited - 4th issue	10,000	10,000	5,000	50,000	6 months Kibor + 2.50%	0.02% of principal amount in the first 78 months and remaining principal in three equal semi annual instalments starting from the 84th month from the date of issue.	49,920	49,940	Mr. Atif Bajwa
Faysal Bank Limited	15,000	15,000	5,000	75,000	6 months Kibor + 2.25%	0.02% of principal amount in the first 60 months and remaining principal in four equal semi annual instalments starting from the 66th month from the date of issue.	74,910	74,940	Mr. Naved A. Khan,
Ghanbwal Cement Limited	-	13,100	5,000	65,495	6 months Kibor	0.02% of principal amount from 24 months, 2.50% from 39 months to 48 months, 1.25% from 51 months to 60 months, 4.99% from 63 months to 84 months 6.25% from 87 months to 96 months and remaining principal in four equal quarterly instalments starting from the 99th month from the date of issue.	-	63,465	Mr. Muhammad Tousif Peracha
Jahangir Siddiqui & Company Limited - 2nd issue	4	4	5,000	2,000	6 months Kibor + 1.50% (1-5 year) 6 months Kibor + 1.60% (6 year) 6 months Kibor + 1.70% (7 year) 6 months Kibor + 1.80% (8 year) 6 months Kibor + 2.00% (9 year) 6 months Kibor + 2.20% (10 year)	0.02% of principal amount in the first 96 months and remaining principal in four equal semi annual instalments starting from the 102nd month from the date of issue.	4,984	14,952	Mr. Suleman Lalani
JDW Sugar Mills Limited	16,600	16,600	5,000	83,000	3 months Kibor + 1.25%	Quarterly instalments starting from 23 March 2010	9,222	27,667	Mr. Jahangir Khan Tareen
Onx Leasing Pakistan Limited	-	1,500	100,000	150,000	6 months Kibor + 1.20%	Principal paid in six equal semi annual instalments starting from the 30th month from the date of issue.	-	25,000	Mr. Teizoon Kisat
Standard Chartered Bank Limited	40,000	40,000	5,000	200,000	6 months Kibor + 0.75%	Principal paid in two equal semi annual instalments starting from the 114th month from the date of issue.	200,000	200,000	Mr. Mohsin Ali Nathani
(iii) Un-listed Sukuk Bonds									
Amreli Steel Pvt Limited	10,000	10,000	5	50,000	3 months Kibor + 2.50%	Principal amount of first instalment due from 27th month to 60th month remaining principal in eight equal quarterly instalments starting from the 63rd month from the date of issue.	42,000	46,000	Mr. Abbas Akber Ali
Century Paper & Board Mills Limited	-	10,000	5,000	50,000	6 months Kibor + 1.35%	Principal paid in tenth equal semi annual instalments starting from the 30th month from the date of issue.	-	20,000	Mr. Aftab Ahmed
Eden Housing Limited	10,000	10,000	5	50,000	3 months Kibor + 2.5%	12.50% of principal amount from 18 to 24 months, 0.38% in 15 months, 2.27% from 18 to 21 months, 2.60% in 24 months, 4.72% from 27 months to 36 months, 5.62% from 39 months to 48 months and remaining principal in four equal quarterly instalments starting from the 51th month from the date of issue.	13,120	24,360	Mr. Muhammad Amjad
House Building Corporation Limited	13,000	13,000	5	65,000	6 months Kibor + 1.00%	Principal paid in tenth equal semi annual instalments starting from the 18th month from the date of issue.	6,450	19,199	Mr. S.A.S.A. Sayef Hussain
Liberty Power Tech Limited	894,780	894,780	0	109,943	3 months Kibor + 3.00%	Quarterly instalments starting from 01 April 2011	92,942	101,018	Mr. Ashraf Mukati
Pak Elektron Limited	10,000	10,000	5	50,000	3 months Kibor + 1.75% with floor of 10% and cap of 25%	Principal paid in six equal quarterly instalments starting from the 93rd month from the date of issue.	21,429	21,429	Mr. Naseem Saigal
Sui Southern Gas Company Limited	-	20,000	5,000	100,000	3 months Kibor + 0.20%	Principal paid in tenth equal quarterly instalments starting from the 33rd month from the date of issue.	-	10,000	Mr. Zuhair Siddiqui
Three Star Hosiery (Pvt) Limited	5,100	5,100	5	25,500	3 months Kibor + 3.25% with floor of 11% and Cap of 25%	Principal paid in seven equal semi annual instalments starting from the 24th month from the date of issue.	25,215	25,215	Mr. Muhammad Rasheed
WAPDA	4,000	4,000	5	20,000	6 months Kibor + 0.35%	Principal paid in 80 months from the date of issue	19,860	19,860	Syed Raghib Abbas
(b) Available for sale securities									
(i) Listed Term Finance Certificates									
Engro Fertilizers Limited	10,000	-	5,000	49,890	6 months Kibor + 1.55%	0.02% of principal amount in the first 84 months and remaining principal in two equal semi annual instalments starting from the 90th month from the date of issue.	49,095	-	Mr. Ruhail Muhammad

SHARIAH ADVISOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2013

The year under review was the ninth year of Soneri Bank Limited, Islamic Banking.

Shariah Audit and Compliance Review

The annual Shariah Audit of Islamic Banking branches has been conducted and observed that Shariah principles, flow chart and procedure are being adhered to in the branches complying Shariah rulings. .

The affairs of Islamic Banking branches has been carried out in accordance with rules and principles of Shariah SBP regulations and guidelines related to Shariah compliance as well as with specific Fatawa and ruling issued by me as Shariah Advisor from time to time.

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

Moreover, during the year 2013 Shariah Audit was conducted in all major branches to ensure and evaluate the overall Shariah compliance of the branch's operation and their alignment with the guidelines given by me as Shariah Advisor.

During the audit following documents have been checked.

- Agreements for Murabaha, Ijara, Diminishing Musharakah and Bai Salam.
- Declaration, description of Assets / Goods, relevant purchase invoices.
- 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, Profit weightages.

Distribution of Profit

Deposits are accepted on the Islamic Modes of Mudarabah/Musharakah. The profit is distributed monthly on the basis of weightages which are announced three days before beginning of each month. 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 me as Shariah Advisor and as per profit distribution policy duly approved by the Board of Directors.

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 Funds

The transactions where penalties were charged 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.

New Products

During the year 2013 Islamic Forward Cover for imports was launched and its Product Paper, Agreements and Process flows were reviewed by me and found to be compliant to Shariah guidelines.

Training and Development

Islamic Banking awareness programs were organized for understanding of the Islamic Banking concepts and products. However, due to increasing number of branches and employees, this focus on training and development needs to be carried on continuous basis. 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 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 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. In our opinion, the general conducts of Islamic banking activities are Shariah compliant. We pray to almighty ALLAH, for the success of Islamic banking and provide us guidance to adhere to his Shariah in day to day operations and forgive our mistakes.

MUFTI NADEEM IQBAL

Vice President & Shariah Advisor

Lahore: 19 February 2014

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that **Twenty Second (22nd) Annual General Meeting** of Soneri Bank Limited will be held at Avari Hotel, Lahore on Friday, 28 March 2014 at 10:00 a.m to transact the following business:

Ordinary Business

- 1) To confirm the minutes of last Annual General Meeting held on 28 March 2013.
- 2) To receive, consider and adopt Annual Audited Accounts together with the Directors' and Auditors' Reports thereon for the year ended 31 December 2013.
- 3) To elect seven (7) Directors of the Bank in accordance with the provisions of Section 178 of the Companies Ordinance, 1984 for a term of three years commencing from 28 March 2014. The following are the retiring Directors, who are eligible to offer themselves for re-election:
 - i. Mr. Alauddin Feerasta
 - ii. Mr. Nooruddin Feerasta
 - iii. Mr. Inam Elahi
 - iv. Mr. Muhammad Rashid Zahir
 - v. Syed Ali Zafar
 - vi. Mr. Manzoor Ahmed
 - vii. Mr. Shahid Anwar
- 4) To appoint Auditors of the Bank for the year ending 31 December 2014 till the conclusion of next Annual General Meeting and fix their remuneration. Present auditors, M/s. KPMG Taseer Hadi & Co., Chartered Accountants have completed the period of five (5) years as given in Clause xxxvii (a) of Code of Corporate Governance - 2012.
- 5) To transact such other ordinary business as may be placed before the meeting with the permission of the Chair.

Special Business

- 6) To approve payment of remuneration to Non-Executive Directors and privileges of Chairman for attending the Board and its Committees meetings in compliance with the State Bank of Pakistan BPRD Circular No. 14 of 2009 dated 7 August 2009.

A statement under Section 160(1)(b) of the Companies Ordinance, 1984 pertaining to the Special Business alongwith the Ordinary Resolutions proposed to be passed are being sent to the shareholders with the Notice.

BY ORDER OF THE BOARD

Muhammad Altaf Butt
Company Secretary

Lahore: 19 February 2014

NOTICE OF ANNUAL GENERAL MEETING

NOTES

1. Share Transfer Books of the Bank will be closed from 21 March 2014 to 28 March 2014 (both days inclusive).
2.
 - 2.1. In accordance with Section 178 (1) of the Companies Ordinance, 1984 the number of Directors to be elected has been fixed as seven (7). The retiring Directors are eligible to offer themselves for re-election. Mr. Mohammad Aftab Manzoor, President/Chief Executive Officer shall continue to be a deemed Director in terms of Article 54 of the Articles of Association of the Bank read with Sub-section (2) of Section (200) of the Companies Ordinance, 1984.
 - 2.2 In terms of Section 178(3) of the Companies Ordinance, 1984, any person who seeks to contest an election to the office of Director, shall file with the Company, not later than fourteen (14) days before the date of this meeting, a notice of his/her intention to offer himself/herself for election as a Director in terms of section 178(3) of the Companies Ordinance, 1984 together with (a) consent Form-28 (b) declaration with consent to act as Director in the manner as provided in the Code of Corporate Governance 2012.
 - 2.3 In terms of the State Bank of Pakistan (the "SBP") BPRD Circular No. 4 of 2007 dated 23 April 2007, on Fit and Proper Test (FPT), appointment of the directors require prior clearance in writing from State Bank of Pakistan, and all requests for seeking approval of SBP for appointment of directors of the Bank should be routed through the Bank alongwith information as per proforma "Fit and Proper Test" given in the above circular.

The copies of the proforma and other documents complete in all respects must be submitted to the Bank not later than 14 days before the date of this meeting for submission to the SBP.

- 2.4 Any person who seeks to contest the election to the office of a director, whether he is a retiring director or otherwise, shall undertake and confirm to the bank that such person fulfills all the requirements and criteria for being elected to the office of a director of the Bank and that such person does not violate any of the provisions or conditions prescribed by SBP for holding such office and further that such person shall fully comply with all the SBP Directives issued or to be issued by the SBP in the form of circulars, notifications, directions, letters, instructions and other orders.
3. 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.
4. 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.

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

NOTICE OF ANNUAL GENERAL MEETING

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 Twenty Second (22nd) Annual General Meeting of Soneri Bank Limited to be held on 28 March 2014.

Item No. 6 of the Notice:

The State Bank of Pakistan (SBP), Banking Policy & Regulations Department vide its BPRD Circular No. 14 dated 07 August 2009 has allowed the Banks to pay a reasonable and appropriate remuneration to their Non Executive Directors and Chairman for attending the Board or its committees meetings. Such remuneration shall be approved by the shareholders on a pre or post facto basis in the Annual General Meeting (AGM).

For compliance of the SBP's directive, the following draft resolution is proposed to be passed by the shareholders at the 22nd AGM as Ordinary Resolution:

"RESOLVED THAT approval for the payment of remuneration be and is hereby accorded to Non-Executive Directors of Soneri Bank Limited for attending the Board and Board committees meetings @ Rs.50,000 per meeting effective from 24 December 2013 as approved by the Board of Directors in its 133rd meeting held on 24 December 2013.

FURTHER RESOLVED THAT the following benefits & privileges be and are hereby accorded to Chairman of Soneri Bank Limited effective January 2014 as approved by the Board of Directors in its 134th meeting held on 04 February 2014:-

- a) Bank maintained Car (Mercedes Benz S Class)
- b) Reimbursement of salaries of Driver and Cook
- c) Reimbursement of monthly expenses of full time Security Guard
- d) Entertainment expenses incurred for the purpose of bank's business
- e) Reimbursement of Local or Foreign travel for the bank's business
- f) Reimbursement of Actual Medical Expenses for self and wife
- g) Club membership. One time membership fee plus monthly subscription"

The Directors have no interest in the above resolution that would require further disclosure except to the extent of the meetings fee and privileges as disclosed.

FORM 34**PATTERN OF HOLDING OF THE SHARES HELD BY THE SHAREHOLDERS (CDS AND PHYSICAL)
AS AT 31 DECEMBER 2013 (SECTION 236)**

No. of Shareholders	Shareholding		Total Shares Held
	From	To	
988	1	-	37,690
1416	101	-	376,787
1221	501	-	939,783
2537	1001	-	5,669,599
1649	5001	-	13,275,579
757	10001	-	8,866,855
218	15001	-	3,758,215
106	20001	-	2,366,220
72	25001	-	1,974,185
45	30001	-	1,481,716
25	35001	-	940,080
20	40001	-	848,300
24	45001	-	1,151,612
28	50001	-	1,479,231
15	55001	-	852,513
15	60001	-	929,280
12	65001	-	794,631
6	70001	-	433,424
9	75001	-	694,616
7	80001	-	580,770
6	85001	-	525,887
5	90001	-	457,941
9	95001	-	880,897
4	100001	-	416,359
9	105001	-	982,629
7	110001	-	784,102
3	115001	-	348,204
3	120001	-	367,548
1	125001	-	128,024
5	130001	-	662,460
3	135001	-	412,792
2	140001	-	282,983
5	145001	-	734,570
1	150001	-	154,000
2	155001	-	315,181
2	160001	-	329,720
1	170001	-	170,940
1	175001	-	175,500
2	180001	-	366,184
1	185001	-	187,641
1	190001	-	191,957
1	195001	-	199,086
1	200001	-	201,083
1	215001	-	220,000
3	220001	-	664,097
1	230001	-	232,268
2	235001	-	475,407
3	240001	-	731,669
2	280001	-	568,851
2	285001	-	576,804
2	290001	-	584,735
1	295001	-	295,838
1	310001	-	313,742
1	320001	-	320,368
1	330001	-	333,193
1	340001	-	343,357
1	350001	-	353,709
1	355001	-	355,820
1	360001	-	360,758

FORM 34
PATTERN OF HOLDING OF THE SHARES HELD BY THE SHAREHOLDERS (CDS AND PHYSICAL)
AS AT 31 DECEMBER 2013 (SECTION 236)

No. of Shareholders	Shareholding			Total Shares Held
	From		To	
4	365001	-	370000	1,469,509
1	380001	-	385000	385,000
1	390001	-	395000	390,119
1	415001	-	420000	416,611
1	445001	-	450000	446,427
1	475001	-	480000	478,581
1	480001	-	485000	481,196
1	485001	-	490000	487,339
1	545001	-	550000	550,000
1	550001	-	555000	550,550
1	600001	-	605000	605,000
2	610001	-	615000	1,221,291
1	635001	-	640000	636,427
1	670001	-	675000	674,209
1	975001	-	980000	976,820
1	985001	-	990000	989,450
1	1000001	-	1005000	1,001,500
1	1125001	-	1130000	1,129,647
1	1165001	-	1170000	1,167,000
1	1210001	-	1215000	1,214,807
1	2765001	-	2770000	2,766,216
1	3380001	-	3385000	3,382,183
1	3590001	-	3595000	3,591,580
1	4715001	-	4720000	4,718,952
1	5490001	-	5495000	5,494,500
1	6600001	-	6605000	6,603,661
1	8430001	-	8435000	8,430,965
1	8440001	-	8445000	8,440,450
1	8460001	-	8465000	8,461,450
1	9475001	-	9480000	9,477,018
1	13545001	-	13550000	13,546,734
1	36245001	-	36250000	36,248,654
1	37505001	-	37510000	37,508,988
1	41080001	-	41085000	41,081,700
1	47105001	-	47110000	47,109,707
1	50225001	-	50230000	50,227,612
1	54270001	-	54275000	54,272,585
1	69900001	-	69905000	69,903,837
1	86005001	-	86010000	86,008,806
1	96405001	-	96410000	96,406,236
1	128505001	-	128510000	128,508,049
1	143745001	-	143750000	143,745,482
1	157795001	-	157800000	157,799,243
9316		Total		1,102,463,481

FORM 34 PATTERN OF HOLDING OF THE SHARES HELD BY THE SHAREHOLDERS (CDS AND PHYSICAL) AS AT 31 DECEMBER 2013 (SECTION 236)

Categories of Shareholders	No. of Shareholders	Shares Held	Percentage
Directors, Chief Executive Officer and their Spouses and minor Children			
DIRECTORS			
Mr. Alauddin Feerasta	2	16,080,679	1.4586
Mr. Nooruddin Feerasta	1	14,048	0.0013
Mr. Inam Elahi	1	1,069	0.0001
Mr. Mohammad Rashid Zahir	1	10,065	0.0009
Syed Ali Zafar	1	1,069	0.0001
CHIEF EXECUTIVE OFFICER			
Mr. Mohammad Aftab Manzoor	-	-	0.0000
DIRECTORS' SPOUSES AND MINOR CHILDREN			
Mrs. Aziza A. Feerasta w/o Mr. Alauddin Feerasta	1	5,401	0.0005
Mrs. Aymna N. Feerasta w/o Mr. Nooruddin Feerasta	1	7,021	0.0006
	8	16,119,352	1.4621
Associated Companies undertakings and related parties			
Trustees Alauddin Feerasta Trust	2	243,808,049	22.1148
Trustees Feerasta Senior Trust	2	240,151,718	21.7832
Trustees Alnu Trust	2	120,131,449	10.8966
Executives	15	51,265	0.0047
National Bank of Pakistan - Trustee Department, NIT and ICP	8	191,614,966	17.3806
Banks Development Financial Institutions, Non Banking Financial Institutions.	12	8,572,207	0.7776
Insurance Companies	6	13,765,515	1.2486
Modarabas and Mutual Funds	9	446,842	0.0405
Joint Stock Companies	68	87,471,141	7.9342
Foreign Companies	10	49,126,791	4.4561
General Public:			
a) Local	7,944	112,278,880	10.1844
b) Foreign	1,222	18,739,440	1.6998
Others	8	185,866	0.0169
Total:	9,316	1,102,463,481	100.00
Shareholders Holding 5% or more voting interest			
Trustees Alauddin Feerasta Trust		243,808,049	22.1148
Trustees Feerasta Senior Trust		240,151,718	21.7832
National Bank of Pakistan - Trustee Department, NIT and ICP		191,614,966	17.3806
Trustees Alnu Trust		120,131,449	10.8966

Trading in shares during the year 2013:			
Directors, CEO, CFO and Company Secretary		NIL	NIL

LIST OF BRANCHES

AS AT 31 DECEMBER 2013

REGISTERED OFFICE

Rupali House 241-242, Upper Mall Scheme,
Anand Road, Lahore, Pakistan
Tel: No: (+92-42) 35713101-4, 35792180
Fax No: (+92-42) 35713095-6

CENTRAL OFFICE

10th Floor, PNSC Building, M. T. Khan Road
Karachi, Pakistan
Tel. No: (+92-21) 32444401-5 & 111-567-890
Fax: (+92-21) 35643314, 35643325 & 6
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) 35897181-2 & 35691037-8

Gulberg Branch, Lahore

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

Circular Road Branch, Lahore

Tel. No: (042) 37670486 & 37670489

Model Town Branch, Lahore

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

Akbar Chowk Branch, Lahore

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

Cavalry Ground Branch, Lahore

Tel. No: (042) 36653728-9 & 36619697

Temple Road Branch, Lahore

Tel. No: (042) 36376341, 2, 4 & 5

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 & 4

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 & 3

Mughalpura Branch, Lahore

Tel. No: (042) 36880892-4

Upper Mall Branch, Lahore

Tel. No: (042) 35789346-9

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) 35140261-5

Kana Kacha Branch, Lahore

Tel. No: (042) 36187413

Sabzazar Br., Multan Road, Lahore

Tel. No: (042) 37830881-2

DHA Phase-IV Br., Lahore

Tel. No: (042) 35694156-7

Azam Cloth Market Sub Br., Lahore

Tel. No: (042) 37662203-4

Jail Road Branch, Lahore

Tel. No: (042) 37590091, 2 & 4

Badami Bagh Branch, Lahore

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

Muridke Branch

Tel. No: (042) 37166511-2

Gujranwala Branch

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

Gujranwala Cantt. Br., Gujranwala

Tel. No: (055) 3861932-4

Wapda Town Branch, Gujranwala

Tel. No: (055) 4291136-7

Kamokee Br., Distt. Gujranwala

Tel. No: (055) 6813501-6

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

East Canal Road Br., Faisalabad

Tel. No: (041) 2421381-2

Jaranwala Br., Distt. Faisalabad

Tel. No: (041) 4312201-2

Samundri Branch, Distt. Faisalabad

Tel. No: (041) 3423983-4

Chiniot Branch

Tel. No: (047) 6333840-2

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

Godhpur Branch, Sialkot

Tel. No: (052) 4563932-3

Daska Branch, Distt. Sialkot

Tel. No: (052) 6617847-8

Sheikhupura Branch

Tel. No: (056) 3613570 & 3813133

LIST OF BRANCHES

AS AT 31 DECEMBER 2013

Nankana Sahib Branch
Tel. No: (056) 2876342-3

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

Ghakkhar Mandi Branch
Tel. No: (055) 3832611-2

Main Branch, Multan
Tel. No: (061) 4519927 & 4512884

Shah Rukn-e-Alam Branch, Multan
Tel. No: (061) 6784052 & 4

Bosan Road Branch, Multan
Tel. No: (061) 6510690-1

Mumtazabad Br., Multan
Tel No: (061) 6760213-4

Chowk Shaheedan Branch, Multan
Tel. No: (061) 4581281-2

Azmat Road Br., Dera Ghazi Khan
Tel. No: (064) 2471630-7

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 & 5800168

Bahawalpur Branch
Tel. No: (062) 2731703-1

Hasilpur Branch
Tel. No: (062) 2441481-3

Sargodha Branch
Tel. No: (048) 3726021-3

Khanewal Branch
Tel. No: (065) 2551560-2

Kabirwala Br., Distt. Khanewal
Tel. No: (065) 2400910-3

Mian Channu Branch
Tel. No: (065) 2662201-2

Burewala Branch
Tel. No: (067) 3773110 & 20

Depalpur Branch
Tel. No: (044) 4541341-2

Okara Branch
Tel. No: (044) 2553012-4

Sahiwal Branch
Tel. No: (040) 4467742-3

Chichawatni Branch, Distt. Sahiwal
Tel. No: (040) 5484852-3

Layyah Branch
Tel. No: (060) 6414207-8

Kharoor 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) 6006352-7

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, 21 & 22

Gagoo Mandi Branch, Distt. Vehari
Tel. No: (067) 3500311-2

Mandi Bahauddin Branch
Tel. No: (0546) 507601-2

Mailsi Br., Distt. Vehari
Tel. No: (067) 3750140-5

Bahawalnagar Branch
Tel. No: (063) 2274795-6

Haroonabad Br., Distt. Bahawalnagar
Tel. No: (063) 2251664-5

Toba Tek Singh Branch
Tel. No: (046) 2513203-4

Gojra Branch, Distt. Toba Tek Singh
Tel. No: (046) 3516388-9

Kamalia Branch, Distt. Toba Tek Singh
Tel. No: (046) 3411405-6

Gujrat Branch
Tel. No: (0533) 520591-4

Panjan Kasana Br., Distt. Gujrat
Tel. No: (0537) 533525 & 534525

Kharian Branch
Tel. No: (053) 7535447-8

Lalamusa Branch
Tel. No: (053) 7511072-3

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 & 36630409-410

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

LIST OF BRANCHES

AS AT 31 DECEMBER 2013

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

Block-7 Gulshan-e-Iqbal Branch, Karachi

Tel. No: (021) 34815811-2

Islamic Banking

Cloth Market Branch, Karachi

Tel. No: (021) 32442961 & 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 & 34141296

Allama Iqbal Road Branch, Karachi

Tel. No: (021) 34387673-4

Nishtar Road Branch, Karachi

Tel. No: (021) 32239711 & 3

Islamic Banking

Waterpump Branch, Karachi

Tel. No: (021) 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, 35071176 & 80

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

Shireen Jinnah Colony Branch

Tel. No: (021) 34166263

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) 32220702 & 4

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: (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) 2651968

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

Tando Adam Branch, Distt. Sanghar

Tel. No: (0235) 571640-44

Golarchi Branch, Distt. Badin

Tel. No: (0297) 853193-4

Talhar Branch, Distt. Badin

Tel. No: (0297) 830389

LIST OF BRANCHES

AS AT 31 DECEMBER 2013

Deh. Sonhar Branch, Distt. Badin

Tel. No: (0297) 810025-6

Matli Branch

Tel. No: (0297) 840171-2

Buhara Branch, Distt. Thatta

Tel. No: (0298) 613169

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

Tel. No: (0243) 552183-4

Ghotki Branch

Tel. No: (0723) 680305-6

Deharki Branch

Tel. No: (0723) 644157-8

Thull Branch

Kandkhot 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) 4455071-3

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 Br., Islamabad

Tel. No: (051) 5161969 & 5161970

Islamic Banking

F-8 Markaz Branch, Islamabad

Tel. No: (051) 2818019-2

G-11 Markaz Branch, Islamabad

Tel. No: (051) 2830152-4

Lathrar Road Br., Tarlai, Distt. Islamabad

Tel. No: (051) 2241664-6

Soan Garden Br., Distt. Islamabad

Tel. No: (051) 5738942-4

Taxila Branch

Tel. No: (051) 4544733 & 5

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

Jattlan 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) 457233-5

Aliabad Branch, Hunza

Tel. No: (05813) 455000 & 455001

Gahkuch Branch

Tel. No: (05814) 450408-10

LIST OF BRANCHES

AS AT 31 DECEMBER 2013

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

Chakwal Branch

Tel. No: (0543) 543128-30

Mardan Branch

Tel. No: (0937) 864755-7

Muzaffarabad Branch

Tel. No: (0582) 2920025-6

Islamic Banking

Chillas Branch, Distt. Diamer

Tel. No: (05812) 450631-2

Hattar Branch, Distt. Haripur

Tel. No: (0995) 617152-3

FOREIGN CORRESPONDENTS

AS AT 31 DECEMBER 2013

Country		Name of Bank
Afghanistan	-	Bank Millie Afghan
Argentina	-	Banco Credicoop Cooperativo Limitado
	-	Banco de Galicia Y Buenos Aires
Australia	-	Australia & New Zealand Banking Group Limited
	-	BNP Paribas Australia
	-	CitiGroup PTY Limited
	-	Commonwealth Bank of Australia
	-	HSBC Bank Australia Limited
	-	J. P. Morgan Chase Bank NV
	-	National Australia Bank Ltd.
Austria	-	Oberbank AG
	-	Raiffeisen Bank International AG
	-	Raiffeisenlandes Bank Niederoester
	-	Raiffeisenlandes Bank Oberoesterr
	-	Raiffeisenlandes Bank Vorarlberg
	-	UniCredit Bank Austria AG
	-	UniCredit Bank Austria AG
Bahrain	-	Al-Baraka Islamic Bank
	-	Arab Investment Company
	-	Bank Al Habib Limited
	-	Citibank N.A.
	-	Habib Bank Limited
	-	Standard Chartered Bank
	-	United Bank Limited
Bulgaria	-	UniCredit BulBank AD
Bangladesh	-	Habib Bank Limited
	-	Standard Chartered Bank
	-	Woori Bank
Belgium	-	Belfius Bank SAVV
	-	BNP Paribas Fortis
	-	Commerzbank AG
	-	Credit Europe Bank NV
	-	Deutsche Bank AG
	-	Habib Bank Limited
	-	ING Belgium NV/SA
	-	KBC Bank NV
Brazil	-	Banco Fibra S.A.
	-	Banco Itau BBA S.A
	-	Deutsche Bank SA
Cameron	-	Citi Bank N.A
Canada	-	Banque Nationale Du Canada
	-	Caisse Centrale Desjardins
	-	Canadian Imperial Bank of Commerce
	-	Habib Canadian Bank
	-	HSBC Bank Canada
	-	Royal Bank of Canada
Chile	-	Banco de Credito E Inversiones

FOREIGN CORRESPONDENTS

AS AT 31 DECEMBER 2013

Country	Name of Bank
China	- Agricultural Bank of China
	- Agricultural Development Bank of China
	- Bank of America N.A
	- Bank of Beijing
	- Bank of China
	- Bank of Communications
	- Bank of Jiangsu Co
	- Bank of Shanghai
	- Chin Citic Bank
	- China Construction Bank Corporation
	- China Merchants Bank
	- Citibank (China) Co. Ltd.
	- Commerzbank AG
	- DBS Bank (China) Ltd
	- Deutsche (China) Co
	- Export Import Bank of China
	- HSBC Bank (China) Company Ltd.
	- Industrial and Commercial Bank of China
	- J. P. Morgan Chase Bank (China) Company Ltd.
	- Jiangsu Jiangyin Rural Commerical Bank
	- Mizuho Corporate Bank (China) Co. Ltd.
- Ping An Bank Co	
- Qilu Bank Co., Ltd.	
- Shanghai Pudong Development Bank	
- Skandinaviska Enskilda Banken AB	
- Standard Chartered Bank (China) Limited	
- Zhejiang Mintai Commercial Bank	
- Zhejiang Tailong Commercial Bank	
Colombia	- Ban Colombia S.A
Cyprus	- Bank of Cyprus Public Company Ltd.
	- Cyprus Popular Bank Public Co
	- Hellenic Bank Public Company Ltd.
Denmark	- Danske Bank
	- Nordea Bank Denmark A.S
Egypt	- Banque Misr
	- Citibank Cairo
	- Mashreq Bank psc
Estonia	- Nordea Bank Finland PLC
Ethiopia	- Dashen Bank SC
Finland	- Danske Bank
	- Nordea Bank Finland PLC
	- Pohjola Pankki OYJ
France	- ABC International Bank Plc
	- BNP-Paribas S.A.
	- CM-CIC Banques
	- Credit Du Nord
	- Habib Bank Limited
	- HSBC France (Formerly HSBC CCF)
	- Korea Exchange Bank
	- National Bank of Pakistan
	- Societe Generale
	- Union de Banques Arabes et Francaises - UBAF

FOREIGN CORRESPONDENTS

AS AT 31 DECEMBER 2013

Country	Name of Bank
Germany	- Commerzbank AG
	- Danske Bank
	- Deutsche Bank AG
	- Deutsche Bank Private-Und Geschaeftskunden AG
	- Hamburger Sparkasse
	- HSH Nordbank AG
	- ING-DIBA AG
	- JP Morgan Chase Bank
	- Kreissparkasse Steinfurt
	- Landesbank Baden-Wuerttemerg
	- M. M. Warburg U. Co
	- National Bank of Pakistan
	- SEB AG
	- Sparkasse Dortmund
	- Sparkasse Krefeld
	- Sparkasse Westmuensterland
	- Standard Chartered Bank
- UniCredit Bank AG (Hypovereinsbank)	
- WGZ Bank Westdeutsche	
Ghana	- Standard Chartered Bank Ghana Limited
Greece	- Alpha Bank AE
	- Bank of Cyprus Public Company Ltd.
	- Citibank International
	- Piraeus Bank S.A.
Hong Kong	- Bank of America NA
	- BNP Paribas
	- Citibank N.A.
	- Fortis Bank
	- Habib Finance International Limited
	- HBZ Finance Limited
	- HSBC
	- Industrial and Commercial Bank of China (Asia) Ltd.
	- J. P. Morgan Chase Bank N.A.
	- J. P. Morgan Securities (Asia Pacific) Limited
	- Mashreqbank psc
	- National Bank of Pakistan
	- Shinhan Bank, Hong Kong
	- Standard Chartered Bank (Hong Kong) Limited
	- Sumitomo Mitsui Banking Corporation
- UBAF (HongKong) Limited	
- Wells Fargo Bank NA	
Hungary	- CIB Bank Ltd.
	- Citibank Europe PLC
	- Raiffeisen Bank RT
	- UniCredit Bank Hungary ZRT
India	- Citibank N.A.
	- Bank of America
	- Bank of Ceylon
	- Deutsche Bank AG
	- HongKong and Shanghai Banking Corporation Limited
	- ICICI Bank Limited

FOREIGN CORRESPONDENTS

AS AT 31 DECEMBER 2013

Country		Name of Bank
	-	J. P. Morgan Chase Bank NA
	-	Kalupur Commercial Co-op
	-	Mashreqbank psc
	-	Punjab and Sind Bank
	-	Punjab National Bank
	-	Standard Chartered Bank
Indonesia	-	Bank Indonesia
	-	Bank Mandiri (Persero) PT
	-	Bank Mandiri Jakarta
	-	The Bank of Tokyo-Mitsubishi UFJ Ltd.
	-	Citibank N.A.
	-	HongKong and Shanghai Banking Corporation Limited
	-	J. P. Morgan Chase Bank NA
	-	PT. Bank Pembangunan Daerah
	-	Standard Chartered Bank
Ireland	-	Citibank Europe plc
	-	Danske Bank A/S
Italy	-	Banca Atonveneta Spa
	-	Banca Carige SPA
	-	Banca Delle Marche SPA
	-	Banca di Credito Popolare
	-	Banca di Napoli SpA
	-	Banca di Risparmio in Bologna SPA
	-	Banca Nuova SPA
	-	Banca Popolare dell' Emilia Romagna SCaRL
	-	Banca Popolare di Vicenza SCPaRL
	-	Banca UBAE Spa
	-	Banco Popolare di Sondrio
	-	Banco Popolare Soc. Coop.
	-	Cassa di Risparmio del Friuli Venezia
	-	Cassa di Risparmio Di Fermo SPA
	-	Commerzbank AG
	-	Credito Bergamasco SPA
	-	Credito Valtellinese
	-	Deutsche Bank SPA
	-	Intesia Sanpaolo S.P.A.
	-	UBI Banca
	-	UniCredit Banca di Roma
	-	Unicredit S.P.A
Japan	-	The Bank of Tokyo-Mitsubishi UFJ Ltd.
	-	Citibank Japan Limited
	-	Deutsche Bank AG
	-	Hong Kong & Shanghai Banking Corporation., (The)
	-	JP Morgan Chase Bank
	-	Mizuho Corporate Bank
	-	National Bank of Pakistan
	-	Resona Bank Ltd.
	-	Saitama Resona Bank Ltd.
	-	Standard Chartered Bank
	-	Sumitomo Mitsui Banking Corporation
	-	The Tokushima Bank Limited
	-	U.B.A.F - Union di Banques Arabes

FOREIGN CORRESPONDENTS

AS AT 31 DECEMBER 2013

Country		Name of Bank
Jordan	-	Citibank N.A.
Kenya	-	Citibank N.A.
	-	Habib Bank Limited
	-	Kenya Commercial Bank Limited
	-	Standard Chartered Bank Kenya Limited
Korea (South)	-	The Bank of Tokyo-Mitsubishi UFJ Ltd.
	-	Busan Bank
	-	Citibank Korea Inc.
	-	Hana Bank
	-	HongKong & Shanghai Banking Corporation Limited
	-	Industrial Bank of Korea
	-	JPMorgan Chase Bank
	-	Kookmin Bank
	-	Korea Exchange Bank
	-	National Bank of Pakistan
	-	NongHyup
	-	Shinhan Bank
	-	Standard Chartered First Bank Korea Ltd.
	-	Suhyup Bank
-	The Daegu Bank Ltd.	
-	Union de Banques Arabes et Francaises - UBAF	
-	Woori Bank	
Kuwait	-	Alahli Bank of Kuwait KSC
	-	Citibank NA
	-	Commercial Bank of Kuwait SAK
	-	National Bank of Kuwait
Kyrgyzstan	-	National Bank of Pakistan
Latvia	-	Nordea Bank Finland PLC
Lebanon	-	Banque Libano-Francaise SAL
	-	CitiBank Beirut
	-	First National Bank SAL
Macau	-	Standard Chartered Bank
Malaysia	-	Bank of Tokyo-Mitsubishi UFJ Ltd.
	-	Citibank Berhad
	-	Hong Leong Bank Bhd
	-	HSBC Bank Malaysia Berhad
	-	J. P. Morgan Chase Bank Berhad
-	Standard Chartered Bank Malaysia Berhad	
Malta	-	AK Bank TAS
	-	Credit Europe Bank NV
Mauritius	-	Habib Bank Limited
	-	The Mauritius Commercial Bank Limited
Mexico	-	Banco Nacional de Mexico SA
Morocco	-	Societe Generale Marocaine de

FOREIGN CORRESPONDENTS

AS AT 31 DECEMBER 2013

Country		Name of Bank
Nepal	-	Himalayan Bank
	-	Standard Chartered Bank Nepal
Netherlands	-	ABN-AMRO Bank N.V.
	-	Citibank International PLC
	-	CommerzBank AG Kantoor
	-	Credit Europe Bank N.V.
	-	Deutsche Bank AG
	-	Ge Artesia Bank (Formerly Banque Artesia Nederland NV)
	-	Habib Bank Limited
	-	ING Bank NV
	-	Lanschot Bankiers NV F. Van Royal Bank of Scotland NV
New Zealand	-	ANZ Bank New Zealand
	-	Bank of New Zealand
Norway	-	DNB Bank ASA
	-	Danske Bank AS
	-	Handelsbanken SA
	-	Skandinaviska Enskilda Banken
Oman	-	Bank Sohar SAOG
	-	Bank of Dhofar Piraeus Bank
	-	Standard Chartered Bank
Philippines	-	Asian Development Bank
	-	The Bank of Tokyo-Mitsubishi UFJ Ltd.
Poland	-	Bank Handlowy W Wearszawie SA
	-	BRE Bank SA
	-	Nordea Bank Polska S.A
Portugal	-	Banco BPI SA
	-	Banco Espirito Santo SA
	-	BNP Paribas Sucursal Em
	-	Caixa Geral de Depositos SA
Prague	-	Ceska Sporitelna AS
	-	Ceskoslovenska Obchodni Banka
	-	Citi Bank Europe PLC
	-	Commerz Bank AG
	-	Komerčni Banka AS
	-	Unicredit Bank Czech Republic
Qatar	-	HSBC Bank Middle East Limited
	-	Mashreq Bank
	-	Standard Chartered Bank
	-	United Bank Limited
Romania	-	Banca Commerciala Romana SA
	-	Citibank Europe PLC, Dublin-Sucursala Romania
	-	UniCredit Tirioc Bank SA
Russia	-	Zao Citibank

FOREIGN CORRESPONDENTS

AS AT 31 DECEMBER 2013

Country		Name of Bank
Saudi Arabia	-	Al Inma Bank
	-	J. P. Morgan Chase Bank
	-	National Bank of Pakistan
	-	National Commercial Bank (The)
	-	Samba Financial Group
	-	Saudi Hollandi Bank
Serbia	-	Saudi British Bank
	-	Unicredit Bank Srbija AD
Singapore	-	ABN Amro Bank NV
	-	Banco Santander SA
	-	Bank Mandiri (Persero) PT
	-	Bank of America NA
	-	Bank of Tokyo Mitsubishi UFJ Ltd.
	-	Citibank N.A.
	-	Commerzbank AG
	-	Deutsche Bank AG
	-	Habib Bank Limited
	-	HongKong & Shanghai Banking Corporation Limited
	-	HSH Nordbank AG
	-	Intesa Sanpaolo SPA
	-	KBC Bank
	-	Mizuho Corporate Bank Ltd
	-	National Bank of Kuwait SAK
-	Rabo Bank	
-	Shinhan Bank	
-	Standard Chartered Bank	
-	Sumitomo Mitsui Banking Corporation	
-	Union de Banque Arabes - UBAF	
Slovakia	-	Ceskoslovenska Obchodna Banka AS
	-	Slovenska Sporitelna AS
	-	Tatra Bank AS
Slovenia	-	Raiffeisen Banka D.D
	-	UniCredit Banka Slovenija DD
South Africa	-	Citibank South Africa
	-	FirstRand Bank Ltd.
	-	HBZ Bank Limited
	-	Mercantile Bank Ltd
Spain	-	Standard Bank of South Africa Limited
	-	Banco Papular Espanol SA
	-	Banco de Sabadell
	-	Bank of Tokyo Mitsubishi UFJ Ltd.
	-	Bankinter SA
	-	Caixabank SA
	-	Citibank International plc
	-	Commerzbank AG
	-	Deutsche Bank
	-	HSBC Bank plc
-	Kutxabank SA	
Sri-Lanka	-	Bank of Ceylon
	-	Commercial Bank of Ceylon Limited
	-	Habib Bank Limited
	-	Hatton National Bank Limited

FOREIGN CORRESPONDENTS

AS AT 31 DECEMBER 2013

Country		Name of Bank
	-	MCB Bank Limited
	-	People's Bank
	-	Standard Chartered Bank
	-	The HongKong & Shanghai Banking Corporation Limited
Sweden	-	Danske Bank
	-	Nordea Bank AB
	-	Skandinaviska Enskilda Banken AB
	-	Svenska Handelsbanken AB
Switzerland	-	Arab Bank (Switzerland) Ltd.
	-	Banque Cantonale Vaudoise
	-	Banque de Commerce et de Placements S.A.
	-	BNP Paribas (Suisse) SA
	-	Credit Agricole (Suisse) S.A.
	-	Credit Suisse
	-	Deutsche Bank AG
	-	Habib Bank AG Zurich
	-	HSBC Private Bank (Suisse) SA
	-	Neue Aargauer Bank AG
	-	Royal bank of Scotland
	-	UBS AG
	-	United Bank AG (Zurich)
	-	Zurcher Kantonalbank
Taiwan	-	Australia & New Zealand Banking Group Ltd.
	-	Citibank Taiwan Limited
	-	Deutsche Bank AG
	-	Erste Bank Der Oesterreichischen
	-	Erste Group Bank AG
	-	HSBC Bank (Taiwan) Limited
	-	J. P. Morgan Chase Bank NA
	-	Mizuho Corporate Bank
	-	Standard Chartered Bank (Taiwan) Limited
Tanzania	-	Standard Chartered Bank Tanzania Ltd.
Thailand	-	Bank of Tokyo-Mitsubishi UFJ, Ltd.
	-	Citibank N.A.
	-	Deutsche Bank AG
	-	HongKong and Shanghai Banking Corporation Ltd.
	-	J. P. Morgan Chase Bank NA
	-	Kasikornbank Public Company Ltd
	-	Mizuho Corporate Bank Ltd.
	-	Standard Chartered Bank (Thai) PLC
	-	Sumitomo Mitsui Banking Cororation
	-	Thanachart Bank Public Company Limited
	-	The Siam Commercial Bank Public Company Limited
Tunis	-	Citi Bank NA
	-	Tunis International Bank
	-	Union Bancaire Pour le Commerce
Turkey	-	Akbank T.A.S.
	-	Alternatifbank A.S.
	-	Citibank A.S.
	-	Denizbank AS
	-	Finansbank
	-	Habib Bank Limited

FOREIGN CORRESPONDENTS

AS AT 31 DECEMBER 2013

Country	Name of Bank
	- HSBC Bank A.S.
	- ING Bank AS
	- Kuveyt Turk Katilim Bankasi AS
	- Turkey Garanti Bankasi AS
	- Turkiye Finans Katilim Bankasi AS
	- Turkiye Vakiflar Bankasi TAO
	- Yapi Ve Kredi Bankasi AS
Turkeminstan	- National Bank of Pakistan
U.A.E.	- Abu Dhabi Commercial Bank
	- BNP Paribas
	- Citibank N.A.
	- Credit Europe Bank (Dubai) Ltd.
	- Deutsche Bank AG
	- Dubai Islamic Bank
	- Emirates Islamic Bank
	- First Gulf Bank
	- Habib Bank AG Zurich
	- Habib Bank Limited
	- HSBC Bank Middle East Limited
	- Korea Exchange Bank
	- Mashreq Bank psc
	- National Bank of Fujairah
	- Standard Chartered Bank
	- United Bank Limited
U.K.	- Bank Leumi UK PLC
	- Bank Mandiri (Europe) Limited
	- Bank of Cyprus Public Company Limited
	- Bank of Ireland (UK) PLC
	- Bank of Ireland Trade Finance
	- BNP Paribas Fortis
	- Citibank N.A.
	- Clydesdale Bank plc
	- Commerzbank AG
	- Deutsche Bank AG
	- Habib - UK PLC
	- Habib Bank AG Zurich
	- Habibsons Bank Limited
	- HSBC Bank plc
	- Israel Discount Bank Ltd.
	- J. P. Morgan Chase Bank NA
	- MashreqBank Psc
	- National Westminster Bank
	- Northern Bank Ltd
	- Royal Bank of Scotland PLC
	- Sonali Bank (UK) Ltd.
	- Standard Chartered Bank
	- Sumitomo Mitsui Banking Corporation Europe Ltd.
	- United National Bank Ltd.

FOREIGN CORRESPONDENTS

AS AT 31 DECEMBER 2013

Country		Name of Bank
U.S.A.	-	ABN-AMRO Capital USA LLC
	-	Bank of America NA
	-	Bank of New York Mellon
	-	Bank of the West
	-	BOKF NA
	-	Branch Banking & Trust Co.
	-	Capital One N.A.
	-	Citibank N.A.
	-	Comerica Bank
	-	DBA Bank Ltd
	-	Deutsche Bank AG
	-	Deutsche Bank Trust Company Americas
	-	East-West Bank
	-	Habib American Bank
	-	Habib Bank Limited
	-	HSBC Bank USA NA
	-	International Finance Corporation
	-	Intesa Sanpaolo SPA
	-	Israel Discount Bank of New York
	-	J. P. Morgan Chase Bank
	-	KeyBank National Association
	-	MashreqBank psc
	-	National Bank of Pakistan
	-	New York Commercial Bank
	-	RBS Citizens NA
	-	Regions Bank
	-	Shinhan Bank America
	-	Standard Chartered Bank
	-	Sumitomo Mitsui Banking Corporation
	-	The Bank of Tokyo-Mitsubishi UFJ Ltd.,
-	U.S. Bank N.A	
-	UMB Bank NA	
-	Union Bank NA	
-	United Bank Limited	
-	US Century Bank	
-	Wells Fargo Bank NA	
-	Woori Bank	
Ukraine	-	JSC The State Export-Import Bank of Ukraine
	-	PJSC 'CITIBANK'
Uzbekistan	-	National Bank for Foreign Economic
Vietnam	-	An Binh Commercial Joint Stock
	-	China Trust Commercial Bank
	-	Citibank NA
	-	J. P. Morgan Chase Bank NA
	-	Kookmin Bank
	-	Shinhan Bank Vietnam
-	Standard Chartered Bank	
Yemen (Republic of)	-	National Bank of Yemen
	-	Yemen Commercial Bank
Yugoslavia	-	Alpha Bank Skopje

PROXY FORM

22nd Annual General Meeting

I/We _____ of _____ being member(s) of SONERI BANK LIMITED and on holder of _____ ordinary shares.

Register Folio No. _____

CDC participant I.D. No.: _____ Sub-Account No.: _____

CNIC No.: or Passport No.: _____

hereby appoint _____ of _____ or failing him / her _____ of _____ who is / are also member(s) of SONERI BANK LIMITED as my / our proxy to attend and vote for me / our behalf at the 22nd Annual General Meeting of the Bank to be held on 28 March 2014 or at any adjournment thereof.

Revenue Stamp

(Signatures should agree with the specimen signature registered with the Bank)

Dated this _____ day of _____ 2014 Signature of Shareholder _____

Signature of Proxy _____

1. WITNESS

Signature : _____

Name: _____

Address: _____

CNIC No.:

or Passport No: _____

2. WITNESS

Signature : _____

Name: _____

Address: _____

CNIC No.:

or Passport No: _____

IMPORTANT:

1. This Proxy Form, duly completed and signed, must be received at the Registered Office of the Bank at 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 / she himself / herself is a member of the Company, except 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 Company, all such instruments of proxy shall be rendered invalid.
4. CDC Shareholders and their Proxies should attach an attested photocopy of their Computerized National Identity Card (CNIC) or Passport with the proxy form before submission to the Company. (Original CNIC / Passport is required to be produced at the time of the meeting).
5. In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be submitted along with proxy form to the Company.

Soneri Bank Limited

AFFIX
CORRECT
POSTAGE

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

Soneri Bank Limited

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

Central Office: 10th Floor, PNSC Building,
M.T. Khan Road, Karachi - 74000, Pakistan
Tel: (021) 32444401-5

Website: www.soneribank.com

24/7 Call Centre: 0800-0050

UAN: 111-SONERI