

Soneri Bank Limited

Annual Report 1996

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Corporate Data

Board of Directors

Secretary

Mr. Abdul Hayee

Chairman

Mr. Alauddin J. Feerasta

Auditors

A.E Ferguson & Co.
Chartered Accountants

Chief Executive

Mr. Safar Ali K. Lakhani

Legal Advisors

Noorallah A. Manji
Advocate

Tahir All Tayebi & Co.
Advocates

Directors

Mr. Jaffer Ali M. Feerasta
Mr. Tariq Rehman
Mr. Nooruddin B. Feerasta (Sr.)
Mr. Abdul Hayee
Mr. Asadullah Khawaja (NIT Nominee)

Registered Office

4th Floor, IEP Building
97-B/D-I, Gulberg III
Lahore.

Financial Highlights

Particulars	Rs. in Million		
	1996	1995 (%)	Growth
Deposits	6,655	5,115	30.11

Advances	4,181	3,293	26.97
Investments	2,213	1,949	13.54
Import / Export Business	15,562	14,188	9.70
Pre-Tax Profit	380	268	41.80
After-Tax Profit	159	115	38.30
Total Assets	12,838	10,083	27.32
Net Assets	8,826	6,895	28.00
Shareholders' Equity	703	610	15.20

Chairman's Review

It gives me great pleasure in presenting to you the fifth annual report and the audited accounts of your bank for the financial year ended 31 December 1996. The results before you reflect consolidation and steady growth.

1996 was a difficult year for the economy characterized by persistent problems like large fiscal deficit, excessive government borrowings, pressure on exchange rate and balance of payment and abnormal increase in the price of utilities like gas, electricity and petrol. Devaluation of almost 17 percent against the US Dollar during the year failed to reduce the trade gap as the exports could not increase to the desired level nor there was substantial increase in remittances from overseas Pakistanis.

Under the circumstances, your bank adopted a cautious approach with strict monitoring of its risk assets, care in deployment of funds, and controlled expenses.

In spite of the uncertainties prevalent in recent past, deposits at Rs. 6.655 Billion show a growth of 30 percent during the year. Profit rates offered by the bank to its depositors are being revised upwards constantly and are now very attractive for different maturities. Two new schemes, one offering monthly income and the other a cumulative multiplier have been recently introduced to attract new deposits.

The bank's total advances at Rs. 4.181 billion reflect a rise of 27 percent during the year. Most of the lending is short term and trade related out of which more than 30 percent cater to the needs of exporters. The management's main endeavour in this field is to maintain a healthy portfolio with the help of careful processing of new cases and strict monitoring of the old ones.

With a network of over 100 correspondents in 60 countries, the bank handled import and export business to the tune of Rs. 15.562 billion during the year. It shows an increase of 10 percent over the figures for 1995. The slower growth in this field was a result of the cautious approach adopted by your bank in view of the prevalent market conditions.

Investment in government securities was maintained at a comfortable level of Rs. 2.148 billion which is much in excess of the mandatory requirements. The ratio of bank's liquid assets to its total deposits stands at 57 percent.

Bank's total income has exceeded Rs. one billion mark and stands at Rs. 1.149 billion. Pre-tax profit for the year amounts to Rs. 380 million showing a significant increase of 42 percent over the previous year's figures. I am pleased to report that all sixteen branches of your bank are profitable units.

With the new elected government expected of taking radical measures to accelerate economic growth, we hope that the country will embark on a path of economic progress and prosperity which has remained elusive for the last so many years.

During 1996 bank's branches at Islamabad, Rawalpindi and Gulberg Lahore were formally opened. You will be happy to know that our Gulberg Lahore branch is housed in bank's own 5 storey building at a prime location.

It is heartening to report that the bank's inhouse training programme has recently passed out its 9th batch of trainees bringing the total personnel trained by the bank to 169, which is a significant achievement. The recruitment of trainees and other staff is done only on the basis

of merit. In addition the bank, as a matter of policy, sends its senior staff regularly to advanced courses and seminars both inside and outside the country. During the year under reference three executives were sent to USA, Germany and Singapore to attend advanced banking courses to enhance their skills and remain abreast with the recent developments in the field of banking and related technology. All this has gone a longway in building a team of professionals which is so important in today's competitive environment.

Your bank's hallmark, which gives it an edge over other banks, is providing best possible service to its customers. All its efforts are geared in that direction. while remaining within the framework of rules and regulations applicable in various fields.

~:

I wish to place on record my sincere thanks to all our valued customers for their whole hearted support and confidence in this new bank. I would also like to appreciate the hard-work, devotion and commitment of the team of professionals and other staff who are running this bank.

My thanks also go to the Ministry of Finance and the State Bank of Pakistan for the invaluable guidance and support available at all times.

Alauddin J. Feerasta
Chairman

Lahore: 17 February 1997.

Directors' Report To Shareholders

Your Directors feel pleasure in presenting the 5th Annual Report of the Bank together with Audited Accounts and Auditors' Report thereon for the year ended 31 December 1996. The Bank's financial results are as follows:

	Rupees
Profit for the year before taxation	380,324,583
Provision for taxation - current	221,000,000

Profit after taxation	159,324,583
Unappropriated Profit brought forward	3,144,173

Profit available for appropriation	162,468,756
Transfer to reserve fund	76,064,917
Transfer to special reserve	15,736,656
Transfer to general reserve	3,000,000
Proposed final cash dividend @ 17.5%	66,412,500

	161,214,073

Balance carried forward	1,254,683
	=====
Earning per share (Before Tax)	10.02
	=====

Auditors

The retiring auditors, M/s. A.F. Ferguson & Co. Chartered Accountants being eligible, offer themselves for re-appointment.

Pattern of Share Holding

A statement showing the pattern of share holding in the company as at 31 December 1996 appears on page 26.

Thanks

The Board would also like to record its appreciation for loyalty,

devotion and hard work of the officers and staff of the bank at all levels.

Alauddin J. Feerasta
Chairman
Lahore: 17 February 1997.

A. F. FERGUSON & CO.
CHARTERED ACCOUNTANTS

Auditors' Report to the Members

We have audited the annexed balance sheet of Soneri Bank Limited as at December 31, 1996 and the related profit and loss account and cash flow statement together with the notes forming part thereof, for the year then ended, in which are incorporated the un-audited certified returns from the branches except for seven 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 and, after due verification thereof, found them satisfactory and, we report that:

a) in our opinion, proper books of account have been kept by the bank as required by the Companies Ordinance, 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 balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance 1962, and the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

ii) the expenditure incurred during the year was for the purpose of the bank's business; and

iii) the business conducted, investments made and the expenditure incurred during the year, were in accordance with the objects of the bank and the transactions of the bank which have come to our notice have been within the powers of the bank;

c) in our opinion and to the best of our information and according to the explanations given to us the balance sheet and the profit and loss account and the cash flow statement together with the notes forming part thereof, give the information required by the Banking Companies Ordinance, 1962 and the Companies Ordinance, 1984 in the manner so required and give a true and fair view of the state of the bank's affairs as at December 31, 1996 and its true balance of the profit for the year then ended; and

d) in our opinion, zakat deductible at source under the Zakat and Ushr Ordinance, 1980 was deducted by the bank and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Chartered Accountants
February 23 1997

Balance Sheet as at December 31, 1996

	1996	1995
NOTE	Rupees	Rupees

CAPITAL AND LIABILITIES

CAPITAL		
AUTHORISED		
60,000,000 ordinary shares of Rs. 10 each		600,000,000 600,000,000
		=====
ISSUED, SUBSCRIBED AND PAID-UP CAPITAL		
37,950,000 (1995: 37,950,000) ordinary shares of Rs. 10 each.	3	379,500,000 379,500,000
RESERVE FUND AND OTHER RESERVES		
	4	322,236,200 227,434,627
DEPOSITS AND OTHER ACCOUNTS		
Fixed deposits		1,694,985,629 231,858,854
Savings bank deposits		4,102,222,633 095,239,399
Current accounts, contingency accounts etc.		857,510,771 787,696,864

(Total deposits include foreign currency deposits of Rs.4,301.8 million; 1995 Rs.2,938.6 million)		6,654,719,033 114,795,117
BORROWINGS FROM OTHER BANKING COMPANIES, AGENTS ETC.		
	5	
In Pakistan		70,257,780,073 36,383,906
Outside Pakistan		41,893 Nil

		702,619,693 736,383,906
		266,192,819 112,047,764
BILLS PAYABLE		
BILLS FOR COLLECTION BEING BILLS RECEIVABLE AS PER CONTRA		
Payable in Pakistan		6,435,431 8,143,424
Payable Outside Pakistan		1,348,911,708 2,357,651

		1,355,347,140 90,501,075
		1996 1995
	NOTE	Rupees Rupees
PROPERTY AND ASSETS		
CASH		
In hand (including foreign currency notes)		253,273,441 255,320,878
Balance with SBP and NBP		1,115,485,026 40,360,451

		1,368,758,467 095,681,329
BALANCES WITH OTHER BANKS		
ON CURRENT ACCOUNTS		
In Pakistan		125,285,377 7,689,274
Outside Pakistan		88,057,651 57,411,266

		213,343,028 65,100.54
ON DEPOSIT ACCOUNTS		
In Pakistan		22,213,986 14,077.08
Outside Pakistan		Nil Nil

		22,213,986 14,077,075

		235,557,014 79,177,615
MONEY AT CALL AND SHORT NOTICE		
		50,000,000 Nil
INVESTMENTS		
i) Securities of Federal and Provincial Governments		2,147,865,150 7,681,808
ii) Federal Government Treasury Bills		Nil 1,032,871,342

iii) Shares	16,841,000	9,910,000
iv) Certificates of Investment	50,450,000	Nil
v) Debentures, Bonds, Participation Term Certificates and Term Finance Certificates	Nil	Nil
vi) Other Investments:		
a) National Prize Bonds	1,940,000	Nil
b) Units of National Investment Trust	Nil	Nil
vii) Gold	Nil	Nil
	-----	-----
	2,217,096,158	950,463,150
Less: Provision for diminution in market value of shares	(4,196,765)	(1,585,600)
	-----	-----
	2,212,899,393	948,877,550
(Book / Market value of investments		
Rs.2,212,899,393 (1995: Rs.1,948,877,550))		

	1996	1995
NOTE	Rupees	Rupees
OTHER LIABILITIES		
Liabilities against assets subject to finance lease	6 26,064,474	32,746,498
Fund management liabilities	49,550,000	Nil
Provision for taxation	9 246,132,319	153,000,000
Proposed final dividend	66,412,500	56,925,000
Others	111,707,631	79,064,866
	-----	-----
	499,866,924	321,736,364
ACCEPTANCES, ENDORSEMENTS AND OTHER OBLIGATIONS AS PER CONTRA	2,656,185,365	597,157,470

PROFIT AND LOSS		
Unappropriated profit brought forward	3,144,173	1,908,370
	-----	-----
Profit for the year before taxation	380,324,583	268,095,430
Less: Provision for taxation - current	(221,000,000)	(153,000,000)
	-----	-----
Profit after taxation	159,324,583	115,095,430
	162,468,756	117,003,800

APPROPRIATIONS		
Transfer to reserve fund	76,064,917	23,019,086
Transfer to special reserve	15,736,656	28,915,541
Transfer to general reserve	3,000,000	5,000,000
Proposed final dividend @ 17.5% (1995: 15%)	66,412,500	56,925,000
	-----	-----
	161,214,073	113,859,627
	-----	-----
Unappropriated profit	1,254,683	3,144,173

	1996	1995
NOTE	Rupees	Rupees
ADVANCES [Other than bad and doubtful debts for which provision has been made to the satisfaction of the auditors]		
Loans, cash credits, overdrafts, etc.	7	
In Pakistan	3,414,289,790	300,003,814

Outside Pakistan (This include Rs.719.7 million on account of export re-finance; 1995:Rs.668.6 million)	Nil	Nil
	-----	-----
	3,414,289,790	300,003,814
	-----	-----
Bills discounted and purchased [excluding Treasury Bills of the Federal and Provincial Governments]		
Payable in Pakistan	219,779,264	302,889,367
Payable outside Pakistan	546,677,224	690,592,955
	-----	-----
	766,456,488	993,482,322
	-----	-----
	4,180,746,278	293,486,136
	-----	-----
BILLS RECEIVABLE BEING BILLS FOR COLLECTION AS PER CONTRA		
Payable in Pakistan	6,435,431	8,143,424
Payable outside Pakistan	1,348,911,708	2,357,651
	-----	-----
	1,355,347,140	1,041,075
	-----	-----
CONSTITUENTS' LIABILITIES FOR ACCEP- TANCES, ENDORSEMENTS AND OTHER OBLIGATIONS AS PER CONTRA		
	2,650,185,365	597,157,470
	-----	-----
PREMISES LESS DEPRECIATION (OWNED)		
Cost		
As at January 01	53,000,248	29,008,908
Add: Additions during the year	36,453,671	23,991,340
	-----	-----
	89,453,919	53,000,248
Less: Accumulated depreciation as at December 31	(7,467,140)	(4,142,795)
	-----	-----
	81,986,779	48,857,453
	-----	-----
	1996	1995
	Rupees	Rupees
CONTINGENT LIABILITIES		
i) Claims against the bank not acknowledged as debts	Nil	Nil
ii) Money for which the bank is contingently liable:		
a) Contingent liability in respect of guarantees given on behalf of directors or officers	Nil	Nil
b) Contingent liability in respect of guarantees given favouring:		
1) Government	389,551,690	235,465,917
2) Banks and other financial institutions	10,747,530	25,316,685
3) Others	69,827,561	68,461,985
iii) Arrears of cumulative preference dividend	Nil	Nil
iv) Liability on bills of exchange rediscounted	Nil	Nil
v) Liability on account of outstanding forward exchange contracts	1,386,980,312	2,306,824
	-----	-----
	12,837,921,837	7,002,496
	=====	=====

The annexed notes form an integral part of these accounts.

	NOTE	1996 Rupees	1995 Rupees
FURNITURE AND FIXTURES, VEHICLES AND OTHERS LESS DEPRECIATION			
OWNED			
Cost			
As at January 01		53,523,352	20,155,801
Add: Additions during the year		20,305,758	13,906,945
Transfers during the year		32,341,222	19,524,644
		-----	-----
		106,170,332	53,587,390
Less: Deletions during the year		(151,357)	(64,038)
		-----	-----
		106,018,975	53,523,352
Accumulated depreciation as at December 31		(41,285,799)	(17,842,789)
		-----	-----
		64,733,176	35,680,563
LEASED			
Cost			
As at January 01		66,816,523	69,545,571
Add: Additions during the year		13,107,731	16,795,596
		-----	-----
		79,924,254	86,341,167
Less: Transfers during the year		(32,341,222)	(19,524,644)
		-----	-----
		47,583,032	66,816,523
Accumulated depreciation as at December 31		(12,089,389)	(18,902,053)
		-----	-----
		35,493,643	47,914,470
CAPITAL WORK IN PROGRESS - AT COST		39,066,282	Nil
OTHER ASSETS INCLUDING SILVER			
i) Stationery and stamps on hand		4,195,247	2,918,202
ii) Mark-up/return and other income accrued or receivable		281,130,186	166,107,504
iii) Advances, deposits and advance rent		12,669,844	32,450,921
iv) Fund management assets		49,550,000	Nil
v) Prepaid expenses		22,679,658	17,615,060
vi) Advance tax		172,442,687	120,240,470
vii) Branch adjustments account		5,547,862	1,146,336
viii) Suspense account		8,932,816	4,888,342
		-----	-----
		557,148,300	345,366,835
NON-BANKING ASSETS ACQUIRED IN SATISFACTION OF CLAIMS			
		Nil	Nil
		-----	-----
		12,837,921	837,082,700,496
		=====	=====

The annexed notes form an integral part of these accounts.

Profit and Loss Account

For the year ended December 31, 1996

	NOTE	1996 Rupees	1995 Rupees
INCOME			
[Less provisions made during the year for bad and doubtful debts and other usual and necessary provisions]			

Interest and discount and or return*	854,646,073	630,867,969
Commission, exchange and brokerage	280,015,056	180,138,728

Net profit on sale of investments, gold and silver, land, premises and other assets [not credited to Reserves	Nil	969,690
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Net profit on revaluation of investments, gold and silver, land, premises and other assets [not credited to Reserves or any particular Fund or Account]	Nil	Nil
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Income from non-banking assets and profit from sale of or dealing with such assets	Nil	Nil
--	-----	-----

Other receipts	14,528,251	15,895,096
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 1,149,189,388 27,871,483
 =====

*Return means income from, or as the case may be paid on non-interest bearing accounts

	1996	1995
NOTE	Rupees	Rupees

EXPENDITURE

Interest on deposits, borrowings, etc. and or return*	579,099,493	416,610,320
---	-------------	-------------

Salaries and allowances and provident fund [including Rs.2,214,000 (1995: Rs.1,960,417) paid to the Chief Executive]	62,883,418	44,599,617
--	------------	------------

Directors' and local committee members' fees and allowances	Nil	Nil
---	-----	-----

Rent, taxes, insurance, lighting, etc.	16,744,572	12,200,302
--	------------	------------

Law charges	1,076,973	503,299
-------------	-----------	---------

Postage, telegrams, stamps & telephone	18,882,878	16,296,921
--	------------	------------

Audit fee	200,000	200,000
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Depreciation on and repairs to the bank's property	23,168,322	18,100,214
--	------------	------------

Stationery, printing, advertisement. etc.	7,276,065	6,641,869
---	-----------	-----------

Lease finance charges	5,012,665	6,841,873
-----------------------	-----------	-----------

Loss from sale or dealing with non-banking assets	Nil	Nil
---	-----	-----

Other expenditure	8 54,520,411	37,781,638
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Profit for the year before taxation	380,324,583	268,095,430
-------------------------------------	-------------	-------------

 1,149,189,388 27,871,483
 =====

The annexed notes form an integral part of these accounts.

Cash Flow Statement

For the year ended December 31, 1996

	1996	1995
	Rupees	Rupees

CASH FLOWS FROM OPERATING ACTIVITIES

Profit for the year before taxation	380,324,583	268,095,430
-------------------------------------	-------------	-------------

Adjustments for:

Depreciation	20,025,473	15,955,250
Loss on disposals of fixed assets	64,175	40,592
Provision for diminution in value of investments	2,611,165	1,585,600
Mark-up on borrowing from other banking companies, agents etc.	1,258,059	11,136,044
Loss/(Gain) on sale of investments	4,432,500	(869,690)
Finance charges on leased assets	5,012,665	6,841,873
Amortization of discount on investments	(183,350)	(191,225)
Return on investments	(320,728,953)	(206,960,676)
	-----	-----
Operating profit before changes in operating assets	92,816,317	95,633,198
(Increase) in operating assets:		
Advances	(887,260,142)	(1,084,674,930)
Other assets including silver	(68,511,211)	(81,273,824)
	-----	-----
	(955,771,353)	(1,165,948,754)
Increase in operating liabilities:		
Deposits and other accounts	1,539,923,896	1,367,955,770
Bills payable	154,145,055	54,459,525
Other liabilities	28,497,901	29,723,631
	-----	-----
	1,722,566,852	1,452,138,926
	-----	-----
Net cash inflow from operating activities before income tax	859,611,816	381,823,370
Income tax paid	(205,092,898)	(198,715,953)
	-----	-----
Net cash inflow from operating activities	654,518,918	183,107,417
	-----	-----
	1996	1995
	Rupees	Rupees

CASH FLOWS FROM INVESTING ACTIVITIES

Return on investments	279,210,916	207,572,054
Proceeds from sale of investments	2,911,340,000	3,427,592
Purchase of investments	(3,192,108,973)	(6,160,000)
Acquisition of fixed assets	(56,759,429)	(37,898,285)
Proceeds from sale of fixed assets	16,400	2,990
	-----	-----
Net cash (outflow) / inflow from investing activities	(58,301,086)	(106,944,351)
	-----	-----

CASH FLOWS FROM FINANCING ACTIVITIES

Net (decrease)/increase in borrowings from other banking companies, agents etc.	(33,764,213)	23,376,904
Finance charges on leased assets	(5,012,665)	(6,841,873)
Mark-up on borrowings from other banking companies, agents etc.	(2,886,724)	(11,901,221)
Repayment of liabilities against assets subject to finance lease	(18,172,693)	(23,609,972)
Dividend paid	(56,925,000)	Nil
	-----	-----
Net cash (outflow) from financing activities	(116,761,295)	(18,976,162)
	-----	-----
Net increase in cash and cash equivalents	479,456,537	271,075,606
	=====	=====

**Analyses OF NET INCREASE IN CASH
AND CASH EQUIVALENTS**

Cash, balances with other banks and money at call and short notice at end of the year - note 10	1,654,315,481,174,858,944
Cash, balances with other banks and money at call and short notice at beginning of the year	(1,174,858,940,378,338)

Net increase in cash and cash equivalents	479,456,537,271,075,606
	=====

Notes to and Forming Part of the Accounts
For the year ended December 31, 1996

1) STATUS AND NATURE OF BUSINESS

The Company was incorporated in Pakistan on September 28, 1991 as a public limited company under the Companies Ordinance, 1984. Its shares are quoted on the stock exchanges in Pakistan. The Company is principally engaged in the business of banking as defined by Banking Companies Ordinance, 1962.

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting convention

These accounts have been prepared under the historical cost convention and in conformity with the accepted accounting policies of banking institutions in Pakistan.

2.2 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. One permissible form of trade related mode of financing comprises of purchase of goods by the bank from their customers and 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 accounts as such but are restricted to the amount of facility actually utilised and the appropriate portion of mark-up thereon.

2.3 Staff retirement benefit

The company operate an approved provident fund scheme covering all its permanent employees.

2.4 Taxation

The charge for taxation is based on taxable income at the current rates of taxation after taking into consideration available tax credits and rebates. The bank accounts for deferred taxation using the liability method on all major timing differences except where these are not expected to reverse in the foreseeable future. However, deferred tax debits are not recognised in the accounts.

2.5 Advances

Advances are stated net of provisions for bad and doubtful debts. Provision is made for bad and doubtful debts as considered necessary at the year end to comply with the Prudential Regulations of the State Bank of Pakistan and charged to interest income / return in the profit and loss account.

2.6 Investments

These are stated at book value less provisions for diminution in value, if any. Profits and losses on sale of investments are taken to income in the year in which they arise. Premiums / discounts on purchase of investments are amortised over the term of investment.

2.7 Fixed assets and depreciation

i) Fixed assets are stated at cost less accumulated depreciation.

ii) Capital work in progress is stated at cost.

iii) Assets subject to finance lease are accounted for by recording the asset and the related liability. The amounts are determined on the basis of discounted values of minimum lease payments. Financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of charge on the outstanding liability.

iv) Depreciation on fixed assets is computed over the useful lives of the related assets and charged to income applying the diminishing balance method. However, depreciation on vehicles is charged on the straight line basis. Proportionate depreciation is provided on additions and disposals during the year. Profit or loss on disposal of fixed assets is included in income currently. The rates of depreciation are as follows:

Premises	5 % p.a.
Furniture and fixture	10 % p.a.
Equipments	10-20 % p.a.
Motor vehicles	20 % p.a.

v) Normal repairs and maintenance are charged to income as and when incurred. Major repairs and renewals are capitalized.

2.8 Foreign currencies

Assets and liabilities in foreign currencies are translated into rupees at the rates of exchange approximating those prevailing at the balance sheet date except those covered by forward exchange contracts which are converted at contracted rates. Other forward exchange contracts are valued at mid-market rates prevailing at the year end. Exchange gains and losses are included in income currently.

2.9 Revenue recognition

Mark-up / return on advances and investment are recognized on accruals basis, except for income which is required to be carried forward in compliance with the Prudential Regulations of the State Bank of Pakistan.

Commission on letters of credit and guarantees is recognized on receipt basis.

	1996 Rupees	1995 Rupees
3) ISSUED, SUBSCRIPTION AND PAID UP CAPITAL		
- 33,000,000 (1995: 33,000,000) ordinary shares of Rs.10 each fully paid in cash	330,000,000	330,000,000
- 4,950,000 (1995: 4,950,000) ordinary shares of Rs. 10 each issued as fully paid bonus shares	49,500,000	49,500,000
	-----	-----
	379,500,000	379,500,000
	=====	=====

	NOTE	1996 Rupees	1995 Rupees
4) RESERVE FUND AND OTHER RESERVES			
Reserve fund	4.1	223,424,752	93,559,835
Special reserve	4.2	89,605,431	73,868,775
Share premium account		1,404,625	1,404,625
General reserve	4.3	7,801,392	58,601,392
		-----	-----
		322,236,200	227,434,627
		=====	=====

4.1 This reserve, which is made up as follows, is credited under Section 21(1)(a) of the Banking Companies Ordinance, 1962.

Opening balance as at January 01	93,559,835	70,540.75
----------------------------------	------------	-----------

Appropriation for the year		76,064,917	23,019,086
Adjustments relating to the years 1994 and 1995	4.3	53,800,000	Nil

Closing balance as at December 31		223,424,752	93,559,835
		=====	

4.1.1 In the years 1994 and 1995, transfers to the 'Reserve Fund' were based on profits after tax, whereas such transfers should have been made on profits before tax.

4.2 This represents reserve created under Section 23(1)(ix) of the Income Tax Ordinance, 1979.

4.3 Opening Balance as at January 01		58,601,392	53,601,392
Add: Transferred from the Profit & Loss Account		3,000,000	5,000,000
		61,601,392	58,601,392
Less: Transferred to Reserve Fund	4.1	53,800,000	Nil

Closing balance as at December 31		7,801,392	58,601,392
		=====	

**5) BORROWING FROM OTHER BANKING
COMPANIES, AGENTS ETC**

a) Secured

i) Counter finance facilities obtained from the State Bank of Pakistan against advances made to Federal and Provincial Government Agencies

Nil Nil

ii) Export refinance facilities and bills rediscount facilities obtained from the State Bank of Pakistan against advances made to private sector

652,577,800 600,408,000

iii) Others

Nil Nil

1996 1995
Rupees Rupee

b) Unsecured- others

50,041,893 135,975,906

702,619,693 736,383,906
=====

**6) LIABILITIES AGAINST ASSETS
SUBJECT TO FINANCE LEASE**

Minimum lease payments outstanding
Less: Finance charges not yet due

31,000,937 38,944,977
(4,936,463) (6,198,479)

26,064,474 32,746,498
=====

This represents finance leases entered into with leasing companies and modarabas for furniture and fixtures, equipments, computers; computer software and vehicles. The balance of the liability is payable over a period from January 1997 to June 1999.

The periodical lease payments include built in rates of mark-up ranging between 17.28% to 21.55% per annum which are used as discounting factors.

The amount of minimum lease payments outstanding and the period in which they will become due are:

	1996 Rupees	1995 Rupee
Year ending		
December 31, 1996	Nil	22,595,431
December 31, 1997	17,655,324	12,254,328
December 31, 1998	9,496,218	4,095,218
December 31, 1999	3,849,395	Nil
	31,000,937	38,944,977
7) PARTICULARS OF ADVANCES		
i) Debts considered good in respect of which the bank is fully secured.	4,180,746,278	3,293,486,136
ii) Debts considered good for which the bank holds no other security than the debtors' personal security.	Nil	Nil
iii) Debts considered good secured by the personal liabilities of one or more parties in addition to the personal security of the debtors.	Nil	Nil
	1996 Rupees	1995 Rupee
iv) Debts considered doubtful or bad, not provided for.	Nil	Nil
	-----	-----
	4,180,746,278	3,293,486,136
	=====	=====
v) Debts due by executives or officers of the Bank or any of them either severally or jointly with any other persons.	19,504,737	7,522,036
vi) Debts due by companies or firms in which the directors of the bank are interested as directors, partners or managing agents or in the case of private companies as members.	Nil	Nil
vii) Maximum total amount of advances including temporary advances made at any time during the year to executives or officers of the bank or any of them either severally or jointly with any other persons.	22,637,138	8,049,611
viii) Maximum total amount of advances including temporary advances granted during the year to companies or firms in which the directors of the Bank are interested as directors, partners or managing agents or in the case of private companies as members.	Nil	Nil
ix) Due from banking companies.	Nil	Nil

8) OTHER EXPENDITURE

These include an amount of Rs. 10.00 million (1995: Rs. 10.00 million) on account of a donation which was paid in July 1996. No director or his spouse had any interest in the recipient.

9) PROVISION FOR TAXATION

The income tax assessments of the bank have been finalised upto and including the assessment year 1994-95. While finalising the assessments for the assessment years 1993-94 and 1994-95 the Deputy Commissioner of Income Tax had disallowed the special reserve claimed by the bank under section 23 sub section (1)(ix) of the Income Tax Ordinance, 1979. The bank has filed a second appeal against this add backs with the Income Tax Appellate Tribunal the proceedings of which are in process. The bank has under protest paid in full its tax liability which amounts to Rs. 14.033 million on account of these add backs, which is shown as 'advance tax' in these accounts. Further, in case of disallowances of special reserve for the assessment years 1995-96 and 1996-97, the approximate tax liability of Rs.40.3 million will arise. The bank has sufficient special reserve to meet the liability.

	1996	1995
	Rupees	Rupee

10) CASH AND CASH EQUIVALENTS

In hand and with State Bank of Pakistan and National Bank of Pakistan.

	1,368,758,467,095,681,329
--	---------------------------

Balances with other banks

	235,557,014	79,177,615
--	-------------	------------

Money at call and short notice

	50,000,000	Nil
--	------------	-----

	1,654,315,481,174,858,944
	=====

For the purpose of the cash flow statement, cash equivalents are short term highly liquid investments, which are readily convertible into known amounts of cash without notice.

11) COMMITMENTS

Commitments at cost in respect of repo and reverse repo transactions of government securities:

Sale and repurchase agreements

	200,000,000	Nil
	=====	

Purchase and resale agreements

	150,000,000	460,000,000
	=====	=====

12) GENERAL

Previous year's figures have been re-arranged, wherever necessary to facilitate comparison.

Notice of Annual General Meeting

Notice is hereby given that 5th Annual General Meeting of the Bank will be held in Hotel Pearl Continental, Lahore on Saturday 29th March 1997 at 3.00 p.m. to transact the following business:

Ordinary Business:

1. To confirm the minutes of the 4th Annual General Meeting held on 28 March 1996.
2. To receive, consider and adopt audited accounts together with the Auditors' Report thereon and Directors' Report for the year ended 31 December 1996.
3. To approve the payment of final dividend @ 17.5% i.e Rs. 1.75 per share of rupees ten each for the year ended 31 December 1996 as recommended by the Directors.
4. To appoint Auditors of the Bank and to fix their remuneration.
5. To transact such other business as may be placed before the meeting with the permission of the Chair.

BY ORDER OF THE BOARD

Abdul Hayee

Company Secretary

Lahore: 23 February 1997

NOTES:

1. Shares Transfer Books of the Bank will remain closed from 19 March 1997 to 29 March 1997 (both days inclusive). For determining the entitlement of final dividend, the member whose name appear in the register of members at the close of business on 18 March 1997 will be entitled for payment of final dividend.
2. A member entitled to attend and vote at this meeting may appoint another member as his or her proxy to attend and vote. Proxies, in order to be effective, must be received at the Registered Office of the Bank not less than 48 hours before the time of holding the meeting. Proxy form is enclosed herewith.
3. Shareholders are requested to notify the Company of any change in their addresses immediately.

Pattern of Shareholding

No. of Share Holders	From	Having Shares To	Shares Held	Percentage
1697	1	100	89570	0.236
832	101	500	201794	0.532
4262	501	1000	2614517	6.889
609	1001	5000	1198350	3.158
74	5001	10000	508427	1.340
24	10001	15000	293311	0.773
7	15001	20000	127154	0.335
7	20001	25000	158224	0.417
2	25001	30000	57615	0.152
3	30001	35000	94632	0.249
1	35001	40000	35771	0.094
3	40001	45000	128845	0.340
1	45001	50000	50000	0.132
2	60001	65000	123636	0.326
1	65001	70000	66000	0.174
2	70001	75000	146294	0.385
2	95001	100000	199360	0.525
1	100001	105000	102281	0.270
1	120001	125000	122407	0.323
1	150001	155000	154330	0.407
1	195001	200000	195845	0.516
1	230001	235000	233641	0.616
1	410001	415000	414000	1.091
1	430001	435000	432160	1.139
1	630001	635000	634731	1.673
1	700001	705000	700188	1.845
1	780001	785000	781900	2.060
1	840001	845000	840592	2.215
1	1055001	1060000	1056908	2.785
9	1895001	1900000	17077649	45.000
1	9105001	9110000	9109868	24.005
7551			37,950,000	100.000

Particulars	Shareholder	Shareholding	Percentage
Individuals	5753	23934872	63.07
Investment Companies	5	37260	0.10

Insurance Companies	5	634698	1.67
Joint Stock Companies	19	514994	1.36
Financial Institutions	15	10833700	28.55
Modaraba Companies	7	112130	0.30
Foreign Companies	9	875439	2.31
Leasing Companies	2	16090	0.04
Others	1	7330	0.02
Non-Resident (U.S. \$)	25	34068	0.09
Non-Resident (Pak Rs.)	1710	949419	2.50

-----	-----	-----	-----
Company Total	7551	37,950,000	100.00
-----	-----	-----	-----

Foreign Correspondents

COUNTRY / NAME OF BANK

Australia

ABN- AMRO Bank Australia Limited
 Australia & New Zealand Banking
 Group Limited
 Chase Manhattan Bank Australia
 Limited
 Habib Finance (Australia) Limited
 Hongkong Bank of Australia Limited
 Standard Chartered Bank Australia
 Limited
 State Bank of New South Wales
 Limited

Austria

Creditanstalt Bankverein
 Raiffeisen Zentralbank Osterreich AG

Bahrain

Arab Banking Corporation
 Banque de Commerce et de Placements
 Habib Bank Limited

Bangladesh

- ANZ Grindlays Bank Limited
 - American Express Bank Limited
 - Habib Bank Limited
 - Muslim Commercial Bank Limited

Belgium

- Bank Brussels Lambert
 - Banque Paribas Belgique
 - Habib Bank Limited
 - Krediet Bank

Brazil

- Banco do Brasil
 - Lloyds Bank pie

Canada

- ABN- AMRO Bank Canada
 - Canadian Imperial Bank of Commerce
 - National Bank of Canada
 - Royal Bank of Canada

Chile

- Chase Manhattan Bank, N.A.

China

ABN- AMRO Bank Limited
Australia & New Zealand Banking
Group Limited
Hongkong and Shanghai Banking
Corporation Limited
Standard Chartered Bank

Cyprus

The Cyprus Popular Bank Limited

Czech Republic

Ceskoslovenska Obchodni Banka A.S.

Denmark

Den Danske Bank

Egypt

National Bank of Pakistan

Finland

Merita Bank Limited

France

ABC International Bank pie
American Express Bank (France) SA
Citibank N.A.
Habib Bank Limited
National Bank of Pakistan
Societe Generale
UBAF

COUNTRY / NAME OF BANK

Germany

- American Express Bank GmbH
- Citibank NA
- Commerzbank AG
- Deutsche Bank AG
- Dresdner Bank AG
- Frankfurter Sparkasse
- Hamburger Sparkasse
- HYPO - BANK
- National Bank of Pakistan

Hong Kong

- American Express Bank Limited
- Banque Worms
- Chase Manhattan Bank, N.A.
- Citibank NA
- HBZ Finance Limited
- Habib Finance International Limited
- Hongkong and Shanghai Banking
- Corporation Limited
- MeesPierson NV
- National Bank of Pakistan
- Rabobank Nederland
- Standard Chartered Bank

- UBAF (Hong Kong) Limited

Hungry

- Central European- International
- Bank Limited

India

- American Express Bank Limited
- Central Bank of India
- Hongkong and Shanghai Banking
- Corporation Limited
- Punjab National Bank
- Standard Chartered Bank

Indonesia

- ABN- AMRO Bank
- American Express Bank Limited
- Chase Manhattan Bank, N.A.
- Hongkong and Shanghai Banking
- Corporation Limited
- Standard Chartered Bank

Iran

- Bank Saderat Iran

Italy

- American Express Bank Limited
- Chase Manhattan Bank, N.A.
- Credito Italiano
- UBAE Arab Italian Bank

Japan

- American Express Bank Limited
- ABN - AMRO Bank
- Bank of Tokyo Mitsubishi Limited
- Chase Manhattan Bank, N.A.
- Citibank NA
- ING Bank NV
- Lloyds Bank pie
- National Bank of Pakistan
- The Sanwa Bank Limited
- The Sugamo Shinkin Bank
- The Tokushima Bank Limited
- UBAF

Jordan

- The Housing Bank

COUNTRY / NAME OF BANK

Kenya

- Habib Bank AG Zurich
- Habib Bank Limited
- Kenya Commercial Bank Limited

Korea (South)

- American Express Bank Limited
- Chase Manhattan Bank, N.A.
- National Bank of Pakistan
- U B A F

Kuwait

- The Commercial Bank of Kuwait SAK

Malaysia

- Chase Manhattan Bank Malaysia Berhad
- Berhad
- Hongkong Bank Malaysia Berhad
- Standard Chartered Bank Malaysia Berhad
- Berhad

Mauritius

- Habib Bank Limited

The Netherlands

- ABN-AMRO Bank NV
- F-Van Lanschot Bankiers NV
- ING Bank NV
- Habib Bank Limited
- MeesPierson NV

New Zealand

- Bank of New Zealand

Norway

- Den Norske Bank

Oman

- Habib Bank AG Zurich
- Oman International Bank

Philippines

- Australia & New Zealand Banking Group Limited
- Hongkong and Shanghai Banking Corporation Limited

Poland

- Bank Uandlowy W Warszawie S.A.

Portugal

- Banco Nacional Ultramarino

Qatar

- ANZ Grindlays Bank Limited

Romania

- Romanian Commercial Bank S.A.

Russia

- Inkombank
- Promstroybank of Russia

Saudi Arabia

- Saudi American Bank
- Saudi Hollandi Bank

Singapore

- American Express Bank Limited
- Banco Santander
- Chase Manhattan Bank, N.A.
- Citibank NA

- Habib Bank Limited
- ING Bank NV
- MeesPierson NV
- Tat Lee Bank Limited
- U B A F

South Africa

- ABSA Bank

Spain

- Banco Atlantico SA
- Banco Espanol de Credito

Sri Lanka

- Bank of Ceylon
- Commercial Bank of Ceylon Limited
- Habib Bank AG Zurich
- Habib Bank Limited
- Hatton National Bank Limited
- Muslim Commercial Bank Limited
- Peoples Bank

Sweden

- Nordbanken
- Skandinaviska Enskilda Banken

Switzerland

- American Express Bank
- (Switzerland) SA
- Banque de Commerce et de Placements
- Habib Bank AG Zurich
- Habibsons Bank Limited
- Union Bank of Switzerland

Taiwan

- ABN- AMRO Bank
- American Express Bank Limited
- Chase Manhattan Bank, N.A.
- ING Bank NV

Tanzania

- Standard Chartered Bank
- Tanzania Limited

Thailand

- Chase Manhattan Bank, N.A.
- Hongkong and Shanghai Banking Corporation Limited
- Standard Chartered Bank

Tunisia

- Tunis International Bank

Turkey

- Chase Manhattan Bank, N.A.
- Finans Bank
- Habib Bank Limited
- Turk Dis Ticaret Bankasi
- Yapi Ve Kredi Bankasi AS

U.A.E.

- Habib Bank AG Zurich
- Habib Bank Limited
- Mashreq Bank psc
- Standard Chartered Bank

U.K.

- ANZ Bank
- American Express Bank Limited
- Citibank NA
- Habib Bank AG Zurich
- Habib Bank Limited
- Habibsons Bank Limited
- Lloyds Bank plc
- National Bank of Pakistan
- Raiffeisen Zentralbank Osterreich AG
- Standard Chartered Bank

U.S.A.

- ABN- AMRO Bank
- American Express Bank Limited
- Bank of America
- Bankers Trust Company
- Chase Manhattan Bank, N.A.
- Citibank NA
- Deutsche Bank AG
- Habib American Bank
- Habib Bank AG Zurich
- Hongkong and Shanghai Banking Corporation Limited
- National Bank of Pakistan
- US Bank of Washington

Ukraine

- State Export Import Bank of Ukraine

Viet Nam

(Socialist- Rep.)

- Hongkong and Shanghai Banking Corporation Limited

Yemen

(Republic of)

- Yemen Commercial Bank

HEAD OFFICE:

87, Shahrah-e-Quaid-e-Azam,
RO. Box No. 49,
Lahore.
Tel : (042) 6368142-48
Fax : (042) 6368138
Telex : 47694 SONRI PK

CENTRAL OFFICE:

1st Floor, Gul Tower, I.I. Chundrigar Road
RO. Box No. 5856, Karachi.
Tel : (021) 2439562-67
Fax : (021) 2439561
Telex : 21262 SONRI PK
Cable: SONACENT

BRANCHES

LAHORE (MAIN BRANCH)

87, Shahrah-e-Quaid-e-Azam,
RO. Box No. 49, Lahore
Tel : (042) 6368142-48
Fax : (042) 6368138
Telex : 47694 SONRI PK

LAHORE (DEFENCE)

G-7, Commercial Area, Lahore Cantt.
Co-operative Housing Society Limited, Lahore
Tel : (042) 894146 & 5724746
Fax : (042) 5724325

LAHORE (GULBERG)

90-B-C/II, Liberty Market, Gulberg-III, Lahore
Tel : (042) 5713445-8
Fax : (042) 5713326
Telex : 44304 SONRI PK

KARACHI (MAIN BRANCH)

Adamjee Insurance Building, I.I. Chundrigar Road
P.O. Box No. 5798, Karachi
Tel : (021)2436990-4 Lines
2425748, 2425755,
2425788, 2425877 &
2425890
Fax : (021)2436980
Telex : 20479 SONRI PK & 21736 RUPMK PK
Cable: SONABANK

KARACHI (CLIFTON)

Shadman Centre, Block-7, Clifton, Karachi
Tel : (021) 5830130 & 5831246
Fax : (021) 5860671
Cable: SONACLIF

KARACHI (GARDEN)

Silver Jubilee Centre, Britto Road
Garden East, Karachi
Tel : (021) 7232877-78
Fax : (021) 7232876
Cable: SONAGARDEN

QUETTA

Shahrah-e-Iqbal, RO. Box No. 624, Quetta
Tel : (081) 821610 & 821641
Fax : (081) 821524
Telex : 78232 SONRI PK
Cable: SONABANK

PESHAWAR

Saddar Road, Peshawar Cantt.
Tel : (0521) 273424 & 277914-17
Fax : (0521) 273727
Telex : 52505 SONRI PK

HYDERABAD

Dr. Ziauddin Road, Saddar
P.O. Box No. 419, Hyderabad

Tel : (0221) 781528-29
Fax : (0221) 781530
Telex : 22097 SONRI PK
Cable: SONERIBANK

GUJRANWALA

Rail Bazar, Gujranwala
Tel : (0431) 224674-76
Fax : (0431) 224677
Telex : 45298 SONRI PK
Cable: SONABANK

FAISALABAD

Chinlot Bazar, Faisalabad
Tel : (0411) 639877-78
Fax : (0411) 649254
Telex : 43320 SONRI PK
Cable: SONABANK

MIRPUR (AJK)

Plot No. 7, Sector: B/3, New Mirpur Town
Mirput (Azad Kashmir)
Tel : (0582) 4488
Fax : (0582) 4588
Cable: SONABANK

SIALKOT

Mujahid Road, RO. Box No. 2958, Sialkot
Tel : (0432) 88860 & 88834
Fax : (0432) 87696
Telex : 46445 SONRI PK
Cable: SONABANK

GILGIT

Saddar Bazar, RO. Box No. 532, Gilgit
Tel : (0572) 3658
Fax : (0572) 3658

RAWALPINDI

Kitchlew Building, 41-Bank Road
P.O. Box No. 62, Rawalpindi Cantt.
Tel : (051) 522901-5
Fax : (051) 522906
Telex : 54777 SONRI PK
Cable: SONABANK

ISLAMABAD

68-W, Sama Plaza, Blue Area,
P.O. Box No. 2931, Islamabad
Tel : (051) 277551,
Fax : (051) 277550
Telex : 4754 SONRI PK
Cable : SONABANK

UAN: 111 - 567 - 890