

# Annual Report 2017



think samba

World class banking solutions  
for the most important things in life

10  
Years and counting

Samba Bank Limited - Subsidiary of Samba Financial Group, Saudi Arabia

samba bank  سامبا بينك



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## *Vision & Mission*

### **Vision**

To be the most admired bank in Pakistan providing world class services and innovative solutions through its people and technology, yielding superior returns and demonstrating responsible corporate citizenship.

### **Mission**

To become the most admired bank by:

- Providing world class solutions to our customers by exceeding their service expectations.
- Investing in people by hiring, motivating and retaining best talent.
- Creating sustainable value through growth and efficiency of all stakeholders.
- Delivering superior returns to our investors.
- Benefiting the communities in which we operate.



## *Core Values*

### **Meritocracy**

We believe talent is brought to the fore by advancing individuals not for who they are, but for what they can produce. At Samba, we value the role of each employee from the highest to lowest levels.

### **Equal Opportunity**

At Samba, we ensure all employees get equal opportunity to succeed. We value diversity and ensure fairness for all employees.

### **Respect & Dignity**

At Samba, we respect every individual irrespective of their background and evaluate them on his/her potential and performance. Samba values such individual contributions and encourages employees to excel.

### **Integrity**

At Samba, from top management to junior interns, we demand and maintain highest level of integrity. This is not just something we do, it is what we are.

### **Teamwork**

Samba believes single units when joined with many like itself, combine into a powerful force that can achieve great things. We are encouraged to think as a group and to support each other.

# Company Information

## Board of Directors

Dr. Shujaat Nadeem	Chairman / Non-Executive Director
Mr. Shahid Sattar	President & CEO / Executive Director
Mr. Antoine Mojabber*	Non-Executive Director
Mr. Arjumand Ahmed Minai**	Independent Director
Mr. Beji Tak-Tak	Non-Executive Director
Mr. Humayun Murad	Independent Director
Mr. Nadeem Babar	Independent Director
Ms. Ranya Nashar	Non-Executive Director
Mr. Shahbaz Haider Agha	Independent Director

\* Names are in alphabetical order

\*\* Appointed w.e.f. Dec'15, 2017

## Board Audit Committee

Mr. Humayun Murad	Chairman
Ms. Ranya Nashar	Member
Mr. Arjumand Ahmed Minai***	Member

\*\*\* Appointed w.e.f. Jan'27, 2018

## Board Risk Committee

Mr. Beji Tak-Tak	Chairman
Mr. Shahid Sattar	Member
Mr. Antoine Mojabber	Member
Mr. Shahbaz Haider Agha	Member

## Board Nomination & Remuneration Committee

Mr. Nadeem Babar	Chairman
Ms. Ranya Nashar	Member
Mr. Humayun Murad	Member

## Board IT Committee\*\*\*\*

Dr. Shujaat Nadeem	Chairman
Mr. Antoine Mojabber	Member
Mr. Nadeem Babar	Member

\*\*\*\*Constituted Nov'30, 2017

## President & Chief Executive Officer

Mr. Shahid Sattar

## Company Secretary

Syed Zia-ul-Husnain Shamsi

## Chief Financial Officer

Mr. Rashid Jahangir

## Auditors

A. F. Ferguson & Co. Chartered Accountants

## Legal Advisors

Mohsin Tayebaly & Co. Advocates & Legal Consultants

## Head Office

6th Floor, Sidco Avenue Centre, M.D.M. Wafai Road,  
Karachi - Pakistan

## Registered Office

2nd Floor, Building # 13-T, F-7 Markaz, Near Post Mall,  
Islamabad - Pakistan

## Share Registrar

Famco Associates (Pvt.) Limited  
8-F, Next to Hotel Faran, Nursery, Block-6 P.E.C.H.S.,  
Karachi - Pakistan

## Website

www.samba.com.pk

## Helpline

(+92-21) 11 11 SAMBA (72622)

## Credit Rating by JCR-VIS

Medium to Long Term	AA (Double A)
Short Term Rating	A-1 (A-One)



## *Our Branch Network*

### **Karachi**

Fountain, Saddar  
Rashid Minhas  
Hyderi  
SMCHS  
Bahria I  
DHA Phase VI  
Shahra-e-Faisal  
Gulshan  
Clifton  
Bahadurabad  
Ittehad  
Saba Avenue  
Tauheed Commercial

### **Lahore**

Gulberg  
Mall  
Allama Iqbal Town

Johar Town  
DHA Phase III  
New Garden Town  
Tufail Sarwar Road  
Cavalry Ground  
Faisal Town  
DHA Phase V  
Badami Bagh

### **Islamabad**

Jinnah Avenue  
F-11  
F-7  
DHA Phase II

### **Rawalpindi**

Murree Road  
Bahria Town  
Wah Cantt.

### **Gujranwala**

G.T. Road

### **Faisalabad**

Liaquat Road

### **Multan**

Nusrat Road

### **Sialkot**

Paris Road

### **Peshawar**

Islamia Road

### **Azad Jammu & Kashmir**

Bagh

Currently, SBL has a network of 37 branches located in 10 major cities across the country.



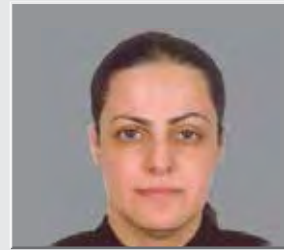
## Board of Directors



Dr. Shujaat Nadeem



Mr. Shahid Sattar



Ms. Ranya Nashar



Mr. Nadeem Babar



Mr. Beji Tak-Tak



Mr. Humayun Murad



Mr. Shahbaz Haider Agha



Mr. Antoine Mojabber



Mr. Arjumand Ahmed Minai



## *Chairman's Message*

It is a pleasure for me to present you the annual report of Samba Bank Ltd (SBL). The Bank has made good progress on its business plan and recorded profit after tax of PKR 739mn for the year 2017 which was 36% higher than the previous year. The Bank continues to strengthen its earning assets. Currently its asset base stands at PKR 117.2bn, registering an increase of 16% over last year. All the business groups and support functions of the Bank have contributed substantially towards growing our franchise and improving our customer proposition in line with our medium term strategy. The focus is on disciplined execution of our strategic plan which will enable us to better serve the needs of our customers and deliver long-term sustainable value to all of our stakeholders.

### **Corporate and Investment Banking**

Corporate and Investment Banking Group (CIBG) has progressed well in growing the loan book by 22% year on year. Growth in deposits and new client acquisition was also encouraging. CIBG continued to focus on deepening its core services and delivery levels and increasing client touch points. The cash management team is making good headway in increasing SBL's banking reach by adding more clients and products. A leading technological platform will be in place by first half of 2018, allowing further expansion and growth in business. In 2017, the Investment Banking Division won SBL's first ever debt syndication mandate and successfully closed its first sukuk transaction.



## Retail Banking

The Retail Banking Group (RBG) has maintained its growth and in 2017 its deposit book witnessed an increase of 15% over last year. The main focus remained on increasing the profitable current account portfolio, which grew by 26%. Approximately 5,000 new relationships were opened during the year with an increase in deposits of over PKR 4bn. To further augment the product offerings and meet the requirements of our existing / potential clientele, RBG ventured into the Consumer Assets business by launching the Personal Installment Loan in the first quarter of 2017. Additionally, to ensure our enhanced reach and presence in the digital media, the Bank launched a new website during the year.

## Global Markets

The financial markets witnessed heightened volatility amid political uncertainty, however, both net interest income and dividend income increased by 22% over last year. Global Markets increased its business by diversifying into corporate bond instruments and the introduction of a margin trading product. Foreign exchange sales witnessed decent growth in client volumes and revenue.

## Commercial & SME Banking

The Bank's management undertook a strategic initiative after due consideration and launched the commercial banking group (CMBG) in 2016 as a dedicated business segment. CMBG was set up with the aim to diversify the customer base and generate additional revenue stream for the Bank by offering a wide range of services to medium

sized entities. Within a short span of two years, CMBG has been able to build a significant and diversified portfolio with a healthy yield contributing towards profitability. This success has been achieved without compromising on the quality of the portfolio.

## Technology related Initiatives

I am very pleased that the Bank successfully implemented its new Core Banking System (T-24 from Temenos), along with all allied systems from January 2017. The Bank is now in a position to serve its customers better, with new products & services and faster turn-around times. In addition, SBL has now embarked on the journey of digital banking, to offer even more features and better service to its customers.

## Corporate Social Responsibility

The Bank aims to support social development in the country and strived to deepen its relationship with the community, reflecting its mission to contribute positively to the growth and change taking place in the country and to be a partner in building a promising and brighter future for community members.

## Performance of the Board of Directors

Good governance is vital in any organization and our Bank's Board has an effective governance framework in place. In 2017, the annual evaluation of Board of Directors was conducted under the Code of Corporate Governance framework to evaluate the Board's effectiveness and performance. I am pleased with very encouraging results which

confirmed that the Board is fully involved in the strategic business planning process of the Bank, remained updated on the progress of business plans, and provided management with appropriate guidance.

### **Acknowledgement**

Finally, it is my pleasure to express my sincere appreciation to our customers and shareholders for their loyalty, the Board of Directors for its continued support, the entire executive management team at SBL for its

continued dedication and service during the year, and to our employees for their wholehearted efforts. I would like to thank the State Bank of Pakistan, Securities and Exchange Commission of Pakistan, other regulatory bodies, and my colleagues at Samba Financial Group Saudi Arabia, for their continued support and guidance.

Dr. Shujaat Nadeem  
Chairman



## *The Executive Team*

Left to Right Standing

ABID HUSSAIN  
SITWAT RASOOL QADRI  
HUMAYUN M.BAWKHER  
SYED AMIR RAZA ZAIDI

Group Head, Operations  
Chief Internal Auditor  
Chief Credit Officer  
Group Head, Compliance

samba bank سامبا بینک



**Left to Right Sitting**

**AHMAD TARIQ AZAM**  
**SYED GHAZANFAR AGHA**  
**SYED ZIA UL HUSNAIN SHAMSI**  
**ARIF RAZA**  
**SHAHID SATTAR**  
**RASHID JAHANGIR**  
**SAMINA HAMID KHAN**  
**MUHAMMAD SALMAN ALI**  
**TALAL JAVED**  
**MUHAMMAD ARSHAD MEHMOOD**

Group Head, Commercial Banking , Administration & Real Estate  
Group Head, Corporate & Investment Banking  
Group Head, Legal Affairs, IRM, Collection & Recovery and Company Secretary  
Group Head, Global Markets (Treasurer)  
President & CEO  
Chief Financial Officer  
Chief Risk Officer  
Chief Technology Officer  
Group Head, Consumer Banking  
Group Head, Human Resources & Training

**AA**  
**2017**  
(Retained from 2015)

**AA-**  
**(AA MINUS)**  
**2012**

**A+**  
**(A PLUS)**  
**2011**

**A**  
**(SINGLE A)**  
**2010**

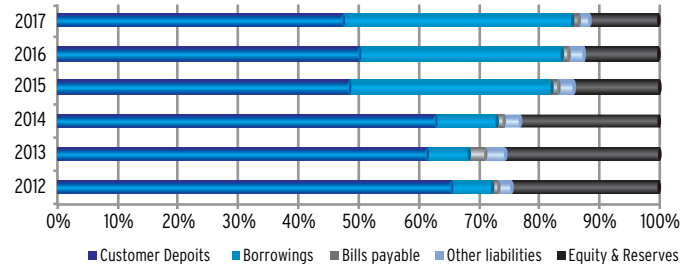
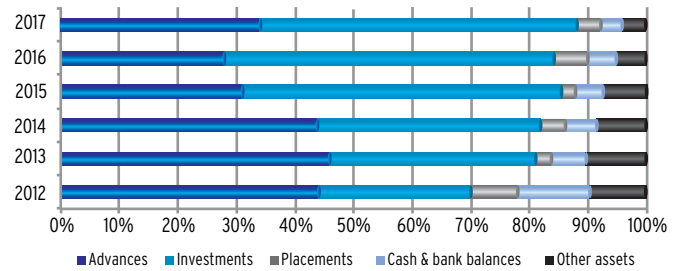
# Performance Highlights

## Assets:

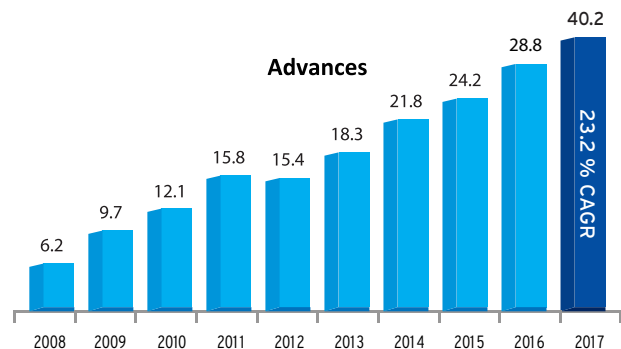
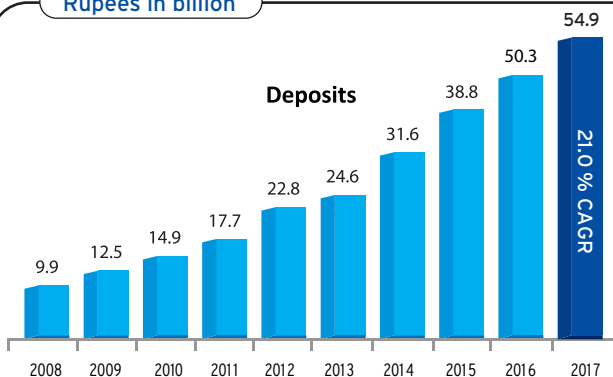
	2012	2013	2014	2015	2016	2017
Advances	44%	46%	43%	30%	28%	34%
Investments	26%	35%	39%	56%	56%	54%
Placements	8%	2%	4%	2%	5%	4%
Cash & bank balances	12%	7%	5%	5%	5%	3%
Other assets	10%	10%	9%	7%	6%	5%

## Liabilities & Equity:

	2012	2013	2014	2015	2016	2017
Deposits	65%	62%	63%	48%	50%	47%
Borrowings	7%	7%	12%	34%	35%	39%
Bills payable	1%	2%	1%	1%	1%	1%
Other liabilities	2%	3%	3%	2%	2%	2%
Equity & Reserves	25%	26%	21%	15%	12%	11%



## Rupees in billion





# *Samba Financial Group Awards 2017*

## **Global Finance**

- Best Foreign Exchange Provider in Saudi Arabia (9th time).
- Best Bank for Payments and Collections in the Middle East (for consecutively 3rd time).
- Best Bank in Saudi Arabia (for consecutively 12th time).
- Best Islamic Retail Bank.
- Best Islamic Investment Bank.
- Best Islamic Financial Institution For Large Corporates.
- Best Corporate/Institutional Digital Bank In Saudi Arabia.
- Best Trade Finance Services in the Middle East.
- Best Integrated Corporate Bank Site in the Middle East.

## **Union of Arab Banks**

- Eisa M. Al-Eisa Chairman, Samba Financial Group selected as Arab Banker of 2017.

## **The Banker (Top 1000 World Bank Rankings)**

- World Rank: 119 (same as last year) - Middle East Rank: 6th (same as last year) - Country Rank: 3rd (same as last year).

## **The Banker (Top 100 Arab Banks)**

- 6th (by tier one capital) - 6th (by return on capital in the Arab world 11.69%) - 3rd in Saudi Arabia (by tier one capital) - 3rd by assets - 1st by soundness - 5th by return on capital - 2nd by return on assets.

## **American Economic Institute**

- Excellence in Client Solutions.

**Total Number of Awards - 13**



# Directors' Report

On behalf of the Board of Directors, we are pleased to present the annual report of the Bank along with its audited financial statements and auditors' report for the year ended December 31, 2017.

## Economic Highlights

Pakistan's economic performance continued to remain strong in 2017 with GDP growth clocking in at 5.3% for FY2017, the highest in the past decade. The size of the economy surpassed USD300 billion mainly supported by the favorable global economic environment, CPEC related investment and an expansionary fiscal and monetary policy. Pakistan successfully issued a USD 1bn 5-year Sukuk and a USD 1.5bn 10-year Eurobond at a coupon of 5.625% and 6.875% respectively. The primary purpose for the Eurobond / Sukuk issue was to shore up FX reserves whereby SBP's FX reserves had declined by 27.3% from their high of USD 19.4bn in Oct'16 to USD 14.1bn at 29th Dec'17. In recent times, gains from CPEC have become increasingly visible. The commencement of new power plants has increased electricity generation which has pushed LSM growth. Workers remittances have historically provided strong support to Pakistan's foreign reserves in the last few years. Remittances have increased from USD 13.2bn in FY12 to USD 19.4bn in FY17 representing an average annual increase of 8%. CPI inflation for Dec'17 clocked in at 4.57% taking the average 5MFY18 CPI to 3.77%. Inflation within the country has significantly dipped following the advent of the incumbent government, primarily due to cheaper oil and other commodities which have kept the CPI in control.

## New developments during the year

The Bank started the year with migration from its old system to state of the art new core banking system Temenos (T-24) V-R15 which is the most advanced version of the system provider. This migration will ensure provision of enhanced services and other products to its valued customers.

By taking advantage of this improvement, the Bank has managed to launch its consumer assets division in 2017 and started with Personal

Installment Loan program which will be followed by Auto Loans during 2018. The Bank also ventured into other areas and re-launched it's SME segment. This has been mandated to offer loans and related products to Small and Medium Enterprises which are the real backbone of our economy. This initiative is also in-line with State Bank of Pakistan's program to increase financial inclusion under National Financial Inclusion Strategy of Pakistan 2015 and Policy for Promotion of SME Finance 2015.

### Bank's Operating Results and Financial Review

Net mark-up / return / interest income after provisions  
 Non mark-up / interest income  
 Non mark-up / interest expenses  
 Profit before taxation  
 Taxation charge  
 Profit after taxation  
 Earnings per share - Rupees

Rupees in million	
2017	2016
2,260	1,840
715	1,079
2,044	1,993
931	926
192	382
739	545
0.73	0.54

The local banking industry continued to encounter multilateral challenges in form of shrinking spreads, tightened tax regulations and rigorous competition between the participants.

In terms of financial performance, 2017 has remained another great year for the Bank. During the year under review the Bank has posted profit after tax of PKR 739 mn which is higher by 36% from last year. Mark-up income of the Bank increased by 28% from last year and closed at PKR 7,256 mn. The strong topline earnings were backed by healthy increase in earning assets of the Bank. Gross Loans & advances portfolio was increased by 37% from last year and closed at PKR 42,503 mn whereas investments were increased by 10% from similar period last year. Deposits were also increased by 9% from last year. During the year management's focus remained on attracting low and no cost deposits and improved the overall mix. This is evident from the fact that current account portfolio of the Bank increased by 30.5% during the year. The Bank has also managed to book a healthy non mark-up income of PKR 715 mn. Though the same is less by 34% compared to similar period last year but the core earnings i.e. Fee, Commission and brokerage income has improved by 18% compared to 2016. The Bank has also managed to build an investment portfolio to earn a consistent dividend stream and managed to book total dividends of PKR 44.6 mn which were higher by 22% compared to last year. The management was also able to convert its non-earning assets and managed to book capital gains of PKR 227 mn on its disposal.

The Bank booked an additional charge of PKR 247 mn on its classified portfolio which became non-performing during last year on objective based classification criteria. This was consistent with Bank's approach to take full charge on its non-performing loans without recourse to any benefit of underlying securities. In addition, to safeguard its assets against credit risk, the Bank has adopted a prudent approach and has maintained a general provision of PKR 17.495 mn against its performing consumer loans. The Bank also managed to recover PKR 31 mn against the portfolio classified under non-performing status, demonstrating consistent and effective remedial management.

Continued with prudent approach, there had been strong control over non mark-up expenses. Despite introducing new business segments, launching consumer products and migration to new technology, the overall administrative cost of the bank increased by mere 3%.

All these factors contributed to healthy profitability of PKR 739 mn and translated into an earnings per share (EPS) of PKR 0.73 which is higher by 35% from last year.

### Credit Rating

JCR-VIS, a premier rating agency of the country, has reaffirmed the medium to long term entity ratings of the Bank at 'AA' (Double A) and the short term rating at 'A-1' (A-One). The outlook on the assigned ratings has also been regarded as 'Stable'. These short term and long term ratings of the Bank denote high credit quality with adequate protection factor and strong capability for timely payments to all financial commitments owing to strong liquidity positions.



## Statement of Internal Controls

The Board is pleased to endorse the management's statement on the evaluation of internal controls which is included in the annual report.

## Risk Management Framework

Effective risk management is a prerequisite for achieving our business objectives and is thus a central part of the Bank's policies. To ensure that an effective risk management framework is implemented in the Bank, the Board of Directors and senior management are actively involved in the formulation of policies, procedures and limits. Accordingly, the Bank has a comprehensive risk management framework that establishes risk management principles, guidelines and the governance structure. This framework defines the various committees established to undertake effective risk monitoring, by the Board of Directors and senior management, of the various types of risks which include credit, market, liquidity and operational risks. These are discussed in more detail in notes 40, 41, 43 and 45 to the annexed financial statements.

Through the risk management framework, bank-wide risks are managed, with the objective of maximizing the risk-adjusted returns while remaining within the risk parameters approved by the Board. The Bank's risk management framework is designed to balance corporate governance with well-defined independent risk management principles. Refinements were continuously undertaken in the overall risk management governance throughout 2017, based on the guiding principles established by the Board Risk Committee.

## Statement under Code of Corporate Governance / Corporate and Financial Reporting Framework

The Board of Directors is aware of its responsibilities under the Code of Corporate Governance and is pleased to report and certify that:

- Proper books of account of the Bank have been maintained;
- The financial statements prepared by the management of the Bank fairly present its state of affairs, result of its operations, comprehensive income, cash flows, and changes in equity;
- Appropriate accounting policies have been consistently applied in the preparation of financial statements. Accounting estimates are based on reasonable and prudent judgment;
- International Financial Reporting Standards, as applicable in Pakistan and adopted by the State Bank of Pakistan, have been followed in preparation of the Bank's financial statements, and departures, if any, have been adequately disclosed;
- The system of internal controls is sound in design and has been effectively implemented and monitored on best efforts basis;
- There are no doubts about 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;
- A summary of key operating & financial data for last 6 years is included in Annual Report;
- In order to strengthen the equity base for future expansion; the Bank has not declared dividend. Earnings Per Share (EPS) for the year under review is PKR 0.73 (Basic/diluted);
- A statement showing the Bank's shareholding pattern as of December 31, 2017 is annexed;
- The book value of investments of Staff Provident Fund is PKR 180 mn as per the audited financial statements for the period ended June 30, 2016;
- There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as of December 31, 2017, except as disclosed in these financial statements;
- Statement of Compliance with Code of Corporate Governance is annexed;
- The financial statements of the Bank have been audited without qualification by auditors of the Bank, Messrs A.F. Ferguson & Company, Chartered Accountants; and
- All the directors of the Bank, except for one director who is recently appointed and those who were exempt from the training requirement, have completed their training program as per the requirement of the Code.

## Change in Directors

Mr. Javed Iqbal has resigned from the Board of Directors on August 03, 2017. Mr. Iqbal had been on the SBL Board since 2007. The Board

wishes to place on record its deepest appreciation for his services on Board. The board has appointed Mr. Arjumand Ahmed Minai to fill the casual vacancy.

### Meetings of the Board

Four (4) Board meetings along with Ten (10) Board Sub-Committee meetings were held during the period under review. The Board granted leave of absence to the Directors who did not attend the meetings. The detail of number of meetings held and attended by each director is given below:

	Board Meetings	Audit Committee Meetings	Risk Committee Meetings	Nomination & Remuneration Committee Meetings
<b>Number of meetings held</b>	4	4	4	2
<b>Number of meetings attended:</b>				
Dr. Shujaat Nadeem	4	-	-	-
Mr. Antoine Mojabber	4	-	3	-
Mr. Beji Tak-Tak	4	-	4	-
Mr. Humayun Murad	4	4	1	2
Mr. Javed Iqbal*	2	2	-	-
Mr. Nadeem Babar	3	-	-	2
Ms. Ranya Nashar	3	3	-	2
Mr. Shahbaz Haider Agha	4	-	3	-
Mr. Arjumand Ahmed Minai**	-	-	-	-
Mr. Shahid Sattar	4	-	4	-

\* Resigned from the Board

\*\* Addition to the Board

### Share Acquisition by Directors and Executives

The Pattern of shareholding and additional information regarding pattern of shareholding is attached separately. During the year, no trade in the shares of the Bank was carried out by the Directors, CFO and Company Secretary and their spouses and minor children, except, Mr. Humayun Murad, who acquired 1000 shares which were gifted to him by his wife, after meeting all regulatory and disclosure requirements.

### Corporate Social Responsibility

Corporate Social Responsibility (CSR) refers to a business practice that involves participating or taking initiatives that benefits the social ecosystem in which an organization operates. When a business operates in an environmentally, socially and economically responsible / transparent manner, it helps the organization succeed. The Bank, being aware of its responsibilities toward the society as whole has taken initiatives to contribute towards the society. A specific budget was allocated towards CSR and related activities in 2017 which was utilized in form of contribution to some of the well-deserved organizations, engaged in philanthropic, educational and health related activities for the betterment of the Pakistani Society at large. The details of donations / contributions made during the year have been disclosed in Note 25.4 of the annexed financial statements.

### Auditors

The retiring external auditors Messrs A.F. Ferguson & Company, Chartered Accountants, being eligible, have offered themselves for re-appointment. The Board of Directors, on the suggestion of the Audit Committee, recommends Messrs A.F. Ferguson & Company, Chartered Accountants (a member firm of PricewaterhouseCoopers) to be appointed for the next year.

## Events after the Balance Sheet Date

There have been no material events that occurred subsequent to the date of the Balance Sheet that require adjustments to the enclosed financial statements.

## Future Outlook

The agriculture sector is set to perform better for the second year in a row. Similarly, large scale manufacturing (LSM) recorded a healthy broad-based growth of 5.7% during FY17 as compared to 4.6% during the FY16. While there could be some deceleration in LSM growth due to sector specific issues such as sugar, POL and fertilizer, overall industrial activity is likely to remain strong. Benefiting from both infrastructure and CPEC related investments, construction and its allied industries are expected to maintain their higher growth momentum. After incorporating the impact of commodity sector dynamics on the services sector, the real GDP growth is projected to be around 5.8%, significantly higher than FY17, but marginally lower than the annual target of 6% for FY18.

Going forward, the year 2018 is likely to address the political concerns to a greater extent with both Senate and National Assembly elections set to give the new government with a fresh tenure to restart the waning economic reforms program. Improving business confidence & rising private sector investment, augmenting power and gas supplies, accelerating progress on CPEC related projects, and improving security situation are expected to keep the domestic economy and consumption driven model intact. GDP is expected to comfortably grow by 5.5% in 2018, driven by strong consumption and rising investment expenditures under CPEC related projects, higher development spending and private sector capacity expansions. Government foresees external imbalances to be temporary and revert to normal in next two years with the help of incentivizing and encouraging exports, discouraging non-essential imports and negotiating free trade agreements with different countries including China, offering favorable terms of trade for Pakistan.

With a view to the above forecasts, the Bank continues to foresee effective measures for its growth keeping its core focus to leverage on the building blocks put into place; steadily build up its earning assets; effectively manage the associated risks; and reduce its cost of funds through continued improvement in its deposit mix. This would be facilitated by delivery of world class banking services to the Bank's valued customers.

The newly established Small and Medium Entities (SMEs) business has booked strong increase in its advances portfolio in comparison to the previous year, indicative of immense growth potential in the segment. In addition, the Bank has ventured into Personal Loans initiative during the year. These new initiatives along with other lending opportunities will result in a sustainable and high yielding loan book of the Bank in the upcoming years.

### Acknowledgement

We wish to express sincere gratitude to our customers, business partners and shareholders for their patronage and trust. The Board of Directors and the management would like to thank the State Bank of Pakistan and other regulatory bodies for their guidance and support. We also sincerely appreciate the dedication, commitment and team work of all employees of the Bank who worked very hard to transform the Bank into a successful franchise.

On behalf of the Board of Directors,

Shahid Sattar  
President & Chief Executive Officer  
February 22, 2018  
Karachi

Humayun Murad  
Director  
February 22, 2018  
Karachi

## ڈائریکٹرز کی رپورٹ

ہم بورڈ آف ڈائریکٹرز کی جانب سے سال مختتمہ 31 دسمبر 2017 کی سالانہ رپورٹ بشمول پرنٹال شدہ مالیاتی گوشوارے (ایٹینٹنس) اور آڈیٹرز رپورٹ پیش کرنے میں بہت مسرت محسوس کر رہے ہیں۔

### معاشی جائزہ

پاکستان کی معیشت کی کارکردگی 2017 میں کافی مضبوط رہی۔ مالی سال 2017 میں جی ڈی پی میں 5.3% کی نمو دیکھنے میں آئی جو کہ گزشتہ 10 سال میں بلند ترین تھی۔ معیشت کا حجم 300 ارب امریکی ڈالروں سے تجاوز کر گیا جس کی بڑی وجہ سازگار عالمی معاشی ماحول، سی پیک سے متعلقہ سرمایہ کاری اور ایک وسعت پذیر زرعی اور مالیاتی پالیسی ہے۔ پاکستان نے کامیابی سے ایک بلین ڈالر کے 5 سالہ سکوک (Sukuk) اور 1.5 بلین ڈالر کے دس سالہ یورو بانڈز (Eurobonds) کا اجراء کیا جن کے کوپن بالترتیب 5.625% اور 6.875% کے تھے۔ یورو بانڈ اور سکوک کے اجراء کا بنیادی مقصد زرمبادلہ کے ذخائر کو تقویت دینا تھا۔ بینک دولت پاکستان کے زرمبادلہ کے ذخائر اکتوبر 2016 کے 19.4 بلین ڈالر کی بلند ترین سطح سے 29 دسمبر 2017 کو 27.3% کی بعد 14.1 بلین ڈالر پر آن پہنچے۔ موجودہ دور میں سی پیک کے اثرات واضح طور پر نظر آنا شروع ہو گئے ہیں۔ توانائی کے نئے منصوبوں کے آغاز سے بجلی کی پیداوار میں اضافہ ہوا ہے جو بڑے پیمانے کی صنعتوں میں ترقی کا باعث بنا ہے۔ ترسیلات زر نے پچھلے سالوں سے پاکستان کے زرمبادلہ کے ذخائر میں تاریخی طور پر اہم کردار ادا کیا ہے۔ ترسیلات زر مالی سال 2012 کی 13.2 بلین امریکی ڈالر سے مالی سال 2017 تک 19.4 بلین امریکی ڈالر تک بڑھ گئی ہیں جو کہ ہر سال 8% کی سالانہ اوسط کو ظاہر کرتی ہیں۔

دسمبر 2017 تک سی پی آئی (CPI) انفرافلز بڑھتے ہوئے 4.57% تک جا پہنچی۔ جبکہ مالی سال 2018 کے پانچ ماہ کی سی پی آئی (CPI) اوسط 3.77% تک پہنچ گئی۔ ملک میں موجودہ حکومت کی آمد کے بعد انفرافلز میں نمایاں کمی دیکھی گئی جس کی بنیادی وجہ تیل اور دیگر اشیاء کی کم قیمتیں رہیں جنہوں نے CPI پر قابو رکھا۔

### دوران سال نئی پیش رفت

بینک نے سال کے آغاز سے ہی اپنے پرانے بینکنگ سسٹم کو نئے اور جدید ترین کوری بینکنگ سسٹم ٹیمینوس وی-آر 15 (TEMENOS (T-24) VR 15) پر منتقل کر دیا ہے جو کہ اپنی سادگی میں سب سے جدید ہے۔ یہ منتقلی اپنے معزز صارفین کو بہتر خدمات اور پراڈکٹس (Products) مہیا کرنے کو یقینی بنائے گی۔ اس بہتری کا فائدہ اٹھاتے ہوئے بینک نے 2017 میں انفرادی صارفین کے اثاثہ جات کے ڈویژن کا آغاز کیا اور پرسنل انسٹلمنٹ لون پروگرام کا آغاز کیا جس کے بعد 2018 میں کارلون کا آغاز کیا جائے گا۔ بینک نے دیگر شعبوں میں بھی پیش قدمی کی ہے اور ایس ایم ای (SME) کے سیکٹور کو دوبارہ شروع کیا۔ یہ امر یقینی بنایا گیا ہے کہ چھوٹے اور درمیانے درجے کے کاروباروں (انٹرنیشنلز)، جو ہماری معیشت میں ریزہ کی ہڈی کی حیثیت رکھتے ہیں، کو ترقی اور متعلقہ پراڈکٹس پیش کئے جائیں۔ یہ اقدام

## بینک کی کارکردگی اور مالیاتی جائزہ

(تمام رقوم ملین روپے میں)

2016	2017
1,840	2,260
1,079	715
1,993	2,044
926	931
382	192
545	739
0.54	0.73

خالص مارک اپ / آمدنی پروڈن کے بعد  
 مارک اپ کے سوا آمدن  
 مارک اپ کے سوا اخراجات  
 قبل از محصولات منافع  
 محصولات (ٹیکسیشن)  
 بعد از محصولات منافع  
 فی حصص (شیر) آمدن (روپے)

بینکنگ کی صنعت پاکستان میں کم ہوتے ہوئے منافع (سپریڈ) ٹیکس اصلاحات و ضوابط اور مارکیٹ میں موجود اداروں کے مابین کڑی مسابقت کے کثیرالوجہت چیلنجز سے ہیرا زما ہے۔ مالی کارکردگی کے لحاظ سے 2017 بینک کے لیے ایک اچھا سال ثابت ہوا۔ اس سال کے دوران بینک نے 739 ملین روپے کا بعد از ٹیکس منافع حاصل کیا۔ جو کہ گزشتہ سال سے 36% زائد ہے۔ بینک کی مارک اپ آمدنی پچھلے سال کے مقابلے میں 28% بڑھی اور 7,256 ملین روپے پر پہنچ گئی۔

بینک کے اثاثہ جات میں اضافے نے اس مستحکم آمدنی کو برقرار رکھنے میں اہم کردار ادا کیا ہے۔ گھل قرضہ جات میں 37% کا اضافہ ہوا جس کا حجم سال کے اختتام تک 42,503 ملین روپے تک جا پہنچا۔ جبکہ سرمایہ کاری میں گزشتہ سال کی اسی مدت کے مقابلے میں 10% اضافہ دیکھنے میں آیا۔ ڈیپازٹ کی مد میں بھی گزشتہ سال کی نسبت 9% کا اضافہ ہوا۔ اس مالی سال کے دوران بینکنگ کی توجہ کا محور کم یا بغیر لاگت کے ڈیپازٹ کے حصول پر رہا اور ڈیپازٹ کی مجموعی ترکیب میں بہتری ہوئی۔ یہ حقیقت اس امر سے واضح ہے کہ بینک کے گرنٹ ڈیپازٹس میں اس سال کے دوران 30.5% کی بڑھوتی ہوئی۔ بینک نے نان مارک اپ آمدنی کی مد میں بھی 715 ملین روپے کی قابل ذکر سطح حاصل کی ہے۔ اگرچہ پچھلے سال کی اسی تقابلی مدت کی نسبت یہ آمدنی 34% سے کم ہے لیکن بنیادی آمدنی جیسے کہ فیس۔ کمیشن اور بروکریج کی آمدنی میں 2016 کے مقابلے میں 18% کا اضافہ ہوا ہے۔ بینک نے ڈیویڈنڈ کے ذریعے آمدن کو بہتر بنانے کے لیے سرمایہ کاری کی مد میں اقدامات کیے اور اس سال کے دوران 44.6 ملین روپے کا کل ڈیویڈنڈ ریکارڈ کیا ہے جو گزشتہ سال کے مقابلے میں 22% زائد ہے۔ بینکنگ نے تمام غیر پیداواری اثاثہ جات کو بھی تبدیل کرنے کے نظریے کے تحت ان کی فروخت سے 227 ملین روپے کا کیپیٹل گین حاصل کیا ہے۔

گزشتہ سال کے دوران غیر فعال قرار پائے گئے قرضہ جات کی مد میں اس سال 247 ملین روپے کی اضافی پروڈن کا تعین کیا ہے۔ یہ امر بینک کے اس موقف سے ہم آہنگ ہے کہ اپنے تمام غیر فعال قرضوں کے لیے انکی ضمانتوں کے فوائد سے استفادہ کیے بغیر ان سے متعلقہ کل رقم کو اپنے اخراجات میں شامل کر لیا جائے۔ علاوہ ازیں اپنے اثاثوں کو تحفظ دینے کے لیے بینک نے ایک محتاط حکمت عملی اپنائی ہے اور اپنے فعال قرضوں کی مد میں 17,495 ملین روپے کی ایک جزل پروڈن (عام اخراجات) کو قائم کیا ہے۔ بینک نے ایک مسلسل اور کارگر تدارکی انتظامی صلاحیت کا مظاہرہ کرتے ہوئے اپنے غیر فعال قرضوں کی مد میں 31 ملین روپے کی وصولی بھی کی ہے۔

اسی محتاط رویے کو جاری رکھتے ہوئے اپنے نان مارک اپ اخراجات پر بھی مضبوط گرفت رکھی گئی ہے۔ نئے کاروباری شعبوں کے آغاز، صارفین کی پراڈکٹس کے اجراء اور نئی ٹیکنالوجی پر منتقلی کے باوجود بینک کے مجموعی انتظامی اخراجات میں محض 3% کا اضافہ ہوا ہے۔

یہ تمام عوامل 739 ملین روپے کے ایک مستحکم منافع کا باعث بنے ہیں۔ اور اگلی بدولت فی حصص آمدن 0.73 روپے رہی جو گزشتہ سال سے 35% زیادہ ہے۔

## کریڈٹ ریٹنگ

سے سی آر۔ وی آئی ایس جو کہ ملک کی ایک معروف کریڈٹ ایجنسی ہے نے بینک کی درمیانی سے طویل مدت تک کریڈٹ کو ڈبل اے (AA) کی سطح پر اور قلیل مدت ریٹنگ کو A-1 اے ون کی سطح پر برقرار رکھا ہے۔ ان درجات کے حوالے سے بینک کا مجموعی تاثر بھی مستحکم قرار پایا ہے۔ یہ قلیل مدتی اور طویل مدتی ریٹنگ بینک کے قرض کے اعلیٰ معیار اور اس کے ساتھ مناسب حفاظتی عوامل اور اپنی مضبوط سیال پذیری (لیکویڈٹی) کی بدولت اپنی تمام مالیاتی ذمہ داریوں کی وقت پر ادائیگی کی شہوں صلاحیت کی مظہر ہیں۔

## اسٹیٹمنٹ آف انٹرنل کنٹرول

بورڈ آف ڈائریکٹرز انٹرنل کنٹرول سے متعلق انتظامیہ کے تجربے کی بخوشی توثیق کرتا ہے جو سالانہ رپورٹ کا حصہ ہے۔

### رسک مینیجمنٹ فریم ورک

کاروباری اہداف کے حصول کے لیے موثر رسک مینیجمنٹ لازم ہے اور اسی لیے بینک کی بنیادی پالیسی کا حصہ ہے۔ بینک میں موثر رسک مینیجمنٹ فریم ورک نافذ کرنے کے لیے بورڈ آف ڈائریکٹرز اور سینئر انتظامی افسران پالیسی، طریق کار اور حدود کے تعین میں مصروف ہیں۔ بینک کا ایک جامع رسک مینیجمنٹ فریم ورک ہے جو رسک مینیجمنٹ کے اصولوں، رہنما خطوط اور گورننس کے ڈھانچے کو حتمی شکل دیتا ہے۔ یہ فریم ورک قرضوں، مارکیٹ، سیالیت اور آپریشن سے متعلق خطرات سے نمٹنے کے لیے بورڈ آف ڈائریکٹرز اور سینئر انتظامیہ کی طرف سے بنائی جانے والی کمیٹیوں کے دائرہ کار کا تعین کرتا ہے۔ اس حوالے سے سالانہ رپورٹ سے منسلک مالیاتی گوشواروں کے نوٹ نمبر 40، 41، 43 اور 45 میں صراحت موجود ہے۔

رسک مینیجمنٹ فریم ورک کے تحت بینک کی راہ میں حائل ہونے والے تمام خطرات کی بہتر انتظام کاری کی جاتی ہے۔ بنیادی مقصد یہ ہے کہ خطرات کے پیش نظر بورڈ آف ڈائریکٹرز کے طے کردہ معیارات و حدود میں رہتے ہوئے آمدن بڑھائی جائے۔ بینک کا رسک مینیجمنٹ فریم ورک خطرات سے نمٹنے کے آزاد و غیر جانبدار اصولوں اور کارپوریٹ گورننس کے درمیان توازن پیدا کرنے کے مقصد کو ذہن نشین رکھتے ہوئے ڈیزائن کیا گیا ہے۔ بورڈ رسک کمیٹی کے طے کردہ رہنما خطوط کی بنیاد پر 2017 کے دوران مجموعی رسک مینیجمنٹ گورننس کو زیادہ سے زیادہ کارگر بنانے کی بھرپور کوششیں کی گئیں۔

### کوڈ آف کارپوریٹ گورننس اور کارپوریٹ اینڈ فنانشل رپورٹنگ فریم ورک کے تحت بیان

بورڈ آف ڈائریکٹرز کوڈ آف کارپوریٹ گورننس کے تحت اپنی ذمہ داریوں سے بخوبی آگاہ ہے اور تصدیق کرتا ہے کہ:

- بینک کی تمام اکاؤنٹ بکس مستند طریقے سے روپ عمل لائی گئی ہیں۔
- انتظامیہ کی جانب سے تیار کردہ مالیاتی گوشواروں سے بینک کے تمام مالی معاملات، آپریشنز، جامع آمدن، نقدی کے بہاؤ اور ایکویٹی میں تبدیلی کی بخوبی اور درست نشاندہی ہوتی ہے۔
- مالیاتی گوشواروں کی تیاری میں اکاؤنٹنگ کے موزوں ترین طریقہ کار پر عمل کیا گیا ہے۔ حساب کتاب کے تمام تخمینے معقول اور دانش مندانہ فیصلوں کی روشنی میں تیار کیے گئے ہیں۔
- بینک کے مالیاتی گوشواروں کی تیاری میں ان تمام انٹرنیشنل فنانشل رپورٹنگ اسٹینڈرڈز کو بروئے کار لایا گیا ہے جو پاکستان میں مروج ہیں اور بینک دولت پاکستان نے بھی اپنائے ہیں۔ اور جہاں کہیں بھی ان معیارات کو اپنانے سے گریز کیا گیا ہے وہاں ضروری صراحت بھی کردی گئی ہے۔
- انٹرنل کنٹرول کے نظام کا ڈیزائن مستحکم ہے اور یہ نظام موثر طور پر نافذ کیا گیا ہے۔
- بینک کی عمدہ کارکردگی جاری رکھنے کی صلاحیت کے حوالے سے کوئی اشتباہ موجود نہیں۔
- کارپوریٹ گورننس کے حوالے سے جن قواعد و ضوابط کا حوالہ دیا گیا ہے ان پر عمل سے کہیں بھی غیر ضروری یا دانستہ گریز نہیں کیا گیا۔
- 6 سال کے کلیدی آپریشنل اور مالیاتی مواد کا خلاصہ رپورٹ میں شامل ہے۔
- مستقبل کی توسیع میں ایکویٹی پس منسوب کرنے کی غرض سے بینک نے مقسوم یاؤنس حصص کا اعلان نہیں کیا ہے۔ زیر جائزہ سال کے لیے فی حصص آمدن 0.73 روپے (بینک/ڈیویڈنڈ) ہے۔
- 31 دسمبر 2017 کو ادارے کی ملکیت حصص کے طرز سے متعلق بیان بھی اس رپورٹ کا حصہ ہے۔
- 30 جون 2016 کو مختتم مدت پر اسٹاف پراویڈنٹ فنڈ کے اثاثہ جات کی آڈٹ شدہ مالیت 180 ملین روپے ہے۔
- مالیاتی گوشواروں میں جن کا ذکر کیا گیا ہے ان کے سوا 31 دسمبر 2017 کو ختم ہونے والے سال کے لیے کہنی پرنکس، ڈیویڈنڈ، لیویز یا چارجز کی مد میں کوئی بھی رقم واجب الادا نہیں۔
- کوڈ آف کارپوریٹ گورننس کی تعمیل سے متعلق بیان بھی رپورٹ سے منسلک ہے۔
- بینک کے تمام مالیاتی گوشواروں کی آڈیٹنگ ادارے کے آڈیٹرز میسرز اے ایف فرگوسن اینڈ کمپنی نے کی ہے۔
- بینک کے تمام ڈائریکٹرز نے، ہوائے ایک کے جو حال ہی میں نامزد ہوئے ہیں یا وہ جن کو مطلوبہ تربیت سے استثناء حاصل ہے، اپنے تربیتی پروگرام کوڈ آف کارپوریٹ گورننس کے تحت پورے کئے ہیں۔

### ڈائریکٹرز میں تبدیلی

جناب جاوید اقبال 3 اگست 2017 کو بورڈ آف ڈائریکٹرز سے مستعفی ہو گئے۔ جاوید اقبال صاحب بینک کے بورڈ پر 2007 سے تعینات تھے۔ بورڈ ان کی خدمات کے اعتراف میں تہہ دل سے ان کا شکریہ ادا کرتے ہیں۔ بورڈ نے اس نشست پر جناب ارجمند احمد بیٹانی کو تعینات کیا ہے۔

## بورڈ آف ڈائریکٹرز کے اجلاس

2017 کے دوران بورڈ آف ڈائریکٹرز کے 4 اورڈیلی میٹینوں کے 10 اجلاس منعقد ہوئے۔ جن ڈائریکٹرز نے اجلاس میں شرکت نہیں کی بورڈ نے ان کی رخصت کی منظوری دی۔

### اجلاس کی تفصیلات

نمائندگی اور معاوضہ کمیٹی اجلاس	رسک کمیٹی اجلاس	آڈٹ کمیٹی اجلاس	بورڈ اجلاس
2	4	4	4
-	-	-	4
-	3	-	4
-	4	-	4
2	1	4	4
-	-	2	2
2	-	-	3
2	-	3	3
-	3	-	4
-	-	-	-
-	4	-	4

اجلاس کی تعداد

اجلاس میں شرکت کی تعداد

ڈاکٹر شجاعت ندیم

جناب انوشن موچیر

جناب بی بی ننگ

جناب ہمایوں مراد

جناب جاوید اقبال\*

جناب ندیم ہار

محترمہ مدنیہ ناشر

جناب شہباز حیدر آغا

جناب ارجمند احمد بینائی\*\*

جناب شاہد ستار

\* بورڈ سے مستعفی

\*\* بورڈ میں اضافہ

## ڈائریکٹرز اور اینگزیکٹوز کے حصص کا حصول

حصص ملکیت کا طرز اور اس سے متعلق اضافی معلومات الگ سے فراہم کی گئی ہیں۔ سال بھر میں ڈائریکٹرز، سی ایف او، کمیٹی ممبر میٹری، ان کی بیگمات (یا شوہر) اور بچوں نے شیئرز کا لین دین نہیں کیا، ماسوائے جناب ہمایوں مراد کے جن کی زوجہ نے ان کو ایک ہزار حصص، تمام قوانند و ضوابط اور تیسری شراکت کی تعمیل کے بعد تحفہً دئے۔

## کارپوریٹ سماجی ذمہ داری

کارپوریٹ سماجی ذمہ داری (سی ایس آر) سے مراد ایسی معاشرتی سرگرمی ہے جو سماجی ماحولیاتی نظام، جس میں ایک ادارہ کام کرتا ہے، میں حصہ لینے یا اس کو فائدہ پہنچانے کیلئے کی جاتی ہے۔ جب ایک کاروبار ماحولیاتی، سماجی اور معاشی ذمہ داری اور شفاف طریقے سے چلتا ہے تو یہ ادارے کی کامیابی میں مددگار ثابت ہوتی ہیں۔ بینک اپنی معاشرتی ذمہ داریوں سے بخوبی آگاہی رکھتے ہوئے اس کے لئے تمام ضروری اقدامات اٹھا رہا ہے۔

سی ایس آر (CSR) اور اس کے متعلقہ سرگرمیوں کیلئے 2017 میں بجٹ مختص کیا گیا ہے جو صحیح معنوں میں مستحق ایسے اداروں میں تقسیم کیا گیا ہے جو پاکستانی معاشرے کی بہتری کیلئے خیراتی، تعلیمی، اور صحت سے متعلق شعبوں میں کام کرتے ہیں۔ اس سال کے دوران، اس مد میں دیئے جانے والے عطیات/شراکت کی تفصیل ماحولیاتی گوشواروں کے نوٹ نمبر 25.4 پر درج کئے گئے ہیں۔

## آڈیٹرز

ریٹائر ہونے والے بیرونی آڈیٹرز میسرز ایف فرگون اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس نے اپنی خدمات دوبارہ پیش کیں۔ آڈٹ کمیٹی کی سفارش پر بورڈ آف ڈائریکٹرز نے میسرز ایف فرگون اینڈ کمپنی کو (جو پرائس واٹر ہاؤس کوپرز کارکن ادارہ ہے) آئندہ برس کے لیے بھی بیرونی آڈیٹرز مقرر کر دیا۔

## بیلنس شیٹ کی تاریخ کے بعد کے واقعات

بیلنس شیٹ کی تاریخ کے بعد ایسا کوئی بھی واقعہ رونما نہیں ہوا جس کی بنیاد پر مالیاتی گوشواروں میں کوئی تطبیق ضروری سمجھی گئی ہو۔

## مستقبل کی پیش بینی

زرعی شعبہ نے مسلسل دوسرے سال بھی بہترین کارکردگی کا مظاہرہ کیا ہے۔ اسی طرح بڑے پیمانے کی صنعت (LSM) نے بھی ایک توانا نمونہ حاصل کیا ہے۔ جو مالی سال 2016 کی 4.6 فیصد کی سطح کی نسبت مالی سال 2017 میں 5.7 فیصد کی سطح پر ریکارڈ ہوئی۔ اگرچہ LSM کی ترقی کو چند مخصوص معاملات کی بنا پر کچھ مشکلات درپیش ہوگی جیسا کہ چین، تیل اور کھاد کی صنعت؛ تاہم صنعتی کارکردگی مجموعی طور پر مستحکم ہوتی نظر آ رہی ہے۔ تعمیرات اور سی پیک سے متعلقہ سرمایہ کاری، دوڑوں سے فوائد حاصل کرتے ہوئے تعمیراتی کمپنیوں اور ان سے وابستہ دیگر صنعتوں کا اپنی ترقی کی رفتار برقرار رکھنے کی توقع کی جاسکتی ہے۔

کموڈٹی سیکٹرز کی رفتار کے اثرات کو شامل کرنے کے بعد سروس سیکٹرز کو مد نظر رکھتے ہوئے حقیقی جی ڈی پی کی نمو کی شرح تقریباً 5.8% پر تعین کی جا رہی ہے۔ جو کہ مالی سال 2017 سے نمایاں طور پر بلند ہے تاہم اپنے 6% کے ہدف سے معمولی طور پر کم ہے۔

مستقبل میں، سال 2018 کئی سیاسی معاملات کو سلجھانے میں کامیاب ہو سکے گا۔ جس میں بینٹ اور قومی اسمبلی کے انتخابات کے بعد نئی حکومت کی تشکیل سے معاشی اصلاحات کے پروگرام کو نئے سرے سے چلانے کے لیے ایک نئی مدت دستیاب ہوگی۔

کاروباری اعتماد میں بہتری، نجی شعبہ میں بڑھتی ہوئی سرمایہ کاری، وافر مقدار میں توانائی اور گیس کی رسد، سی پیک سے متعلقہ منصوبوں کی تیزی سے تکمیل اور بہتر ہوتی امن و عامہ کی صورتحال اس امر کی غماز ہے کہ ملکی معیشت اور صارف دوست ماحول برقرار رہے گا۔ سی پیک سے متعلقہ منصوبوں میں کی جانے والی سرمایہ کاری اور بیماری اخراجات، ترقیاتی کاموں میں بڑھتے ہوئے مصارف اور نجی شعبہ کی وسیع ہوتی استطاعت کے باعث جی ڈی پی مالی سال 2018 میں آسانی سے 5.5% کی شرح حاصل کر لے گا۔

حکومت بیرونی کھاتوں میں عدم توازن کو عارضی خیال کرتی ہے۔ اور اگلے دو سالوں میں برآمدات میں فوائد اور حوصلہ افزائی، غیر ضروری درآمدات کی حوصلہ شکنی اور دیگر ممالک بشمول چین، کو بہتر کاروباری ماحول اور آسان تجارتی شرائط فراہم کر کے فری ٹریڈ معاہدوں کی ترویج کے ذریعے اس منفی رجحان کو درست کرنے کے لیے سرکرداں ہے۔

مندرجہ بالا پیش بینی کے تناظر میں بینک اپنی خصوصی توجہ چیزوں کو ان کی درست جگہ پر رکھتے ہوئے اپنی ترقی کے لیے ایسے اقدامات اٹھانے کے لیے سرگرم ہے جو اس کے پیداواری اثاثوں میں اضافہ کر سکے اور ان سے متصل خدشات کے تدارک کا مناسب انتظام کر سکے۔ اور اس کے علاوہ، اپنی ڈیپازٹس کی ترکیب میں جاری بہتری کے ذریعہ ان کی لاگت میں کمی لاسکے۔ یہ اپنے معزز صارفین کو دنیا کی بہترین خدمات مہیا کرنے سے ہی ممکن ہو سکے گا۔

ابھی حال ہی میں تشکیل دیے گئے SMEs کاروبار نے پچھلے سال کی نسبت قرضوں کی مد میں شاندار اضافے کے ساتھ ایک نمایاں حیثیت اختیار کر لی ہے۔ جو کہ اس شعبہ میں موجود استطاعت اور بہترین مواقع کا ثبوت ہے۔ اس کے علاوہ بینک نے نجی قرض (پرسنل لون) کی سکیم کا بھی اس سال آغاز کیا ہے۔

یہ تمام نئے اقدامات اور اس کے ساتھ دیگر قرضہ جات کے مواقع اس امر کا پیش خیمہ ہے کہ آنے والے سالوں میں بینک قرضوں کی مد میں زیادہ اور پائیدار آمدنی حاصل کر سکے گا۔

## اظہار تشکر

ہم اپنے صارفین اور کاروباری شراکت داران اور حصص یافتگان کا ان کے اعتماد اور خلوص پر نہایت مشکور ہیں۔ بورڈ آف ڈائریکٹرز اور بینک کی انتظامیہ، بینک دولت پاکستان اور دیگر ضوابطی اداروں کی راہنمائی پر ان کی شکر گزار ہے۔ اسکے علاوہ ہم اپنے بینک کے تمام ملازمین کی تبدل سے حوصلہ افزائی کرتے ہیں جن کی لگن، محنت اور ٹیم ورک نے بینک کو ایک کامیاب ادارے میں تبدیل کر دیا ہے۔

بورڈ آف ڈائریکٹرز کی جانب سے

شاہد ستار

پریذیڈنٹ اور چیف ایگزیکٹو آفیسر

22 فروری 2018

کراچی

ہمایوں مراد

ڈائریکٹر

22 فروری 2018

کراچی



## Six Years' Performance Highlights

Rs. in Million

	2012	2013	2014	2015	2016	2017
<b>Statement of Financial Position</b>						
<b>Assets</b>						
Advances - gross	17,843	20,561	23,916	26,260	30,988	42,503
Investments - gross	9,013	14,104	20,055	44,828	57,272	62,936
Lending to financial institutions	2,777	791	1,900	2,000	5,277	5,193
Cash and balances with treasury and other banks	4,342	2,913	2,605	4,330	5,540	4,015
Operating fixed assets	832	862	801	1,324	1,459	1,247
Deferred tax asset - net	1,409	1,484	1,058	658	410	437
Other assets - gross	1,266	1,810	2,567	3,118	2,876	3,333
<b>Total assets - gross of provisions</b>	<b>37,482</b>	<b>42,525</b>	<b>52,903</b>	<b>82,517</b>	<b>103,822</b>	<b>119,663</b>
Provision against advances - specific and general	(2,398)	(2,292)	(2,104)	(2,073)	(2,198)	(2,321)
Provision for diminution in the value of investments	(118)	(113)	(102)	(102)	(35)	(18)
Provision held against bad and doubtful other assets	(112)	(119)	(115)	(176)	(175)	(173)
<b>Total assets - net of provisions</b>	<b>34,854</b>	<b>40,001</b>	<b>50,581</b>	<b>80,166</b>	<b>101,414</b>	<b>117,151</b>
<b>Liabilities</b>						
Customer deposits and other accounts	22,754	24,633	31,642	38,844	50,307	54,901
Borrowings	2,477	2,987	5,965	27,326	35,847	46,201
Bills payable	251	919	309	492	915	687
Other liabilities	856	1,331	1,411	1,660	2,026	2,653
<b>Total liabilities</b>	<b>26,338</b>	<b>29,870</b>	<b>39,326</b>	<b>68,322</b>	<b>89,095</b>	<b>104,443</b>
<b>Net assets</b>	<b>8,516</b>	<b>10,131</b>	<b>11,255</b>	<b>11,844</b>	<b>12,320</b>	<b>12,708</b>
Share capital	14,335	8,082	10,082	10,082	10,082	10,082
Advance against proposed issue of shares	-	1,614	-	-	-	-
Reserves	151	167	213	299	408	555
Unappropriated profit / (accumulated losses)	(6,012)	291	472	816	1,252	1,843
<b>Equity</b>	<b>8,474</b>	<b>10,154</b>	<b>10,767</b>	<b>11,198</b>	<b>11,743</b>	<b>12,481</b>
(Deficit)/ surplus on revaluation of assets - net of tax	42	(23)	488	647	577	227
	<b>8,516</b>	<b>10,131</b>	<b>11,255</b>	<b>11,844</b>	<b>12,320</b>	<b>12,708</b>
<b>Profit &amp; Loss Account</b>						
Mark-up / return / interest earned	3,054	3,207	4,619	5,468	5,682	7,256
Mark-up / return / interest expensed	(1,722)	(1,823)	(2,806)	(3,326)	(3,576)	(4,897)
<b>Net mark-up / interest income</b>	<b>1,332</b>	<b>1,384</b>	<b>1,813</b>	<b>2,143</b>	<b>2,106</b>	<b>2,359</b>
Fee, commission, brokerage and Income from dealing in foreign currencies	112	152	153	201	317	349
Dividend income and (loss) / gain on sales of securities - net	38	-	41	507	739	139
Other income and unrealised (loss) / gain on revaluation of investments	4	8	24	98	23	227
<b>Non mark-up / interest income</b>	<b>154</b>	<b>160</b>	<b>217</b>	<b>805</b>	<b>1,079</b>	<b>715</b>
<b>Revenue</b>	<b>1,486</b>	<b>1,544</b>	<b>2,030</b>	<b>2,948</b>	<b>3,185</b>	<b>3,074</b>
Non mark-up / interest expenses	(1,459)	(1,551)	(1,646)	(2,111)	(1,993)	(2,044)
(Charge) / reversal / recovery of provision / against write-offs	137	88	41	(22)	(265)	(99)
<b>Profit before taxation</b>	<b>164</b>	<b>81</b>	<b>425</b>	<b>815</b>	<b>926</b>	<b>931</b>
Taxation	137	3	(199)	(385)	(382)	(192)
<b>Profit after taxation</b>	<b>301</b>	<b>84</b>	<b>226</b>	<b>431</b>	<b>545</b>	<b>739</b>
<b>Other Information</b>						
Return on equity (RoE)*	3.6%	0.9%	2.1%	3.7%	4.4%	5.9%
Return on assets (RoA)*	0.9%	0.2%	0.5%	0.6%	0.6%	0.6%
Profit before tax to revenue ratio	11.0%	5.2%	20.9%	27.7%	29.1%	30.3%
Advances to deposits ratio (ADR)	67.9%	74.2%	68.9%	62.3%	57.2%	73.2%
Efficiency ratio (cost to revenue)	98.2%	100.4%	81.1%	71.6%	62.6%	66.5%
Earning Per Share (EPS)	0.37	0.10	0.24	0.43	0.54	0.73
Market value per share - rupees	2.85	4.72	7.00	6.00	7.26	6.96
Number of employees	732	614	602	657	680	747
Number of branches	28	28	28	34	37	37

\*Ratios are based on average volumes of the respective years.

## Statements of Internal Controls

Management is responsible for establishing and maintaining adequate controls for providing reasonable assurance on effective and efficient operations, internal financial controls and compliance with laws and regulations. Furthermore, development of internal control systems is an ongoing process. Internal controls are designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and can only provide reasonable, and not absolute, assurance against material misstatement or loss.

The responsibility for adherence to controls mainly lies with the business from where the risk arises. For monitoring the effectiveness of internal control systems, the Bank has set roles for certain functions such as Audit & Risk Review (ARR), Compliance and the Operations Risk Management Department (ORMD). ARR periodically carries out audits of branches and departments to monitor compliance with the Bank's control and processing standards, and regulatory requirements. Likewise, Compliance department is responsible for assisting the senior management in managing effectively the regulatory compliance and Money Laundering & Terrorist Financing risks faced by the Bank. Also, the ORMD function within the Risk Management Group carries out quality assurance reviews of processes and transactions of branch banking operations, to ensure compliance of policies and fulfillment of regulatory requirements. In order to institutionalize a robust control and risk management culture, Key Risk Indicators (KRIs) for respective control areas have been identified along with tolerance limits. Further, the Bank's KRI inventory is regularly updated to reflect latest trends with breaches being promptly reported to senior management. Also, a Risk and Controls Self Assessment (RCSA) regime has been rolled out, throughout the Bank. An accountability process is in place to ensure effectiveness of the overall control environment. Further, management gives due consideration to recommendations made by internal and external auditors and regulators, especially for improvements in internal control systems and processes, and takes timely action to implement their recommendations.

To implement Internal Control Guidelines, as required by State Bank of Pakistan, Internal Audit department reviewed the detailed exercise of documenting and benchmarking existing internal processes and controls, relating to financial reporting on the basis of international standards. This project assists in further improving internal controls across the Bank and ensures compliance with the SBP requirements. As per the SBP roadmap, the Bank had completed all stages and is in compliance with SBP instructions and obtained exemption from the State Bank of Pakistan for submission of Long Form Report (LFR) certified by external auditors. Bank has made efforts to comply with the prerequisites of ICFR through submission of Internal Audit annual assessment report of 2016 to SBP after sign off from Board's Audit Committee.

The Board of Directors is ultimately responsible for the internal control system and endorses the above evaluation by management.

Shahid Sattar  
President and Chief Executive Officer  
February 22, 2018  
Karachi

## Complaint Handling Mechanism:

Samba Bank Limited (SBL) continued to strive to provide a world class banking experience to its valuable clientele with consistent improvement in the standard of customer services. We strongly believe that customer facilitation as an integral part of our values therefore, service offerings have been enhanced in a way that Samba customer experience stands alongside the word “ease and convenience”.

SBL believes in unbiased feedback of the quality of services that it offers to its customers, in lieu of this, an external agency has been taken on board to conduct mystery shopping exercise of all our branches country-wide to gauge the service standards. This exercise will assist the Samba Care team to assess the service gaps and develop action plans to overcome the gaps to ensure a “WOW” customer experience for all our customers.

The year 2017 also witnessed SBL taking additional initiatives which include the revamping of our Samba Website. This redesigned corporate website of SBL showcases an improved user friendly interface, added features and functionalities. Thus helping our existing and potential clients to know more about the bank and its services.

Keeping in view that social media is now the most used and popular way of communication, SBL successfully also launched its Facebook page enabling and empowering our customers to an additional channel of communication with regards to information, queries, concerns and suggestions. We believe that this will play a pivotal role in helping us to further improve on our services by listening to the voice of our customers.

### Complaint Summary

In the year 2017, the total numbers of complaints logged with the Bank were 1240 and on an average, four working days were taken to resolve a complaint.

## **Auditors' Review Report to The Members On The Statement of Compliance With The Code of Corporate Governance**

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Samba Bank Limited (the Bank) for the year ended December 31, 2017, to comply with the requirements of Rule No. 5.19 of the Pakistan Stock Exchange Limited where the Bank is listed.

The responsibility for compliance with the Code 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 and report if it does not, and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Bank's personnel and review of various documents prepared by the Bank to comply with the Code.

As part of our audit of the 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 are not required to consider whether the Board of Director's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Bank's corporate governance procedures, and risks.

The Code requires the Bank to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its 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, and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of 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 as applicable to the Bank for the year ended December 31, 2017.

A.F. Ferguson & Co.  
Chartered Accountants  
Dated: February 28, 2018  
Karachi

## Statement of Compliance with the Code of Corporate Governance For The Year Ended December 31, 2017

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation No. 5.19 of listing regulations of Pakistan Stock Exchange Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Board of Directors of Samba Bank Limited (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:

Category	Names
Independent Directors	Mr. Humayun Murad Mr. Nadeem Babar Mr. Shahbaz Haider Agha Mr. Arjumand Ahmed Minai*
Executive Directors	Mr. Shahid Sattar, President & CEO
Non- Executive Directors	Dr. Shujaat Nadeem (Chairman) Mr. Antoine Mojabber Mr. Beji Tak-Tak Ms. Ranya Nashar

\*Appointed w.e.f. December 15, 2017

The independent directors meet the criteria of independence under clause 5.19.1(b) of the CCG.

2. The Directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Bank (excluding the listed subsidiaries of listed holding companies, where applicable).
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 Development Financial Institution or a Non-banking Financial Institution or being broker of a stock exchange, has been declared as a defaulter by that stock exchange.
4. A casual vacancy occurred on the Board on August 03, 2017, due to the resignation of Mr. Javed Iqbal. The Board of Directors appointed, subject to regulatory approval, Mr. Arjumand Ahmed Minai as a director on October 23, 2017. The appointment was approved in principle by the State Bank of Pakistan with effect from December 15, 2017, and final clearance in this regard is yet to be received.
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 strategies 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 & conditions of employment of the CEO and other executive & non-executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman, and in his absence, by a director elected by the Board for this purpose 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. In compliance with Clause (5.19.7) of the Rule Book of Pakistan Stock Exchange Limited, six directors have completed the Corporate Governance Leadership Skills program conducted by the Quest Masterclass and Eureka while one director is exempt from the training requirement.
10. No new appointment of CFO, Company Secretary, and Head of Internal Audit was made during the year.

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 CEO and CFO, 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. As at December 31, 2017, one member of the committee is a non-executive director and two are independent directors. The Chairman of the Audit Committee is an Independent Director. During the year, one of the member of the Committee (Mr. Javed Iqbal), not being the Chairman of the Audit Committee, resigned from the Board on August 03, 2017, resulting in the number of members of audit committee reduced to two. However, the Board of Directors appointed, subject to regulatory approval, Mr. Arjumand Ahmed Minai as a director on October 23, 2017 in place of Mr. Javed Iqbal. The appointment was approved in principle by the State Bank of Pakistan with effect from December 15, 2017, and final clearance in this regard is yet to be received. Accordingly, the number of members of audit committee was three as at December 31, 2017.
16. The meetings of the Audit Committee were held at least once in 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 a Nomination and Remuneration Committee. It comprises of three (3) members, of whom two are independent directors, one is a non-executive director. The Chairman of the committee is an independent director.
18. The Board has set up an effective internal audit function within the Bank. The staff is suitably qualified and experienced for the purpose, and is 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 exchange.
22. Material/Price sensitive information has been disseminated among all market participants at once through stock exchange.
23. The Bank has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of name of persons from the said list.
24. We confirm that all other material principles enshrined in the CCG have been complied with.

Shahid Sattar  
President & CEO

Date: February 22, 2018

Dr. Shujaat Nadeem  
Chairman

## Notice of the Fifteenth Annual General Meeting

Notice is hereby given that the Fifteenth Annual General Meeting of Samba Bank Limited ("the Bank") will be held at 10:00 a.m. on Tuesday, the 27<sup>th</sup> March, 2018, at Hotel Serena, Islamabad, to transact the following business:

### Ordinary Business

1. To confirm the minutes of the Fourteenth Annual General Meeting held on March 21, 2017.
2. To receive, consider and adopt the audited Annual Accounts of the Bank for the year ended December 31, 2017, together with the Directors' and Auditors' Reports thereon.
3. To appoint Auditors' and to fix their remuneration. M/s A.F. Ferguson & Co., Chartered Accountants have offered themselves for the re-appointment.

### Any Other Business

To transact any other business of the Bank with the approval of the Chair.

March 06, 2018  
Karachi

By Order of the Board  
**Zia-ul-Husnain Shamsi**  
Company Secretary

### Notes:

1. Share Transfer Books of the Bank will remain closed from 21-03-2018 to 27-03-2018 (both days inclusive). Transfer received in order at Bank's Registrar, M/s. Famco Associates (Pvt.) Ltd., 8-F, Next to Hotel Faran, Nursery, Block-6, P.E.C.H.S, Shahra-e-Faisal, Karachi up to close of business on 20-03-2018 will be considered in time for the purpose of Annual General Meeting.
2. A member eligible to attend and vote at this meeting may appoint any person as proxy to attend and vote in the meeting. Proxies in order to be effective must be received at the Registered Office of the Bank, duly stamped, signed and witnessed, not less than forty eight (48) hours before the holding of the meeting.
3. CDC account holders will be required to follow the under mentioned guidelines as laid down in Circular number 1 dated January 26, 2000 of the Securities and Exchange Commission of Pakistan for attending the meeting.
4. CDC shareholders, entitled to attend and vote at this meeting, must bring with them their Computerized National Identity Cards (CNIC)/passport in original along with participants' ID numbers and their account numbers to prove his/her identity, and in case of proxy, must enclose an attested copy of his/her CNIC or passport.
5. In case of a corporate entity the board of directors' resolution/power of attorney with the specimen signature of the nominee shall be submitted with the proxy form to the company, and the same shall be produced in original at the time of the meeting to authenticate the identity of the nominee.
6. Shareholders are requested to notify any change in their addresses to the bank's Share Registrar, M/s. Famco

Associates (Pvt.) Ltd., 8-F, Next to Hotel Faran, Nursery, Block-6, P.E.C.H.S, Shahra-e-Faisal, Karachi, immediately.

### Circulation of Annual Audited Accounts via CD/USB/DVD or Any Other Media

Pursuant to the directions given by the Securities and Exchange Commission of Pakistan through its SRO 787(1)/2014 dated September 8, 2014 and SRO 470(1)/2016 dated May 31, 2016 that have allowed the companies to circulate its Annual Audited Accounts (i.e. Annual Balance Sheet and Profit and Loss Accounts, Statements of Comprehensive Income, Cash Flow Statement, Notes to the Financial, Statements Auditor's and Director's Report) to its members through CD / DVD / USB / or any other Electronic Media at their registered Addresses.

Shareholders who wish to receive the hardcopy of Financial Statements shall have to fill the "Standard Request Form" (available on the company's website [www.samba.com.pk](http://www.samba.com.pk)) send us to the Company address.

### Submission of CNIC (mandatory)

Pursuant to the directives of the SECP, CNIC/SNIC numbers of shareholder is MANDATORILY to be mentioned on dividend warrants. Shareholders are therefore, requested to submit a copy of their valid CNIC/SNIC (if not already provided) to the company's Share Registrar, M/s. Famco Associates (Pvt.) Ltd., 8-F, Next to Hotel Faran, Nursery, Block-6, P.E.C.H.S, Shahra-e-Faisal, Karachi. In the absence of a member's valid CNIC/SNIC, the Company will be constrained to withhold dispatch of dividend warrant to such members.

## اطلاع برائے پندرہواں سالانہ اجلاس عام

بذریعہ نوٹس ہذا اطلاع دی جاتی ہے کہ سامبا بینک لمیٹڈ ("بینک") کا پندرہواں سالانہ اجلاس عام بروز منگل مورخہ 27 مارچ 2018 کو صبح 10:00 بجے، بمقام ہوٹل سرینا، اسلام آباد میں درج ذیل امور کی انجام دہی کیلئے منعقد ہوگا:

عمومی امور:

- 1- 21 مارچ 2017 کو منعقد ہونے والے کمپنی کے چودھویں سالانہ اجلاس عام کے منٹس کی توثیق کرنا۔
- 2- 31 دسمبر 2017 کو ختم ہونے والے سال کیلئے آڈٹ شدہ سالانہ اکاؤنٹس کے ہمراہ ڈائریکٹرز اور آڈیٹرز رپورٹس کی وصولی اور ان پر غور و خوض اور اختیار کرنا۔
- 3- آڈیٹرز کے تقرر اور ان کے معاوضے کے تعین پر غور و خوض کرنا۔ میسرز ایف فرگوسن اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس نے اپنی دوبارہ تقرری کیلئے خود کو پیش کیا ہے۔

دیگر امور

چیئرمین کی منظوری سے بینک کے دیگر کسی بھی امور کی انجام دہی۔

بحکم بورڈ  
ضیاء الحسنین شمسی  
کمپنی سیکریٹری

06 مارچ 2018

کراچی

### نوٹس:

- 1- بینک کی شیئرز انسفر بکس 21 مارچ 2018 سے 27 مارچ 2018 تک (بشمول دونوں ایام) بند رہیں گی۔ جوڑانسفر آرڈرز 20 مارچ 2018 کو کام کے اختتام تک رجسٹرار کے دفتر، میسرز فیکو ایسوسی ایٹس (پرائیویٹ) لمیٹڈ، F-8، نزد فاران ہوٹل، نرسری بلاک 6، پی ای سی ایچ ایس، شاہراہ فیصل، کراچی میں وصول ہوں گے ان کو سالانہ اجلاس عام کیلئے بروقت تصور کیا جائے گا۔
- 2- ممبر جو اجلاس میں شرکت کرنے اور ووٹ دینے کا اہل ہے وہ اپنے بجائے کسی دوسرے ممبر کو اجلاس میں شرکت کرنے، بولنے، ووٹ دینے اور مخاطب کرنے کیلئے اپنا متبادل مقرر کر سکتا ہے۔ ایسے متبادل کے موخر ہونے کیلئے ضروری ہے کہ بلائے گئے اجلاس کے انعقاد سے 48 گھنٹے قبل بینک کے رجسٹرار آفس کو ایسے متبادل ممبر کی اطلاع کے دستاویزات موصول ہوں اور وہ ممبر شدہ، دستخط شدہ اور تصدیق شدہ ہوں۔
- 3- سی ڈی سی اکاؤنٹ ہولڈرز کیلئے ضروری ہے کہ وہ اجلاس میں شرکت کیلئے سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے سرکولر نمبر 1 بتاریخ 26 جنوری 2000 کے مطابق درج ہدایات پُر عمل کریں۔
- 4- سی ڈی سی شیئرز ہولڈرز کو اختیار حاصل ہوگا کہ وہ اجلاس میں شرکت کریں اور ووٹ دیں تاہم شیئرز ہولڈرز کو لازمی طور پر اپنا اصل قومی کمپیوٹرائزڈ شناختی کارڈ / پاسپورٹ ساتھ لانا ہوگا۔ اس کے ساتھ اجلاس میں شرکت کا نمبر فراہم کردہ اکاؤنٹ نمبر برائے شناخت کا ہونا لازم ہے۔ اور متبادل ممبر کی صورت میں قومی کمپیوٹرائزڈ شناختی کارڈ / پاسپورٹ کی تصدیق شدہ نقل ہمراہ لانی ہوگی۔
- 5- کارپوریٹ ادارہ ہونے کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد / نامزد شخص کا دستخط شدہ مختار نامہ، متبادل کرن کے فارم کے ساتھ جمع کروانا ہوگا اور اجلاس کے وقت نامزدگان کی شناخت کی غرض سے اصل دکھانا ہوگا۔
- 6- شیئرز ہولڈرز سے درخواست کی جاتی ہے کہ اگر ان کے بچوں میں کوئی تبدیلی ہو تو فوری طور پر

بینک کے شیئرز رجسٹرار میسرز فیکو ایسوسی ایٹس (پرائیویٹ) لمیٹڈ، F-8 نزد فاران ہوٹل، نرسری، بلاک 6، پی ای سی ایچ ایس، شاہراہ فیصل، کراچی کو فوری آگاہ کریں۔

سالانہ آڈٹ شدہ اکاؤنٹس کی سرکیولیشن DVD/USB/CD یا کسی اور میڈیا کے ذریعہ سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے جاری شدہ SRO 787(1)/2014 مورخہ 8 ستمبر 2014 اور SRO 470(1)/2016 مورخہ 31 مئی 2016 کے تحت دی گئی ہدایات کے مطابق کمپنیوں کو سالانہ آڈٹ شدہ اکاؤنٹس (مثلاً سالانہ بیلنس شیٹ، اکاؤنٹ کے نفع و نقصان، اسٹیٹمنٹ آف کمپری ہینسو اکم، کنٹریفلو اسٹیٹمنٹ، فنانشل رپورٹس، آڈیٹرز اور ڈائریکٹرز رپورٹس کی اسٹیٹمنٹس) بذریعہ سی ڈی سی / ڈی وی ڈی / یو ایس بی یا کسی بھی الیکٹرونک طریقے سے اپنے ممبرز کو ان کے رجسٹرڈ پتے پر پہنچانے کی اجازت ہے۔

فنانشل اسٹیٹمنٹس کی ہارڈ کاپی حاصل کرنے کے لئے خواہشمند شیئرز ہولڈرز کو دیے گئے "Standard Request Form" (جو کمپنی کی ویب سائٹ [www.samba.com.pk](http://www.samba.com.pk) پر بھی دستیاب ہے) کو پُر کر کمپنی کے ایڈریس پر ارسال کریں۔

کمپیوٹرائزڈ قومی شناختی کارڈ جمع کروانا:

سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے دیے گئے ہدایات کے مطابق ڈیویڈنڈ وارنٹس پر شیئرز ہولڈرز کے سی این آئی سی / ایس این آئی سی نمبر درج ہونا لازمی ہیں۔ شیئرز ہولڈرز سے درخواست ہے کہ اپنے اصل سی این آئی سی / ایس این آئی سی کی کاپی (اگر پہلے سے فراہم نہ کی گئی ہو) کمپنی کے شیئرز رجسٹرار کو میسرز فیکو ایسوسی ایٹس (پرائیویٹ) لمیٹڈ، F-8 نزد فاران ہوٹل، نرسری، بلاک 6، پی ای سی ایچ ایس، کراچی پر جمع کروادیں۔ ممبر کا فعال سی این آئی سی / ایس این آئی سی موجود نہ ہونے کی صورت میں کمپنی ایسے ممبر کا ڈیویڈنڈ وارنٹ جاری نہ کرنے کی پابند ہے۔



















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# *Financial Statements*

For the year ended December 31, 2017

## Auditors' Report to The Members

We have audited the annexed statement of financial position of Samba Bank Limited (the Bank) as at December 31, 2017 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 then ended, in which are incorporated the un-audited certified returns from the branches except for ten 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 management 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 the case of loans and advances covered more than sixty percent 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 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 accounting policies consistently applied;
  - (ii) the expenditure incurred during the year was for the purpose of the Bank's business; and
  - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank;

(c) in our opinion and to the best of our information and according to the explanations given to us the statement of financial position, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with the 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 December 31, 2017, and its true balance of profit, its comprehensive income, its cash flows and 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.

A.F. Ferguson & Co.

Chartered Accountants

Audit Engagement Partner: Shahbaz Akbar

Dated: February 28, 2018

Karachi

# Statement of Financial Position

AS AT DECEMBER 31, 2017

(Rupees in '000)

	Note	2017	2016
<b>ASSETS</b>			
Cash and balances with treasury banks	6	3,887,745	4,723,664
Balances with other banks	7	127,386	816,421
Lendings to financial institutions	8	5,192,950	5,277,254
Investments - net	9	62,918,102	57,237,456
Advances - net	10	40,181,773	28,789,980
Operating fixed assets	11	1,246,618	1,458,715
Deferred tax asset - net	12	436,816	409,641
Other assets - net	13	3,159,657	2,701,360
		117,151,047	101,414,491
<b>LIABILITIES</b>			
Bills payable	14	686,692	915,076
Borrowings	15	46,201,468	35,847,072
Deposits and other accounts	16	54,901,464	50,306,804
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities	17	2,653,229	2,026,015
		104,442,853	89,094,967
<b>NET ASSETS</b>		12,708,194	12,319,524
<b>REPRESENTED BY:</b>			
Share capital	18	10,082,387	10,082,387
Reserves		555,451	407,680
Unappropriated profit		1,843,203	1,252,121
		12,481,041	11,742,188
Surplus on revaluation of assets - net of deferred tax	19	227,153	577,336
		12,708,194	12,319,524
<b>CONTINGENCIES AND COMMITMENTS</b>		20	

The annexed notes 1 to 47 and Annexures I and II form an integral part of these financial statements.

Chief Financial Officer

President & Chief Executive Officer

Chairman

Director

Director

# Profit and Loss Account

FOR THE YEAR ENDED DECEMBER 31, 2017

(Rupees in '000)

	Note	2017	2016
Mark-up / return / interest earned	21	7,256,121	5,682,057
Mark-up / return / interest expensed	22	4,896,833	3,576,446
Net mark-up / return / interest income		2,359,288	2,105,611
Provision against loans and advances - net	10.4	(126,887)	(338,618)
Reversal of provision for diminution in the value of investments	9.3	16,766	67,345
Recoveries against debts written-off - net		10,941	5,814
		(99,180)	(265,459)
Net mark-up / return / interest income after provisions		2,260,108	1,840,152
<b>Non mark-up / interest income</b>			
Fee, commission and brokerage income		210,616	177,769
Dividend income		44,661	36,492
Income from dealing in foreign currencies		138,260	139,621
Gain on sale of securities - net	23	94,300	702,571
Unrealised loss on revaluation of investments classified as held for trading - net	9.7	(42)	(60)
Other income	24	227,351	23,013
Total non mark-up / interest income		715,146	1,079,406
		2,975,254	2,919,558
<b>Non mark-up / interest expenses</b>			
Administrative expenses	25	2,023,021	1,961,764
Other provisions / write offs - net	26	2,232	7,128
Other charges	27	19,073	24,211
Total non mark-up / interest expenses		2,044,326	1,993,103
		930,928	926,455
Extraordinary items / unusual items		-	-
<b>Profit before taxation</b>		930,928	926,455
Taxation - Current year	28	(136,304)	(67,373)
- Prior years	28	105,615	(29,215)
- Deferred	28	(161,386)	(285,265)
		(192,075)	(381,853)
<b>Profit after taxation</b>		738,853	544,602
Unappropriated profit brought forward		1,252,121	816,439
Transferred to statutory reserve		(147,771)	(108,920)
<b>Unappropriated profit carried forward</b>		1,843,203	1,252,121

(Rupees)

	Note	2017	2016
Earnings per share	29	0.73	0.54

The annexed notes 1 to 47 and Annexures I and II form an integral part of these financial statements.

Chief Financial Officer

President & Chief Executive Officer

Chairman

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Director

# Statement of Comprehensive Income

FOR THE YEAR ENDED DECEMBER 31, 2017

(Rupees in '000)

	2017	2016
Profit after taxation for the year	738,853	544,602
Other comprehensive income	-	-
<b>Total comprehensive income for the year transferred to equity</b>	<b>738,853</b>	<b>544,602</b>
<b>Components of comprehensive income not reflected in equity</b>		
<b>Items that may be reclassified subsequently to profit and loss account</b>		
Deficit on revaluation of available for sale financial assets - net of deferred tax	(350,183)	(69,297)
<b>Total comprehensive income for the year</b>	<b>388,670</b>	<b>475,305</b>

The annexed notes 1 to 47 and Annexures I and II form an integral part of these financial statements.

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President & Chief Executive Officer

Chairman

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# Cash Flow Statement

FOR THE YEAR ENDED DECEMBER 31, 2017

	(Rupees in '000)	
Note	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	930,928	926,455
Less: dividend income	(44,661)	(36,492)
	886,267	889,963
<b>Adjustments for non-cash charges and other items:</b>		
Depreciation	169,864	146,634
Amortisation of intangible assets	40,528	14,290
Provision against loans and advances - net	126,887	338,618
Surplus on revaluation of held for trading securities - net	(18)	1,229
Gain on sale of available for sale securities - net	(90,198)	(661,820)
Reversal of provision against other assets - net	(9)	-
Operating fixed assets written off / adjusted	41,452	22,687
Reversal of provision for diminution in the value of investments	(16,766)	(67,345)
Gain on disposal of property and equipment - net	(227,336)	(23,013)
	44,404	(228,720)
	930,671	661,243
<b>(Increase) / decrease in operating assets</b>		
Lendings to financial institutions	84,304	(3,277,254)
Investments - held for trading securities	(1,483,132)	881,500
Advances	(11,518,680)	(4,941,560)
Other assets (excluding current and advance taxation)	(465,135)	152,103
	(13,382,643)	(7,185,211)
<b>Increase / (decrease) in operating liabilities</b>		
Bills payable	(228,384)	422,917
Borrowings from financial institutions	10,354,396	8,521,319
Deposits and other accounts	4,594,660	11,462,513
Other liabilities	627,214	366,101
	15,347,886	20,772,850
	2,895,914	14,248,882
Income tax paid	(23,802)	(5,519)
Net cash flows generated from operating activities	2,872,112	14,243,363
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net investments in securities	(4,629,292)	(12,771,210)
Dividend income received	44,636	34,042
Investments in operating fixed assets	(126,714)	(442,784)
Sale proceeds from disposal of property and equipment	314,304	147,141
Net cash used in investing activities	(4,397,066)	(13,032,811)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
	-	-
<b>Increase in cash and cash equivalents during the year</b>	(1,524,954)	1,210,552
Cash and cash equivalents at the beginning of the year	5,540,085	4,329,533
<b>Cash and cash equivalents at the end of the year</b>	4,015,131	5,540,085

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The annexed notes 1 to 47 and Annexures I and II form an integral part of these financial statements.

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## Statement of Changes in Equity

FOR THE YEAR ENDED DECEMBER 31, 2017

	(Rupees in '000)				
	Share capital	Capital reserve	Statutory reserve	Unappropriated profit	Total
Balance as at December 31, 2015	10,082,387	20,935	277,825	816,439	11,197,586
Profit after taxation for the year ended December 31, 2016	-	-	-	544,602	544,602
Transfer to statutory reserve	-	-	108,920	(108,920)	-
<b>Balance as at December 31, 2016</b>	<b>10,082,387</b>	<b>20,935</b>	<b>386,745</b>	<b>1,252,121</b>	<b>11,742,188</b>
Profit after taxation for the year ended December 31, 2017	-	-	-	738,853	738,853
Transfer to statutory reserve	-	-	147,771	(147,771)	-
<b>Balance as at December 31, 2017</b>	<b>10,082,387</b>	<b>20,935</b>	<b>534,516</b>	<b>1,843,203</b>	<b>12,481,041</b>

The annexed notes 1 to 47 and Annexures I and II form an integral part of these financial statements.

Chief Financial Officer

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Chairman

Director

Director

# Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2017

## 1. STATUS AND NATURE OF BUSINESS

- 1.1 Samba Bank Limited (the Bank) is a banking company incorporated in Pakistan and is engaged in commercial banking and related services. The Bank is listed on the Pakistan Stock Exchange Limited. Its principal office is located at 6th Floor, Sidco Avenue Centre, Maulana Deen Muhammad Wafai Road, Karachi, whereas, the registered office of the Bank is located at 2nd floor, Building No. 13-T, F-7 Markaz, near Post Mall, Islamabad. The Bank is a subsidiary of SAMBA Financial Group of Saudi Arabia, which holds 84.51% shares of the Bank as at December 31, 2017 (2016: 84.51%). The Bank operates 37 branches as at December 31, 2017 (2016: 37 branches) inside Pakistan.
- 1.2 JCR-VIS has determined the Bank's medium to long-term rating as 'AA' with stable outlook and the short-term rating as 'A-1'.

## 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 (SBP) 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.

## 3. STATEMENT OF COMPLIANCE

- 3.1 These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board 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 Securities and Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (SBP) from time to time. Wherever the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or the directives issued by the SECP and the SBP differ with the requirements of IFRSs, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the requirements of the said directives prevail. The Companies Ordinance, 1984 has been repealed after the enactment of the Companies Act, 2017. However, as allowed by the SECP vide its circular number 23 of 2017 dated October 04, 2017, these financial statements have been prepared in accordance with the provisions of the repealed Companies Ordinance, 1984.
- 3.2 The SBP has deferred the applicability of the International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for banking Companies through BSD Circular Letter No. 10 dated August 26, 2002 till further instructions. Further, the SECP has deferred the applicability of International Financial Reporting Standard (IFRS) 7 'Financial Instruments: Disclosures' through its notification S.R.O 411(I)/2008 dated April 28, 2008. 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 SBP through various circulars.
- 3.3 The SBP vide its BSD Circular No. 07 dated April 20, 2010 has clarified that for the purpose of preparation of financial statements in accordance with the International Accounting Standard - 1 (Revised) 'Presentation of Financial Statements', two statement approach shall be adopted i.e. separate 'Profit and Loss Account' and 'Statement of Comprehensive Income' shall be presented, and Balance Sheet shall be renamed as 'Statement of Financial Position'. Furthermore, the surplus / (deficit) on revaluation of available for sale (AFS) securities, may be included in the 'Statement of Comprehensive Income'. Accordingly, the above requirements have been adopted in the preparation of these financial statements.
- 3.4 **Standards, amendments and interpretations to published approved accounting standards that are effective in the current year**
- There are certain new and amended standards and interpretations that are mandatory for accounting periods beginning on or after January 1, 2017 but are considered not to be relevant or do not have any significant effect on the Bank's operations and are therefore not disclosed in these financial statements.
- 3.5 **Standards, interpretations and amendments to published approved accounting standards that are not yet effective**

The following revised standards, amendments and interpretations with respect to the approved accounting standards would be effective from the dates mentioned below against the respective standard, amendments or interpretation:

3.5.1 Standard, Interpretations and Amendments	Effective date (accounting periods beginning on or after)
- IFRS 9 - Financial Instruments	July 1, 2018
- IFRS 15 - Revenue from contracts	July 1, 2018
- IFRS 16 - Leases	January 1, 2019

The management is in the process of assessing the impact of IFRS 15 and IFRS 16 on the financial statements of the Bank. Applicability of IAS 39 was deferred by SBP till further instructions, accordingly, for implementation of IFRS 9, the Bank is awaiting instructions from SBP.

3.5.2 In addition to above, the Companies Act 2017 has been enacted on May 31, 2017 and according to the circular referred to in note number 3.1 of these financial statements, the Act would be applicable on the Financial statements of the Bank effective from January 1, 2018. This would result in additional disclosures and certain changes in financial statements presentation.

3.5.3 The SBP vide BPRD circular no. 2 dated January 25, 2018 has specified the new reporting format for the financial statements of banking companies. The new format has revised the disclosure requirements and will become applicable for the financial statements of the Bank for the year ending December 31, 2018.

3.5.4 There are certain other new and amended standards, interpretations and amendments that are mandatory for the Bank's accounting periods beginning on or after January 1, 2018 but are considered not to be relevant or will not have any significant effect on the Bank's operations and are therefore not detailed in these financial statements.

#### 4. BASIS OF MEASUREMENT

##### 4.1 Accounting convention

These financial statements have been prepared under the historical cost convention except that certain investments, foreign currency balances, commitments in respect of foreign exchange contracts and derivative financial instruments have been marked to market and are carried at fair value.

##### 4.2 Functional and presentation currency

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

##### 4.3 Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards as applicable in Pakistan requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Bank's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 34 to these financial statements.

#### 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

##### 5.1 Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement comprise of cash and balances with treasury banks and balances with other banks.

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

The Bank enters into transactions of repos and reverse repos at contracted rates for a specified period of time. These are recorded as under:

###### (a) Sale of securities 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 between the sale price and contracted repurchase price is amortised over the period of the contract and recorded as an expense.

(b) **Purchase of securities under resale agreements**

Securities purchased under agreement to resell (reverse repo) are included in lendings to financial institutions. The difference between the purchase price and contracted resale price is amortised over the period of the contract and recorded as income.

(c) **Bai Muajjal**

The securities sold under Bai Muajjal agreement are derecognised on the date of disposal. Receivable against such sale is recognised at the agreed sale price. The difference between the sale price and the carrying value on the date of disposal is taken to income on straight line basis.

### 5.3 Investments

#### 5.3.1 Classification

The Bank classifies its investments as follows:

(a) **Held for trading**

These are investments, which are either acquired for generating a profit from short-term fluctuations in market prices, interest rate movements, dealers margin or are securities included in a portfolio in which a pattern of short-term profit taking exists.

(b) **Held to maturity**

These are investments with fixed or determinable payments and fixed maturities and the Bank has the positive intent and ability to hold them till maturity.

(c) **Available for sale**

These are investments, that do not fall under the 'held for trading' or 'held to maturity' categories.

#### 5.3.2 Regular way contracts

All purchases and sales of investments that require delivery within the time frame established by regulation or market convention are recognised at trade date, which is the date on which the Bank commits to purchase or sell the investments. Regular way purchases or sales are purchases or sales of investments that require delivery within the time frame generally established by regulation or convention in the market place.

#### 5.3.3 Initial recognition and measurement

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 while the related transaction costs are expensed out in the profit and loss account.

#### 5.3.4 Subsequent measurement

Subsequent to initial recognition investments are valued as follows:

(a) **Held for trading and available for sale**

In accordance with the requirements specified by the SBP, quoted securities other than those classified as 'held to maturity' are subsequently re-measured to market value. Unquoted equity securities are valued at the lower of cost and break-up value. Break-up value of equity securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements.

Surplus / deficit arising on revaluation of quoted securities which are classified as 'available for sale', is included in the statement of comprehensive income but is kept in a separate account which is shown in the statement of financial position 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.

(b) **Held to maturity**

These are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amount.

**5.3.5 Impairment**

Impairment loss in respect of investments classified as 'available for sale' (except for term finance certificates) 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 these investments. A significant or prolonged decline in the value of equity securities is also considered as an objective evidence of impairment. The Prudential Regulations specify that investments in unlisted equity securities are required to be carried at cost. However, in cases where the breakup value of such equity securities is less than the cost, the difference between the cost and breakup value should be charged to the profit and loss account as an impairment charge. In the case of such securities, impairment loss is reversed when the shares are disposed off. Provision for diminution in the value of term finance certificates is made as per the requirements of the Prudential Regulations issued by the SBP. In the event of impairment of available for sale securities, the cumulative loss that had been recognised directly in surplus on revaluation of securities on the balance sheet below equity is removed thereof and recognised in the profit and loss account. For investments classified as held to maturity, the impairment loss is recognised in the profit and loss account.

**5.3.6** Gain / loss on disposal of investments made during the year is credited / charged to the profit and loss account.

**5.4 Advances**

(a) **Loans and advances**

Advances are stated at cost less specific and general provisions. Specific provision for non-performing advances is determined keeping in view the Bank's policy subject to the minimum requirement set out by the Prudential Regulations and other directives issued by the SBP and charged to the profit and loss account. General provision against consumer and small enterprises financing portfolio is maintained as per the requirements set out in the Prudential Regulations issued by the SBP. Advances are written off when there are no realistic prospects of recovery.

(b) **Net investment in finance leases**

Net investment in finance leases is stated at net of provisions made against non-performing leases.

Leasing arrangements in which the Bank transfers substantially all risks and rewards incidental to the ownership of an asset to the lessee, are classified as finance lease. A receivable is recognised on commencement of the lease term at an amount equal to the present value of minimum lease payments including guaranteed residual value, if any. Unearned finance income is recognised over the term of the lease period so as to produce a constant periodic return on the outstanding net investment in the lease.

Unrealised lease income in respect of non-performing finance leases is suspended in accordance with the Prudential Regulations issued by the SBP.

**5.5 Operating fixed assets and depreciation**

(a) **Property and Equipment**

(i) **Owned Assets**

Owned assets are stated at cost less accumulated depreciation and accumulated impairment losses, if any, except for capital work-in-progress and freehold land. Capital work-in-progress and freehold land are stated at cost less accumulated impairment losses, if any.

Depreciation on operating fixed assets (excluding land which is not depreciated) is charged using the straight line method in accordance with the rates specified in note 11.2 to these financial statements after taking into account the residual value, if significant. The assets' residual values and useful lives are reviewed and adjusted, if required, at each balance sheet date. Depreciation on additions is charged from the month the assets are available for use. No depreciation is charged in the month of disposal.

Subsequent costs are included in the asset's carrying amount or 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. All other repair and maintenance is charged to the profit and loss account as and when incurred.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains / losses on disposal of fixed assets, if any, are taken to the profit and loss account in the period in which they arise.

**(ii) Leased assets**

Leases are classified as finance leases wherever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Lease payments, if any, under operating leases are charged to the profit and loss account on a straight line basis over the lease term. Premium paid at the time of renewal, if any, is amortised over the remaining period of the lease.

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

The finance charges are allocated to the 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.

**(b) Intangible assets**

Intangible assets having definite useful lives are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Amortisation is charged by applying the straight-line method over the useful life of the assets. Amortisation is calculated so as to write-off the assets over their expected economic lives at the rates specified in note 11.3 to these financial statements. Amortisation is charged from the month in which the asset is available for use. No amortisation is charged for the month in which the asset is disposed off. The residual value, useful life and amortisation method are reviewed and adjusted, if appropriate, at each balance sheet date.

Subsequent costs are included in the asset's carrying amount or 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.

Intangible assets having an indefinite useful life are stated at acquisition cost less accumulated impairment losses, if any. Gains and losses on disposals, if any, are taken to the profit and loss account in the period in which they arise.

**(c) Capital work-in-progress**

Capital work-in-progress is stated at cost less accumulated impairment losses, if any. All expenditure connected with specific assets incurred during installation and construction period are carried under this head. These are transferred to specific assets as and when assets become available for use.

**5.6 Non-current assets held for sale**

The Bank classifies a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use.

A non-current asset (or disposal group) held for sale is carried at the lower of its carrying amount and the fair value less costs to sell. Impairment losses are recognised through the profit and loss account for any initial or subsequent write down of the non-current asset (or disposal group) to fair value less costs to sell. Subsequent gains in fair value less costs to sell are recognised to the extent they do not exceed the cumulative impairment losses previously recorded. A non-current asset is not depreciated while classified as held for sale or while part of a disposal group classified as held for sale.

**5.7 Impairment**

At each reporting date, the Bank reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss. Recoverable amount is the greater of fair value less cost to sell and value in use.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately in the profit and loss account.

Where an impairment loss reverses subsequently, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

## 5.8 Taxation

### (a) Current

The provision for current taxation is based on taxable income for the year, if any, at current rates of taxation, after taking into consideration available tax credits, rebates and tax losses as specified under the seventh schedule to the Income Tax Ordinance, 2001. The charge for current tax also includes adjustments, where considered necessary relating to prior years, which arises from assessments / developments made during the year.

### (b) Deferred

Deferred tax is recognised using the balance sheet liability method on all major temporary differences between the carrying amounts of assets and liabilities used for financial reporting purposes and amounts used for taxation purposes. In addition, the Bank also records deferred tax asset on available tax losses. Deferred tax is calculated using the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the reporting 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 the 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 securities which is adjusted against the related (deficit) / surplus in accordance with the requirements of the International Accounting Standard (IAS-12) dealing with income taxes.

## 5.9 Provisions

Provision for guarantee claims and other off balance sheet obligations is recognised when identified and reasonable certainty exists for the Bank to settle the obligation. Expected recoveries are recognised by debiting the customer's account. Charge to the profit and loss account is stated net-of expected recoveries.

Other 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 embodying economic benefits 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.

## 5.10 Staff retirement benefits

### (a) Defined contribution plan

The Bank operates a contributory provident fund scheme covering all its permanent employees. Equal monthly contributions are made both by the Bank and the employees in respect of this benefit. Obligations for contributions to defined contribution plan are recognised as an employee benefit expense in the profit and loss account when they are due. Prepaid contributions are recognised as an asset to the extent that cash refund or reduction in future payments is available.

### (b) Compensated absences

The liability in respect of compensated absences of employees is accounted for in the period in which the absences accrue.

## 5.11 Borrowings / deposits and their cost

Borrowings / deposits are recorded when the proceeds are received. Borrowing / deposit costs are recognised as an expense in the period in which these are incurred using the effective mark-up / interest rate method to the extent that they are not directly attributable to the acquisition of or construction of qualifying assets. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) is capitalised as part of the cost of that asset.

## 5.12 Proposed dividend and transfers between reserves

Dividends and appropriations to reserves, except appropriations which are required by law, made subsequent to the balance sheet date are considered as non-adjusting events and are recorded in the financial statements in accordance with the requirements of

International Accounting Standard (IAS) 10, 'Events after the Balance Sheet Date' in the year in which they are approved / transfers are made.

### 5.13 Revenue recognition

- Mark-up income / interest on advances and returns on investments are recognised on a time proportionate basis using the effective interest method except that mark-up / income / return on classified advances and investments is recognised on receipt basis in accordance with the requirements of the Prudential Regulations issued by the SBP. Interest / return / mark-up on rescheduled / restructured advances and investments is recognised as permitted by the Prudential Regulations issued by the SBP, except where, in the opinion of the management, it would not be prudent to do so.
- Fee, commission and brokerage income are accounted for on an accrual / time proportion basis.
- Dividend income from investments is recognised when the Bank's right to receive the dividend has been established.
- Financing method is used in accounting for income from lease financing. Under this method, the unearned lease income (excess of the sum of total lease rentals and estimated residual value over the cost of the leased assets) is deferred and taken to income over the term of the lease so as to produce a constant periodic rate of return on the outstanding net investment in the lease.
- Unrealised lease income in respect of non-performing finance leases and markup / return on non-performing advances is held in suspense account.
- Premium or discount on acquisition of debt investments is capitalised and amortised through the profit and loss account over the remaining period till maturity.
- Gains / losses on termination of lease contracts, documentation charges, front end fee and other lease income are recognised as income when realised.

### 5.14 Foreign currencies

#### (a) Foreign currency transactions

Foreign currency transactions are translated into Pakistani Rupees at the exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pakistani Rupees at exchange rates prevailing at the reporting date. Foreign bills purchased and forward foreign exchange contracts are valued at the rates applicable to their respective maturities.

#### (b) Translation gains and losses

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

#### (c) Contingencies and commitments

Commitments for outstanding forward foreign exchange contracts are disclosed at contracted rates. Contingent liabilities / commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in Pakistani rupee terms at the exchange rate prevailing at the reporting date.

### 5.15 Segment reporting

The Bank has structured its key business areas in various segments in a manner that each segment becomes a distinguishable component of the Bank that is engaged either in providing products 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.

#### (a) Business segments

##### (i) Corporate Banking

Corporate banking includes project finance, real estate, export finance, trade finance, leasing, lending, guarantees, bills of exchange and deposits and includes services provided in connection with mergers and acquisitions, underwriting, privatisation, securitisation, research, debt (government and high yield) and equity syndications, IPO and secondary private placements. These services are being offered to large corporate entities.



(ii) **Global Markets**

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

(iii) **Retail banking**

It includes retail / consumer lending and deposits, banking services, trust and estates, private lending and deposits, banking service, trust and estates investment advice, merchant / commercial / corporate cards and private labels and retail.

(iv) **Commercial banking**

Commercial banking includes lendings, export finance, trade finance, bills of exchange and deposits. These services are being offered to commercial customers and small & medium sized entities.

(v) **Senoff**

It includes certain corporate assets and liabilities which are not allocated to business segments.

(b) **Geographical segments**

The operations of the Bank are currently based only in Pakistan.

**5.16 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 contingencies and commitments.

**5.17 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, as the case may be, attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year. Diluted EPS per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding after including the effects of all dilutive potential ordinary shares, if any.

**5.18 Financial instruments**

**5.18.1 Financial assets and liabilities**

All financial assets and liabilities are recognised at the time when the Bank becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the Bank loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognised when they are extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or expired. Any gain / loss on derecognition of the financial assets and financial liabilities is taken to income directly. Financial instruments carried on the statement of financial position include cash and balances with treasury banks, balances with other banks, lendings to financial institutions, investments, advances, certain other assets, bills payable, borrowings, deposits and certain other liabilities. The particular recognition methods adopted for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with these assets and liabilities.

**5.18.2 Off-setting of financial instruments**

Financial assets and financial liabilities are off-set and the net amount is reported in the financial statements only when there is a legally enforceable right to set off the recognised amount and the Bank intends either to settle on a net basis, or to realise the assets and to settle the liabilities simultaneously.

**5.18.3 Derivatives**

Derivative financial instruments are recognised at fair value. Derivatives with positive market values (unrealised gains) are included in other assets and derivatives with negative market values (unrealised losses) are included in other liabilities in the statement of financial position. The resultant gains and losses are taken to the profit and loss account.

**5.19 Fiduciary assets**

Assets held in a fiduciary capacity are not treated as assets of the Bank in these financial statements.

## 6. CASH AND BALANCES WITH TREASURY BANKS

		(Rupees in '000)	
	Note	2017	2016
<b>In hand</b>			
Local currency		476,923	496,198
Foreign currencies		248,455	127,436
		<b>725,378</b>	<b>623,634</b>
<b>With State Bank of Pakistan in</b>			
Local currency current account	6.1	2,045,675	2,758,690
Foreign currency current account (cash reserve account)	6.2	276,926	331,159
Foreign currency deposit account (USD settlement account)		5,116	8,244
Foreign currency deposit account (special cash reserve account)	6.2	830,669	993,477
		<b>3,158,386</b>	<b>4,091,570</b>
<b>With National Bank of Pakistan in</b>			
Local currency current account		3,822	8,460
National Prize Bonds		159	-
		<b>3,887,745</b>	<b>4,723,664</b>

- 6.1 The local currency account is maintained with the State Bank of Pakistan (SBP) as per the requirements of Section 22 of the Banking Companies Ordinance, 1962. 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 in Pakistan as may be prescribed by the SBP.
- 6.2 This mainly represents reserve required to be maintained as per BSD Circular No. 14 dated June 21, 2008, with the SBP at an amount equivalent to at least 20% of the Bank's foreign currency deposits mobilised under FE-25 scheme. This foreign currency cash reserve comprises an amount equivalent to at least 5% of the Bank's foreign currency deposits mobilised under the FE-25 scheme, which is kept in a non-remunerative account (cash reserve account). The balance reserve equivalent to at least 15% of the Bank's foreign currency deposits mobilised under FE-25 scheme is maintained in a remunerative account (special cash reserve account) on which the Bank is entitled to earn a return which is declared by the SBP on a monthly basis. These deposits carry markup at the rates ranging from 0.06% to 0.37% per annum (2016: Nil).

## 7. BALANCES WITH OTHER BANKS

		(Rupees in '000)	
	Note	2017	2016
<b>In Pakistan</b>			
On current account		3,802	24,384
On savings account	7.1	15	14
<b>Outside Pakistan</b>			
On current account	7.2	123,569	792,023
		<b>127,386</b>	<b>816,421</b>

- 7.1 These carry mark-up at the rate of 4% (2016: 3.5%) per annum.
- 7.2 The above amount includes balance with SAMBA Financial Group (a related party) amounting Rs. 12.964 million (2016: Rs. 28.677 million).

## 8. LENDINGS TO FINANCIAL INSTITUTIONS

		(Rupees in '000)	
	Note	2017	2016
Call money lendings	8.2	4,500,000	3,500,000
Repurchase agreement lendings (reverse repo)	8.3	692,950	1,777,254
		<b>5,192,950</b>	<b>5,277,254</b>

- 8.1 All lendings to financial institutions are in local currency.
- 8.2 These represent lendings to commercial banks in the inter bank money market. These lendings carry mark-up at the rates ranging from 6.00% to 6.10% (2016: 6.20%) per annum and will mature latest by January 05, 2018 (2016: January 02, 2017).

### 8.3 Securities held as collateral against lendings to financial institutions

(Rupees in '000)

Particulars	2017			2016		
	Held by bank	Further given as collateral	Total	Held by bank	Further given as collateral	Total
Market Treasury Bills (face value) - note 8.3.1	700,000	-	700,000	500,000	-	500,000
Pakistan Investment Bonds (face value) - note 8.3.1	-	-	-	1,280,000	-	1,280,000
	<u>700,000</u>	<u>-</u>	<u>700,000</u>	<u>1,780,000</u>	<u>-</u>	<u>1,780,000</u>

8.3.1 These represent short-term lendings to financial institution against investment securities. These carry mark-up at the rate of 6.00% (2016: 5.80% to 5.95%) per annum and will mature latest by January 02, 2018 (2016: January 06, 2017).

### 9. INVESTMENTS - NET

(Rupees in '000)

	2017			2016		
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
<b>9.1 Investments by type</b>						
<b>Held for trading securities</b>						
Market Treasury Bills	1,494,662	-	1,494,662	3,979	-	3,979
Ordinary Shares - listed	-	-	-	7,569	-	7,569
	<u>1,494,662</u>	<u>-</u>	<u>1,494,662</u>	<u>11,548</u>	<u>-</u>	<u>11,548</u>
<b>Available for sale securities</b>						
Market Treasury Bills	8,515,143	5,647,000	14,162,143	2,068,064	-	2,068,064
Pakistan Investment Bonds	7,065,108	32,745,228	39,810,336	22,732,974	25,886,058	48,619,032
Ordinary Shares - listed	949,712	-	949,712	1,012,384	-	1,012,384
Ordinary Shares - unlisted	20,500	-	20,500	20,500	-	20,500
Corporate Sukuk Bonds	975,000	-	975,000	-	-	-
Term Finance Certificates:						
- Listed	148,857	-	148,857	-	-	-
- Unlisted	50,090	-	50,090	-	-	-
	<u>17,724,410</u>	<u>38,392,228</u>	<u>56,116,638</u>	<u>25,833,922</u>	<u>25,886,058</u>	<u>51,719,980</u>
<b>Held to maturity securities</b>						
Pakistan Investment Bonds	4,975,297	-	4,975,297	4,652,465	-	4,652,465
	<u>24,194,369</u>	<u>38,392,228</u>	<u>62,586,597</u>	<u>30,497,935</u>	<u>25,886,058</u>	<u>56,383,993</u>
<b>Investments at cost</b>						
Less: Provision for diminution in the value of investments - note 9.3	(17,920)	-	(17,920)	(34,686)	-	(34,686)
<b>Investments - net of provisions</b>	<u>24,176,449</u>	<u>38,392,228</u>	<u>62,568,677</u>	<u>30,463,249</u>	<u>25,886,058</u>	<u>56,349,307</u>
Surplus on revaluation of available for sale securities - net - note 19	(12,958)	362,425	349,467	378,833	509,376	888,209
(Deficit) / surplus on revaluation of held for trading securities - net - note 9.7	(42)	-	(42)	(60)	-	(60)
<b>Total investments - net of provisions</b>	<u>24,163,449</u>	<u>38,754,653</u>	<u>62,918,102</u>	<u>30,842,022</u>	<u>26,395,434</u>	<u>57,237,456</u>

## 9.2 Investments by segment

(Rupees in '000)

	Note	2017	2016
<b>Federal government securities</b>			
Market Treasury Bills	9.8	15,656,805	2,072,043
Pakistan Investment Bonds	9.8	44,785,633	53,271,497
		60,442,438	55,343,540
<b>Fully paid-up ordinary shares</b>			
Listed companies	9.5	949,712	1,019,953
Unlisted companies	9.6	20,500	20,500
		970,212	1,040,453
<b>Corporate Sukuk Bonds and Term Finance Certificates</b>			
Term Finance Certificate			
- Listed	9.5	148,857	-
- Unlisted	9.6	50,090	-
Corporate Sukuk Bonds	9.5	975,000	-
		1,173,947	-
Investments at cost			
		62,586,597	56,383,993
Less: Provision for diminution in the value of investments	9.3	(17,920)	(34,686)
<b>Investments - net of provisions</b>		<b>62,568,677</b>	<b>56,349,307</b>
Surplus on revaluation of available for sale securities - net	19	349,467	888,209
Deficit on revaluation of held for trading securities - net	9.7	(42)	(60)
<b>Total investments - net of provisions</b>		<b>62,918,102</b>	<b>57,237,456</b>
<b>9.3 Particulars of provision for diminution in the value of investments</b>			
Opening balance		34,686	102,031
Reversal of provision for diminution in the value of investments		(16,766)	(67,345)
Closing balance		17,920	34,686
<b>9.3.1 Particulars of provision for diminution in the value of investments by type</b>			
<b>Available for sale securities</b>			
Ordinary shares - listed	9.5	7,420	24,186
Ordinary shares - unlisted	9.6	10,500	10,500
		17,920	34,686
<b>9.3.2 Particulars of provision for diminution in the value of investments by segment</b>			
<b>Fully paid-up ordinary shares</b>			
Listed companies	9.5	7,420	24,186
Unlisted companies	9.6	10,500	10,500
		17,920	34,686

9.4 Quality of available for sale securities

	Note	2017		2016	
		Market value / cost Rupees in '000	Rating (where available)	Market value / cost Rupees in '000	Rating (where available)
Market Treasury Bills		14,161,936	-	2,068,040	-
Pakistan Investment Bonds		40,243,849	-	49,426,993	-
<b>Corporate Sukuk Bonds</b>					
Byco Petroleum Pakistan Limited		754,576	AAA	-	-
AGP Limited		226,463	A	-	-
<b>Term Finance Certificates - Listed</b>					
Habib Bank Limited		148,626	AA+	-	-
<b>Term Finance Certificates - Unlisted</b>					
Askari Bank Limited		50,057	AA-	-	-
<b>Ordinary shares - listed</b>					
Bank Alfalah Limited		-	-	37,960	AA
National Bank of Pakistan		-	-	37,445	AAA
Attock Cement Pakistan Limited		-	-	33,626	A+
Fauji Cement Company Limited		-	-	56,350	unrated
National Refinery Limited		-	-	42,834	AA+
Nishat Chunian Power Limited		49,365	unrated	55,480	unrated
Fauji Fertilizer Bin Qasim Limited		39,094	unrated	34,848	unrated
K-Electric Limited		47,325	AA	37,480	AA
Amreli Steels Limited		-	-	49,943	A
Al Shaheer Corporation Limited		14,887	unrated	28,700	unrated
Saif Power Limited		43,395	A+	5,636	A+
Allied Bank Limited		25,494	AA+	-	-
Habib Bank Limited		50,126	AAA	68,313	AAA
MCB Bank Limited		21,232	AAA	23,782	AAA
United Bank Limited		56,391	AAA	59,725	AAA
Nishat Power Limited		35,360	A+	-	-
Nishat Mills Limited		44,850	AA	38,068	AA
Pak Elektron Limited		40,841	A+	-	-
Lucky Cement Limited		31,045	unrated	-	-
Kot Addu Power Company Limited		67,375	AA+	55,160	AA+
Oil and Gas Development Company Limited		-	-	49,605	AAA
International Steels Limited		37,230	A+	-	-
International Industries Limited		36,017	AA-	-	-
Engro Corporation Limited		-	-	31,609	AA
Fauji Fertilizer Company Limited		15,822	AA	52,185	AA
Engro Fertilizer Limited		50,790	AA-	67,980	AA-
Singer Pakistan Limited		36,329	unrated	-	-
Haji Muhammad Ismail Mills Limited	9.4.1	-	unrated	9,362	unrated
First Tawakkal Modaraba	9.4.1	104	unrated	104	unrated
Tristar Shipping Lines Limited	9.4.1	12	unrated	12	unrated
Islamic Investment Bank Limited	9.4.1	285	unrated	285	unrated
Pakistan PVC Limited	9.4.1	4,261	unrated	11,666	unrated
Hamid Textile Mills Limited	9.4.1	2,757	unrated	2,757	unrated
Nishat (Chunian) Limited		-	-	31,215	unrated
Cherat Cement Company Limited		-	-	43,510	A
D. G. Khan Cement Company Limited		20,058	unrated	33,260	unrated
Pakistan State Oil Company Limited		-	-	43,421	AA
Shell Pakistan Limited		-	-	25,865	unrated
Sui Northern Gas pipelines Limited		23,653	AA-	24,471	AA-
Dolmen City REIT		66,000	RR1	-	-
<b>Ordinary shares - unlisted*</b>					
Crescent Industrial Chemical Limited		-	-	-	-
Pak Asian Fund		10,000	unrated	10,000	unrated
Union Communication (Private) Limited		-	-	-	-

\* Represents book value net of provision.

9.4.1 Although these securities have a market value as at December 31, 2017, they have been fully provided by the Bank on a subjective basis and are stated above at cost.

9.5 Particulars of investments held in listed securities

2017	2016	Paid-up value per share / certificate (Rupees)	Name of investee company / modaraba / mutual fund	2017	2016
Number of ordinary shares / certificates				(Rupees in '000)	
<b>Available for sale</b>					
<b>Ordinary shares</b>					
1,000,000	1,000,000	10.00	Bank Alfalah Limited	-	29,847
500,000	500,000	10.00	National Bank Of Pakistan	-	37,610
100,000	100,000	10.00	Attock Cement Pakistan Limited	-	32,876
1,250,000	1,250,000	10.00	Fauji Cement Company Limited	-	46,690
75,000	75,000	10.00	National Refinery Limited	-	45,150
1,500,000	1,000,000	10.00	Nishat Chunian Power Limited	53,404	51,564
1,100,000	680,500	10.00	Fauji Fertilizer Bin Qasim	46,487	36,146
7,500,000	4,000,000	3.50	K-Electric Limited	56,600	37,675
-	750,000	10.00	Amreli Steels Limited	-	44,641
670,000	500,000	10.00	Al Shaheer Corporation Limited	17,368	26,361
1,500,000	158,500	10.00	Saif Power Limited	51,441	5,419
300,000	-	10.00	Allied Bank Limited	28,489	-
300,000	250,000	10.00	Habib Bank Limited	52,048	48,544
100,000	100,000	10.00	MCB Bank Limited	21,929	22,870
300,000	250,000	10.00	United Bank Limited	52,134	43,082
1,040,000	-	10.00	Nishat Power Limited	39,263	-
300,000	250,000	10.00	Nishat Mills Limited	43,967	38,869
860,000	-	10.00	Pak Elektron Limited	49,424	-
60,000	-	10.00	Lucky Cement Limited	36,724	-
1,250,000	700,000	10.00	Kot Addu Power Company Limited	82,084	57,615
-	300,000	10.00	Oil and Gas Development Company Limited	-	44,242
350,000	-	10.00	International Steels Limited	44,131	-
150,000	-	10.00	International Industries Limited	43,023	-
-	100,000	10.00	Engro Corporation Limited	-	32,204
200,000	500,000	10.00	Fauji Fertilizer Company Limited	17,281	56,335
750,000	1,000,000	10.00	Engro Fertilizer Limited	49,156	67,530
997,500	-	10.00	Singer Pakistan Limited	42,581	-
-	1,008,225	10.00	Haji Muhammad Ismail Mills Limited	-	9,362
36,500	36,500	10.00	First Tawakkal Modaraba	104	104
131,000	131,000	10.00	Tristar Shipping Lines Limited	12	12
60,581	60,581	10.00	Islamic Investment Bank Limited	285	285
382,000	1,045,725	10.00	Pakistan PVC Limited	4,261	11,666
6,000,000	-	10.00	Dolmen City REIT	66,246	-
1,125,406	1,125,406	10.00	Hamid Textile Mills Limited	2,757	2,757
-	250,000	10.00	Cherat Cement Company Limited	-	31,133
150,000	150,000	10.00	D. G. Khan Cement Company Limited	24,216	32,627
-	100,000	10.00	Pakistan State Oil Company Limited	-	41,024
-	50,000	10.00	Shell Pakistan Limited	-	25,575
250,000	300,000	10.00	Sui Northern Gas Pipelines Limited	24,297	21,978
-	500,000	10.00	Nishat (Chunian) Limited	-	30,591
				949,712	1,012,384
<b>Corporate Sukuk Bonds</b>					
7,500	-	100,000	Byco Petroleum Pakistan Limited	750,000	-
2,500	-	100,000	AGP Limited	225,000	-
				975,000	-
<b>Term Finance Certificate</b>					
1,500	-	100,000	Habib Bank Limited	148,857	-
				148,857	-
			Less: Provision for diminution in the value of investments 9.3.1 & 9.3.2	(7,420)	(24,186)
			Add: Surplus / (deficit) on revaluation of listed securities	(83,807)	80,272
				<u>1,982,342</u>	<u>1,068,470</u>
<b>Held for trading</b>					
<b>Ordinary shares</b>					
-	50,000	10.00	National Bank Of Pakistan	-	3,750
-	73,500	10.00	Fauji Fertilizer Bin Qasim Limited	-	3,819
				-	7,569
			Less: Deficit on revaluation of listed securities 9.7	-	(60)
				-	7,509

9.6 Particulars of investments held in unlisted securities

2017	2016	2017	2016	Based on the latest available financial statements as at	% holding	Name of investee company / fund	2017	2016
Number of ordinary shares / certificates		Break-up value per share (Rupees)					Face value of ordinary shares / certificates	
(Rupees in '000)								
<b>Available for Sale</b>								
<b>Shareholding upto 10%</b>								
1,000,000	1,000,000	16.84	16.84	Jun-16	8.89%	Pak Asian Funds Limited (Chief Executive Officer: Mr. Ashfaq Ahmed Berdi)	10,000	10,000
50,000	50,000	6.86	6.86	Jun-12	0.33%	Union Communication (Private) Limited (Chief Executive Officer: Mr. Khalid Mehmood)	500	500
1,000,000	1,000,000	(0.13)	(1.20)	Jun-17	0.97%	Crescent Industrial Chemicals Limited (Chief Executive Officer: Mr. Tariq Shafi) Less: Provision for diminution in the value of investments - note 9.3.1 & 9.3.2	10,000 20,500 (10,500) 10,000	10,000 20,500 (10,500) 10,000
<b>Term Finance Certificate</b>								
10,000	-	5,000	-			Askari Bank Limited (Chief Executive Officer: Mr Syed M. Husaini) Deficit on revaluation of unlisted securities	50,090 (33) 50,057	- - -

9.7 Deficit on revaluation of held for trading securities - net

(Rupees in '000)

	2017	2016
Market Treasury Bills	(42)	-
Ordinary Shares - Listed	-	(60)
	(42)	(60)

9.8 Particulars of Federal government securities

Market Treasury Bills have a tenor upto three months. The yield on these instruments ranges from 5.91% to 6.07% (2016: 5.79% to 6.22%) per annum with maturities of upto February 01, 2018 (2016: February 16, 2017).

Pakistan Investment Bonds are issued by the Government of Pakistan for a period ranging from 3 to 10 years. These securities carry profit at rates ranging from 7.00% to 12.00% (2016: 7.00% to 12.00%) per annum with maturities from March 26, 2018 to April 21, 2026 (2016: July 17, 2017 to April 21, 2026).

9.9 Investments include certain approved / Government securities which are held by the Bank to comply with the statutory liquidity requirements determined on the basis of the Bank's demand and time liabilities as set out under the Banking Companies Ordinance, 1962.

## 10. ADVANCES - NET

(Rupees in '000)

	Note	2017		2016	
Loans, cash credits, running finances, etc. In Pakistan		41,211,363		29,348,877	
Net investment in finance leases In Pakistan	10.2	314,014		321,750	
Bills discounted and purchased (excluding treasury bills) Payable in Pakistan		968,334		1,301,571	
Payable outside Pakistan		8,849		15,754	
Advances - gross		42,502,560		30,987,952	
Provision against advances - specific and general	10.4	(2,320,787)		(2,197,972)	
Advances - net of provision		40,181,773		28,789,980	
<b>10.1 Particulars of advances - gross</b>					
10.1.1 In local currency		40,215,043		26,073,406	
In foreign currencies		2,287,517		4,914,546	
		42,502,560		30,987,952	
10.1.2 Short-term (upto one year)		33,441,126		24,776,312	
Long-term (over one year)		9,061,434		6,211,640	
		42,502,560		30,987,952	

### 10.2 Net investment in finance leases

(Rupees in '000)

	2017				2016			
	Not later than one year	Later than one year and less than five years	Over five years	Total	Not later than one year	Later than one year and less than five years	Over five years	Total
Lease rentals receivable	279,498	-	-	279,498	289,176	-	-	289,176
Residual value	35,808	-	-	35,808	36,657	-	-	36,657
Minimum lease payments	315,306	-	-	315,306	325,833	-	-	325,833
Finance charge for future periods	(1,292)	-	-	(1,292)	(4,083)	-	-	(4,083)
Present value of minimum lease payments	314,014	-	-	314,014	321,750	-	-	321,750

10.3 Advances include Rs. 2,335.748 million (2016: Rs. 2,372.926 million) which have been placed under non-performing status as detailed below:

(Rupees in '000)

Category of classification	2017								
	Advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
Classified portfolio									
Substandard	604	-	604	151	-	151	151	-	151
Doubtful	-	-	-	-	-	-	-	-	-
Loss	2,335,144	-	2,335,144	2,303,141	-	2,303,141	2,303,141	-	2,303,141
	2,335,748	-	2,335,748	2,303,292	-	2,303,292	2,303,292	-	2,303,292



(Rupees in '000)

Category of classification	2016								
	Advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
<b>Classified portfolio</b>									
Substandard	2,565	-	2,565	640	-	640	640	-	640
Doubtful	698,712	-	698,712	453,521	-	453,521	453,521	-	453,521
Loss	1,671,649	-	1,671,649	1,637,903	-	1,637,903	1,637,903	-	1,637,903
	<u>2,372,926</u>	<u>-</u>	<u>2,372,926</u>	<u>2,092,064</u>	<u>-</u>	<u>2,092,064</u>	<u>2,092,064</u>	<u>-</u>	<u>2,092,064</u>

10.3.1 No benefit of forced sale value of the collaterals held by the Bank has been taken while determining the provision against non performing loans as allowed under BSD circular No. 01 dated October 21, 2011.

#### 10.4 Particulars of provision against advances

(Rupees in '000)

	Note	2017			2016		
		Specific	General	Total	Specific	General	Total
Opening balance		2,092,064	105,908	2,197,972	1,932,522	140,081	2,072,603
Charge for the year		246,582	16,162	262,744	460,517	197,548	658,065
Reversals		(31,282)	(104,575)	(135,857)	(87,726)	(231,721)	(319,447)
		215,300	(88,413)	126,887	372,791	(34,173)	338,618
Amounts written off	10.5	(4,072)	-	(4,072)	(213,249)	-	(213,249)
Closing balance		<u>2,303,292</u>	<u>17,495</u>	<u>2,320,787</u>	<u>2,092,064</u>	<u>105,908</u>	<u>2,197,972</u>

10.4.1 General provision as at December 31, 2017 includes provision of Rs. 17.495 million (2016: Rs. 1.333 million) held against consumer finance portfolio as required by the Prudential Regulations issued by the State Bank of Pakistan. The general provision of Rs. 104.575 million as at December 31, 2016 maintained against corporate and commercial advances for potential losses present in portfolio has been utilised during the year by the Bank in meeting certain specific provisions against identified non-performing customers.

#### 10.4.2 Particulars of provisions against advances

(Rupees in '000)

	2017			2016		
	Specific	General	Total	Specific	General	Total
In local currency	<u>2,303,292</u>	<u>17,495</u>	<u>2,320,787</u>	<u>2,092,064</u>	<u>105,908</u>	<u>2,197,972</u>

#### 10.5 Particulars of write-offs

(Rupees in '000)

	Note	2017	2016
10.5.1 Against provisions	10.4	<u>4,072</u>	<u>213,249</u>
10.5.2 Write-offs of Rs 500,000 and above	10.6	<u>509</u>	<u>206,952</u>
Write-offs of below Rs 500,000		<u>3,563</u>	<u>6,297</u>
		<u>4,072</u>	<u>213,249</u>

#### 10.6 Details of loan write-off 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 during the year ended December 31, 2017 is given in Annexure-1 to these financial statements. These loans are written off as a book entry without prejudice to the Bank's right of recovery against the customers.

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

		(Rupees in '000)	
Note	2017	2016	
Debits due by directors, executives or officers of the Bank or any of them either severally or jointly with any other persons - note 10.7.1			
	611,336	414,019	
Balance at beginning of the year	282,872	334,133	
Loans granted during the year	(150,924)	(136,816)	
Repayments during the year	743,284	611,336	
Debits due by companies or firms in which the directors of the Bank are interested as directors, partners or in the case of private companies as members			
	-	-	
Balance at beginning of the year	-	-	
Loans granted during the year	-	-	
Repayments during the year	-	-	
Balance at end of the year	-	-	
Debits due by subsidiary companies, controlled firms, managed modarabas and other related parties			
	-	-	
Balance at beginning of the year	-	-	
Loans granted during the year	-	-	
Repayments during the year	-	-	
Written off during the year	-	-	
Balance at end of the year	-	-	

10.7.1 These include loans provided to employees as per the Bank's policy.

11. OPERATING FIXED ASSETS

		(Rupees in '000)	
Note	2017	2016	
Capital work-in-progress	17,160	391,908	
Property and equipment	1,101,278	935,931	
Intangible assets	128,180	35,030	
	1,246,618	1,362,869	
Non-current assets held for sale	-	95,846	
	1,246,618	1,458,715	
11.1 Capital work-in-progress			
	4,890	10,090	
Civil works	-	118,910	
Land and buildings	12,270	262,908	
Advances to suppliers and contractors	17,160	391,908	

## 11.2 Property and equipment

(Rupees in '000)

Description	2017													
	Cost					Accumulated depreciation / impairment					Net book value as at December 31, 2017	Rate per annum (%)		
	Balance as at January 1, 2017	Additions	Transfers from assets held for sale	Disposals	Write-offs	Balance as at December 31, 2017	Balance as at January 1, 2017	Charge for the year	Transfers from assets held for sale	Disposals			Write-offs	Balance as at December 31, 2017
<b>Owned</b>														
Freehold land	375,180	119,060	8,000	-	-	502,240	-	-	-	-	-	-	502,240	-
Buildings on freehold land	139,799	20,746	13,972	-	-	174,517	77,327	7,404	-	-	-	84,731	89,786	5
Furniture and fixtures	591,607	44,322	-	(8,553)	(15,690)	611,686	323,033	58,243	-	(8,195)	(13,597)	359,484	252,202	5 / 10 / 20
Electrical, office and computer equipment	664,775	131,823	-	(45,565)	(409)	750,624	462,218	99,430	-	(45,549)	(261)	515,838	234,786	20 / 33 / 50
Vehicles	44,800	86	-	(538)	-	44,348	17,652	4,787	-	(355)	-	22,084	22,264	20
	1,816,161	316,037	21,972	(54,656)	(16,099)	2,083,415	880,230	169,864	-	(54,099)	(13,858)	982,137	1,101,278	

(Rupees in '000)

Description	2016													
	Cost					Accumulated depreciation / impairment					Net book value as at December 31, 2016	Rate per annum (%)		
	Balance as at January 1, 2016	Additions	Transfers to assets held for sale	Disposals	Write-offs	Balance as at December 31, 2016	Balance as at January 1, 2016	Charge for the year	Transfers to assets held for sale	Disposals			Write-offs	Balance as at December 31, 2016
<b>Owned</b>														
Freehold land	433,702	9,762	(69,778)	-	1,494	375,180	-	-	-	-	-	-	375,180	-
Buildings on freehold land	158,005	6,192	(24,398)	-	-	139,799	95,221	3,264	(21,043)	-	(115)	77,327	62,472	5
Furniture and fixtures	577,253	84,547	(1,142)	(67,373)	(1,678)	591,607	327,012	57,093	(401)	(60,182)	(489)	323,033	268,574	5 / 10 / 20
Electrical, office and computer equipment	642,856	154,276	-	(132,517)	160	664,775	512,924	80,463	-	(131,780)	611	462,218	202,557	20 / 33 / 50
Vehicles	218,222	5,464	-	(178,886)	-	44,800	67,396	5,814	-	(55,558)	-	17,652	27,148	20
	2,030,038	260,241	(95,318)	(378,776)	(24)	1,816,161	1,002,553	146,634	(21,444)	(247,520)	7	880,230	935,931	

## 11.3 Intangible Assets

(Rupees in '000)

Description	2017											Net book value as at December 31, 2017	Rate per annum (%)
	Cost				Accumulated amortisation								
	Balance as at January 1, 2017	Additions	Disposals	Write-offs	Balance as at December 31, 2017	Balance as at January 1, 2017	Charge for the year	Disposals	Write-offs	Balance as at December 31, 2017			
Computer software	110,310	133,678	-	(659)	243,329	75,280	40,528	-	(659)	115,149	128,180	14.28 / 20	

(Rupees in '000)

Description	2016											Net book value as at December 31, 2016	Rate per annum (%)
	Cost				Accumulated amortisation								
	Balance as at January 1, 2016	Additions	Disposals	Write-offs	Balance as at December 31, 2016	Balance as at January 1, 2016	Charge for the year	Disposals	Write-offs	Balance as at December 31, 2016			
Computer software	132,689	10,389	(17,215)	(15,553)	110,310	78,230	14,290	(17,215)	(25)	75,280	35,030	20	

## 11.4 Disposal of fixed assets

The details of disposals of assets whose original cost or book value exceed one million rupees or two hundred and fifty thousand rupees respectively, whichever is lower, are given in Annexure "II".

Information relating to sale of fixed assets (otherwise than through regular auction) made to chief executive, a director, an executive or a shareholder holding not less than ten percent of the voting shares of the bank or any related party as required by SBP's BSD Circular No. 4 dated February 17, 2006 is also given in Annexure "II".

## 11.5 Non-current assets held for sale

The non-current assets held for sale consisted of two vacant properties (land and building) situated in Lahore. The property having a carrying value of Rs 86.411 million was sold during the year. Whereas the property having carrying value of Rs. 21.972 million was brought into use by the management and re-capitalised as land and building.

		(Rupees in '000)	
	Note	2017	2016
11.6	Carrying amount of temporarily idle property	-	755
11.7	The cost of fully depreciated / amortised assets that are still in use:		
	Buildings on freehold land	32,428	32,428
	Electrical, office and computer equipment	339,832	351,119
	Furniture and fixtures	166,211	167,949
	Computer software	45,198	38,094
		<u>583,669</u>	<u>589,590</u>
12.	<b>DEFERRED TAX ASSET - NET</b>		
	<b>Taxable temporary differences</b>		
	Net investment in finance leases	(103,085)	(100,522)
	Surplus on revaluation of assets - net	(122,314)	(310,873)
	Accelerated tax depreciation	(12,740)	(3,454)
	<b>Deductible temporary differences</b>		
	Recognised tax losses	-	252,952
	Minimum tax	92,005	-
	Provision against loans and advances, investments and other assets	582,950	571,538
	Deferred tax asset recognised	<u>436,816</u>	<u>409,641</u>
13.	<b>OTHER ASSETS - NET</b>		
	Income / mark-up accrued		
	- in local currency	1,722,708	1,830,716
	- in foreign currencies	34,410	39,824
	Advances, deposits, prepaid rent and other prepayments	161,168	150,608
	Taxation (payments less provisions)	432,886	439,773
	Fee and commission receivable	44,187	45,853
	Unrealised gain on forward foreign exchange contracts	708,419	158,853
	Others	229,345	210,866
		<u>3,333,123</u>	<u>2,876,493</u>
	Provisions against other assets	(173,466)	(175,133)
	Other assets (net of provisions)	<u>3,159,657</u>	<u>2,701,360</u>

### 13.1 This includes:

- (a) An amount of Rs. 32.389 million (2016: Rs. 32.389 million) receivable from InterAsia Leasing Limited.
- (b) An amount of Rs. 3.177 million (2016: Nil) receivable for Samba Financial Group - a related party.

## 13.2 Provisions against other assets

(Rupees in '000)

	Note	2017	2016
Opening balance		175,133	175,999
Charge for the year		-	-
Reversals		(9)	-
		(9)	-
Amounts written-off during the year		(1,658)	(866)
Closing balance		173,466	175,133
<b>14. BILLS PAYABLE</b>			
In Pakistan		686,692	915,076
<b>15. BORROWINGS</b>			
In Pakistan		46,201,468	35,847,072
<b>15.1 Particulars of borrowings</b>			
In foreign currency		-	-
In local currency		46,201,468	35,847,072
		46,201,468	35,847,072
<b>15.2 Details of borrowings secured / unsecured</b>			
<b>Secured</b>			
Borrowings from the SBP under export refinance scheme	15.2.1	2,625,000	2,512,000
Borrowings from the SBP under long-term financing facilities	15.2.2	473,055	98,016
Repurchase agreement borrowings	15.2.3	28,045,894	5,840,000
Bai Muajjal borrowings	15.2.4	10,055,213	19,873,586
		41,199,162	28,323,602
<b>Unsecured</b>			
Call money borrowings	15.2.5	4,979,970	7,501,134
Bankers Equity Limited (under liquidation)	15.2.6	22,336	22,336
		5,002,306	7,523,470
		46,201,468	35,847,072

15.2.1 The Bank has entered into various agreements with the SBP for extending export finance to customers. As per the terms of the agreements, the Bank has granted SBP the right to recover the outstanding amount from the Bank at the time of maturity of finances by directly debiting the current account maintained with SBP. This facility is secured against demand promissory note executed in favor of SBP. These borrowings carry mark-up at the rate of 2.0% (2016: 2.0%) per annum, and have maturity period of upto six months from deal date (2016: four months).

15.2.2 These represent borrowing from SBP to provide refinance to customers and carries markup at the rate of 2% (2016: 2%) per annum and will mature latest by December 26, 2027 (2016: January 13, 2022).

15.2.3 This represents funds borrowed from interbank market against government securities and carries mark up at the rate ranging from 5.85% to 5.90% (2016: 5.90%) per annum and will mature by January 12, 2018 (2016: January 06, 2017).

15.2.4 This represents funds borrowed against government securities and carries mark up at the rate ranging from 5.73% to 5.75% (2016: 5.70% to 5.78%) per annum and will mature latest by January 19, 2018 (2016: November 22, 2017).

15.2.5 This represents funds borrowed from interbank market. These carry mark up at the rates ranging from 5.80% to 5.85% (2016: 5.50% to 5.90%) per annum and will mature latest by January 18, 2018 (2016: June 20, 2017).

15.2.6 This represents amount payable to Bankers Equity Limited (under liquidation) on account of counter receivable from InterAsia Leasing Limited (note 13.1) and carries no mark-up.

## 16. DEPOSITS AND OTHER ACCOUNTS

(Rupees in '000)

	Note	2017	2016
<b>Customers</b>			
Fixed deposits		21,627,844	21,740,249
Savings deposits		17,550,355	14,334,826
Current accounts - non-remunerative		12,251,222	8,590,967
Others - non-remunerative		205,140	100,983
		51,634,561	44,767,025
<b>Financial Institutions</b>			
Remunerative deposits		2,836,300	5,278,603
Non-remunerative deposits		430,603	261,176
	16.2	3,266,903	5,539,779
		54,901,464	50,306,804
<b>16.1 Particulars of deposits and other accounts</b>			
In local currency		49,314,822	43,693,809
In foreign currencies		5,586,642	6,612,995
		54,901,464	50,306,804

16.2 These accounts include deposits of SAMBA Financial Group amounting to Rs. 234.884 million (2016: Rs. 115.261 million).

## 17. OTHER LIABILITIES

(Rupees in '000)

	Note	2017	2016
Mark-up / return / interest payable			
- in local currency		971,956	604,711
- in foreign currencies		7,861	8,397
Accrued expenses		539,868	764,747
Unclaimed dividends		4,255	4,255
Provision against off-balance sheet obligations	17.1	186,876	186,876
Lease key money		35,158	37,098
Unrealised loss on forward exchange contracts		706,312	127,792
Others	17.2	200,943	292,139
		2,653,229	2,026,015
<b>17.1 Provision against off-balance sheet obligations</b>			
Opening balance		186,876	186,876
Charge for the year		-	-
Reversals		-	-
		-	-
Closing balance	17.1.1	186,876	186,876

### 17.1.1 This includes:

- A provision of Rs. 71.134 million (2016: Rs. 71.134 million) made in respect of two counter guarantees amounting to Rs. 71.134 million issued by Crescent Investment Bank Limited, an amalgamated entity, on behalf of Mr. Reyaz Shafi favoring Privatization Commission of Pakistan (PC). The PC had invoked/called for payment of both the guarantees prior to their expiry date. However, Mr. Reyaz Shafi had obtained stay order for payments against the guarantees on the grounds that the guarantees were conditional and the condition had not been met. Subsequently, the PC filed a suit against Faysal Bank Limited and Al-Baraka Islamic Bank, the guarantees issuing banks, against counter guarantees of the amalgamated entity, in the Lahore High Court under the Privatization Commission Ordinance, 2000 for payment against the guarantees. The case is still pending for decision. As a matter of prudence, full provision of Rs. 71.134 million (2016: Rs. 71.134 million) was made by the amalgamated entity, in respect of this matter, which is being maintained.
- A provision of Rs 14.130 million (2016: Rs. 14.130 million) made in respect of a guarantee amounting to Rs. 14.130 million issued by Crescent Investment Bank Limited, an amalgamated entity, on behalf of Mohammad Amin Muhammad Bashir Limited (MAMB) favouring Collector of Customs. The guarantee has been called twice by the Collector of Customs along with mark-up at the rate of 14 percent per annum. MAMB has filed a petition before the Honorable Supreme Court, which is still pending; therefore, no payment has been made in respect of this guarantee. As a matter of prudence, full provision of Rs. 14.130 million (2016: Rs. 14.130 million) was made in respect of this matter by the amalgamated entity, which is being maintained.

- c) A 50% provision is maintained amounting to Rs. 52.762 million (2016: Rs. 52.762 million) in respect of a guarantee issued by the bank in favour of a gas utility company on behalf of Dewan Cement Limited. The amount of guarantee will be payable by the bank if and when a call is made upon the bank by the beneficiary, in case of a default by the company. The company has shown gradual and visible improvement in the affairs of its business, hence, after obtaining necessary approval from SBP, the account was upgraded from Loss to Doubtful in 2012 and accordingly, 50% of the provisioning was reversed. Currently, provisioning of Rs. 52.762 million (2016: Rs. 52.762 million) is being maintained.
- d) A provision of Rs. 48 million (2016: Rs. 48 million) has been maintained in respect of a fraud and forgery claim. The matter is still under investigation and is sub judice. The management is confident that the case will be settled in the favour of the Bank. However, as a matter of prudence, a provision has been retained in the financial statements.

17.2 This includes net payable to SAMBA Financial Group (SFG) amounting to Nil (2016: Rs. 105.304 million).

## 18. SHARE CAPITAL

### 18.1 Authorised capital

(Number of Shares)		Ordinary shares of Rs. 10 each	(Rupees in '000)	
2017	2016		2017	2016
1,500,000,000	1,500,000,000		15,000,000	15,000,000

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

(Number of Shares)						Ordinary shares of Rs. 10 each	2017	2016
2017			2016				(Rupees in '000)	
Issued for cash	Issued for consideration other than cash	Total	Issued for cash	Issued for consideration other than cash	Total			
883,317,458	124,921,190	1,008,238,648	883,317,458	124,921,190	1,008,238,648	At the beginning of the year	10,082,387	10,082,387
883,317,458	124,921,190	1,008,238,648	883,317,458	124,921,190	1,008,238,648	Balance as at December 31	10,082,387	10,082,387

#### 18.2.1 Shares held by the related parties of the bank

##### Directors, their spouses and minor children

Mr. Humayun Murad  
 Mr. Javed Iqbal  
 Mr. Nadeem Babar  
 Mr. Shahbaz Haider Agha  
 Dr. Shujaat Nadeem  
 Mr. Shahid Sattar

##### Associated Companies, undertakings and related parties

SAMBA Financial Group (SFG)

(Number of Shares)	
2017	2016
1,281	281
-	2,819
12,500,500	12,500,500
500	500
35,832,424	35,832,424
1,288,300	1,288,300
49,623,005	49,624,824
852,040,531	852,040,531
901,663,536	901,665,355

19. SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS - NET OF DEFERRED TAX

(Rupees in '000)

	Note	2017	2016
<b>Available for sale</b>			
Federal Government securities		433,307	807,937
Ordinary shares - listed		(89,614)	80,272
Corporate Sukuk Bonds		6,038	-
Term finance certificates		(264)	-
	9.1	349,467	888,209
Related deferred tax	12	(122,314)	(310,873)
		227,153	577,336
<b>20. CONTINGENCIES AND COMMITMENTS</b>			
<b>20.1 Direct credit substitutes</b>			
Favouring banks and other financial institutions		-	1,423,247
Favouring others		1,072,461	261,997
		1,072,461	1,685,244
<b>20.2 Transaction-related contingent liabilities / commitments</b>			
<b>Guarantees in favour of</b>			
Government		1,575,025	1,504,792
Banks and other financial institutions		339,353	-
Others	20.2.1	1,991,324	1,828,537
		3,905,702	3,333,329
20.2.1 Includes guarantees of Rs. 123.664 million (2016: Rs. 195.209 million) given on behalf of SAMBA Financial Group - a related party.			
<b>20.3 Trade-related contingent liabilities</b>			
Favouring others		4,681,621	2,022,465
<b>20.4 Other contingencies</b>			
Claims against the Bank not acknowledged as debt		125,456	125,456

These represent various cases filed against the Bank for recovery of damages / settlement of deposit balances by various parties. Based on the legal advice, management believes that the possibility of any outcome against the Bank is remote and accordingly no provision has been made in these financial statements.

20.5 Contingencies in respect of taxation

20.5.1 The Income tax department has raised a demand of Rs. 426.787 million (2016 : Rs. 426.787 million) for the assessment years 1995-96, 1996-97, 1999-00, 2001-02, 2002-03 on account of non-deduction of tax on profit paid under portfolio management scheme, interest paid on foreign currency deposits and certificates of investment. The department has also raised further demand of Rs. 645.337 million (2016 : Rs. 645.337 million) for assessment years 1999-00, 2000-01 to assessment year 2002-03 and tax year 2006 on account of taxability of investment banks as banking companies and taxation of dividend income as normal banking income, and on account of lease rentals received or receivable, lease key money and certain other items. The aforementioned relates to pending assessments of the Bank and amalgamated entities namely Crescent Investment Bank Limited, Trust Investment Bank Limited and Pakistan Industrial Leasing Corporation. Tax department has also raised demand of Rs. 29.052 million (2016 : Rs. 29.052 million) for the assessment years 2009, 2010 & 2011 on account of Federal Excise Duty. Further, tax department has raised a demand of Rs. 16.480 million and Rs. 28.110 million on account of monitoring of withholding taxes for the tax years 2014 and 2015 respectively.

Presently, the bank is contesting these issues at various appellate forums. The disallowances in respect of a number of assessment years have been decided / set aside by various appellate authorities for re-assessment while the bank's appeal in respect of the remaining assessment years are currently pending. Based on the professional advice received from tax advisors, the management is confident that the eventual outcome of the aforementioned matters will be in favor of the bank. Accordingly, no provision has been made in these financial statements in respect of the above mentioned demands aggregating Rs. 1,145.766 million raised by the income tax authorities.



20.6 Commitments in respect of forward exchange contracts

(Rupees in '000)

	2017	2016
Purchase	34,785,125	21,528,476
Sale	33,033,350	22,013,341
<b>20.7 Commitments in respect of forward Government securities transactions</b>		
Purchase	301,978	721,492

20.7.1 These represent forward purchase of Pakistan Investment Bonds having face value of Rs. 300 million (2016: Rs. 700 million) to be settled on January 2, 2018 (2016: January 3, 2017).

20.8 Commitments to extend credit

The Bank makes commitments to extend credit in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn.

20.9 Capital commitments

As at December 31, 2017 the bank had capital commitments of Rs 45.36 million (2016: Rs 75.78 million).

21. MARK-UP / RETURN / INTEREST EARNED

(Rupees in '000)

	2017	2016
On loans and advances to:		
- Customers	2,074,648	1,572,173
On investments:		
- Held for trading securities	229,727	86,382
- Available for sale securities	4,323,453	2,859,526
- Held to maturity securities	424,699	932,493
	4,977,879	3,878,401
On deposits with financial institutions	1,156	1,043
On securities purchased under resale agreements	58,624	134,066
On call lendings	143,814	96,374
	7,256,121	5,682,057
<b>22. MARK-UP / RETURN / INTEREST EXPENSED</b>		
On deposits	2,277,311	2,091,875
On securities sold under repurchase agreements	761,848	749,202
On other short-term borrowings	1,747,786	564,536
On borrowings from the SBP under long term financing facility scheme	5,878	1,897
On borrowings from SBP under export refinance scheme	44,034	45,382
Others	59,976	123,554
	4,896,833	3,576,446
<b>23. GAIN ON SALE OF SECURITIES - NET</b>		
Government securities	7,934	680,208
Ordinary shares - listed	86,366	22,363
	94,300	702,571
<b>24. OTHER INCOME</b>		
Gain on disposal of property and equipment - net	227,336	23,013
Others	15	-
	227,351	23,013

**25. ADMINISTRATIVE EXPENSES**

(Rupees in '000)

	Note	2017	2016
Salaries, allowances and benefits		1,086,136	895,404
Contribution to provident fund plan	32	32,773	28,832
Non-executive directors' fees, allowances and other expenses		9,256	7,520
Rent, taxes, insurance, electricity, etc.		314,381	281,294
Legal and professional charges		18,796	16,623
Communications		97,602	127,080
Group shared service cost	25.1	(12,607)	109,084
Repairs and maintenance	25.2	73,262	117,044
Stationery and printing		16,978	25,523
Advertisement and publicity		10,018	16,261
Auditors' remuneration	25.3	11,226	6,565
Depreciation	11.2	169,864	146,634
Amortisation of intangible assets	11.3	40,528	14,290
Travelling and conveyance		30,220	45,699
Charges paid to Central Depository Company of Pakistan Limited		2,396	1,796
Security services		30,479	39,329
Fee and commission paid		33,294	30,193
Donations	25.4	4,300	153
Others		54,119	52,440
		<b>2,023,021</b>	<b>1,961,764</b>
<b>25.1 Group shared service cost</b>			
Charge for the year		-	109,084
Discount for the year 2016		(12,607)	-
		<b>(12,607)</b>	<b>109,084</b>
<b>25.2</b> This includes cost of material outsourcing arrangement with Euronet Pakistan (Private) Limited, amounting to Rs. 14.226 million (2016: Rs. 10.690 million). Material outsourcing arrangement shall have the same meaning as specified in Annexure-I of BPRD Circular No. 06 of 2017.			
The aforesaid arrangement has been entered into for providing services related to hosting of ATM Switch and Card Management System.			
<b>25.3 Auditors' remuneration</b>			
Statutory audit fee		2,182	2,030
Fee for quarterly and annual group reporting		894	851
Fee for review of the half yearly financial statements		481	458
Special certifications and others		6,743	2,300
Out-of-pocket expenses		926	926
		<b>11,226</b>	<b>6,565</b>
<b>25.4 Donations made during the year were as follows:</b>			
The Kidney Institute		-	153
Idara-e-taleem-o-agahi		1,000	-
The Citizens Foundation		390	-
World Wide Fund for Nature, Pakistan		300	-
Kiran Foundation		850	-
Children First the Society		220	-
Indus Hospital		1,540	-
		<b>4,300</b>	<b>153</b>
None of the Directors, executives or their spouses had any interest in the donees.			
<b>26. OTHER PROVISIONS / WRITE OFFS - NET</b>			
Reversal of provision against bad and doubtful other assets - net	13.2	(9)	-
Fixed assets written-off	11.4	2,241	7,128
		<b>2,232</b>	<b>7,128</b>

**27. OTHER CHARGES**

(Rupees in '000)

	Note	2017	2016
Workers' Welfare Fund	27.1	19,014	18,426
Penalties imposed by the State Bank of Pakistan		36	5,785
Penalties imposed by other regulatory bodies		23	-
		<u>19,073</u>	<u>24,211</u>

- 27.1 Under the Workers' Welfare Ordinance, 1971, the Bank has accrued Workers' Welfare Fund at 2% of profit before tax as per the financial statements or declared income as per the income tax return, whichever is higher.

The Bank has made full provision of Workers' Welfare Fund based on profit for the respective years.

The Supreme Court of Pakistan vide its order dated November 10, 2016 has held that the amendments made in the law introduced by the Federal Government for the levy of Workers' Welfare Fund were not lawful. The Federal Board of Revenue has filed review petitions against this order which are currently pending.

Legal advice obtained on the matter indicates that consequent to filing of these review petitions, the judgement may not currently be treated as conclusive. Accordingly, the Bank maintains its provision in respect of WWF.

**28. TAXATION**

(Rupees in '000)

	2017	2016
For the year		
Current	136,304	67,373
Deferred	161,386	285,265
For prior years	(105,615)	29,215
	<u>192,075</u>	<u>381,853</u>
28.1 Relationship between tax expense and accounting profit		
Profit before taxation	930,928	926,455
Effects of:		
- Tax calculated at the applicable rate of 35% (2016: 35%)	325,825	324,259
- Prior year charge	(105,615)	29,215
- Permanent differences	-	529
- Others	(28,135)	27,850
Tax charge for the year	<u>192,075</u>	<u>381,853</u>

**29. EARNINGS PER SHARE**

(Rupees in '000)

	2017	2016
Profit after taxation	<u>738,853</u>	<u>544,602</u>
Weighted average number of ordinary shares	<u>1,008,238,648</u>	<u>1,008,238,648</u>
Earnings per share	<u>0.73</u>	<u>0.54</u>

- 29.1 Diluted earnings per share have not been presented as the Bank does not have any convertible instruments in issue at December 31, 2017 and 2016 which would have any effect on the earnings per share if the option to convert is exercised.

**30. CASH AND CASH EQUIVALENTS**

(Rupees in '000)

	Note	2017	2016
Cash and balances with treasury banks	6	3,887,745	4,723,664
Balances with other banks	7	127,386	816,421
		<u>4,015,131</u>	<u>5,540,085</u>

31. STAFF STRENGTH	Note	(Number)	
		2017	2016
Permanent		500	449
Temporary / on contractual basis		1	1
Bank's own staff strength at the end of the year		501	450
Outsourced	31.1	246	230
Total number of employees at the end of the year		747	680

31.1 Outsourced staff includes those employees that are hired by an outside contractor / agency and are assigned to the Bank to perform various tasks / activities of the Bank.

### 32. DEFINED CONTRIBUTION PLAN

The Bank operates a contributory provident fund plan for 471 employees (2016: 420 employees). Both employer and employees contribute 8.33% (2016: 8.33%) of the basic salaries to the fund every month. The expense charged in respect of this benefit is disclosed in note 25 to these financial statements.

### 33. COMPENSATION OF DIRECTORS AND EXECUTIVES

	(Rupees in '000)					
	2017			2016		
	President and Chief Executive Officer	Directors	Executives	President and Chief Executive Officer	Directors	Executives
Fees	-	8,931	-	-	7,862	-
Managerial remuneration	24,387	-	311,123	22,170	-	274,112
Contribution to defined contribution plan	2,031	-	24,596	1,847	-	21,287
Rent and house maintenance	10,974	-	140,005	9,977	-	123,350
Utilities	2,439	-	31,112	2,217	-	27,411
Medical	2,439	-	31,112	2,217	-	27,411
Vehicle allowance	-	-	78,360	-	-	68,894
Compensation paid to Directors and executives	39,000	-	86,315	32,000	-	73,780
Conveyance	-	-	396	-	-	387
Other allowances	2,032	-	-	1,848	-	-
	83,302	8,931	703,019	72,276	7,862	616,632
Number of persons	1	4	233	1	6	204

33.1 The Chief Executive Officer is provided with the use of bank maintained car.

33.2 Executives include employees, other than the Chief Executive Officer and directors, whose basic salary exceeds five hundred thousand rupees in a financial year.

### 34. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with approved accounting standards as applicable in Pakistan requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and income and expenses. It also requires management to exercise judgment in 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 judgments were made by the management in the application of accounting policies are as follows:

- i) classification and provisioning against investments (notes 5.3 and 9).
- ii) classification and provisioning against advances (notes 5.4 and 10).
- iii) determination of useful lives and depreciation / amortisation of operating fixed assets (notes 5.5 and 11).
- iv) income taxes (notes 5.8, 12 and 28).
- v) provision against off balance sheet obligations (note 17.1).

### 35. FAIR VALUE OF FINANCIAL INSTRUMENTS AND DERIVATIVE INSTRUMENTS

#### 35.1 On-balance sheet financial instruments

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

The fair value of traded investments is based on quoted market prices, except for tradable securities classified as 'held to maturity'. Held to maturity securities are carried at amortised cost in order to comply with the requirements specified by the State Bank of Pakistan. The fair value of these investments amounts to Rs. 5,183,574 million (2016: Rs. 4,895,976 million).

The value of unquoted equity investments is determined as lower of carrying value and 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 in respect 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 and maturity profile and effective rates are stated in notes 42 and 44 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, are frequently repriced.

#### 35.2 Off-balance sheet financial instruments

(Rupees in '000)

	2017		2016	
	Book value	Fair value	Book value	Fair value
Forward purchase of foreign exchange	34,785,125	35,488,350	21,528,476	21,401,375
Forward sale of foreign exchange	33,033,350	33,734,468	22,013,341	21,855,179
Forward purchase of government securities	301,978	301,458	721,492	721,276

35.3 The table below analyses the traded investments, except for tradeable securities classified as held to maturity by their respective valuation methods. Valuation of investments is carried out as per guidelines specified by the State Bank of Pakistan.

The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- Inputs for the assets or liabilities that are not based on observable market data (i.e. unobservable inputs e.g. estimated future cash flows) (level 3).

(Rupees in '000)

**RECURRING FAIR VALUE MEASUREMENT**

## FINANCIAL INSTRUMENTS - ON BALANCE SHEET

## INVESTMENTS - NET

**Held for Trading Securities**

Market Treasury Bills

Fully paid-up ordinary shares

**Available for Sale Securities**

Pakistan Investment Bonds

Market Treasury Bills

Corporate Sukuk Bonds

Term Finance Certificates

Fully paid-up ordinary shares

Total

## FINANCIAL INSTRUMENTS - OFF BALANCE SHEET

Forward purchase of foreign exchange

Forward sale of foreign exchange

Forward purchase of government securities

2017

Level 1	Level 2	Level 3	Total
-	1,494,620	-	1,494,620
-	-	-	-
-	40,243,849	-	40,243,849
-	14,161,936	-	14,161,936
981,038	-	-	981,038
198,683	-	-	198,683
852,679	-	-	852,679
2,032,400	55,900,405	-	57,932,805
-	35,488,350	-	35,488,350
-	33,734,468	-	33,734,468
-	301,458	-	301,458

(Rupees in '000)

**RECURRING FAIR VALUE MEASUREMENT**

## FINANCIAL INSTRUMENTS - ON BALANCE SHEET

## INVESTMENTS - NET

**Held for Trading Securities**

Market Treasury Bills

Fully paid-up ordinary shares

**Available for Sale Securities**

Pakistan Investment Bonds

Market Treasury Bills

Fully paid-up ordinary shares

Total

## FINANCIAL INSTRUMENTS - OFF BALANCE SHEET

Forward purchase of foreign exchange

Forward sale of foreign exchange

Forward purchase of government securities

2016

Level 1	Level 2	Level 3	Total
-	3,979	-	3,979
7,509	-	-	7,509
-	49,426,993	-	49,426,993
-	2,068,040	-	2,068,040
1,068,470	-	-	1,068,470
1,075,979	51,499,012	-	52,574,991
-	21,401,375	-	21,401,375
-	21,855,179	-	21,855,179
-	721,276	-	721,276

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

**(a) Financial instruments in level 1**

Financial instruments included in level 1 comprise of investments in listed ordinary shares, Term Finance Certificates and Corporate Sukuks.

**(b) Financial instruments in level 2**

Financial instruments included in level 2 comprise of Market Treasury Bills and Pakistan Investment Bonds.

**(c) Financial instruments in level 3**

Currently, no financial instrument are classified in level 3.

**Valuation techniques and inputs used in determination of fair values within level 1 and 2**

Item	Valuation techniques and input used
Pakistan Investment Bonds / Market Treasury Bills	Fair values of Pakistan Investment Bonds and Treasury Bills are derived using the PKRV rates (Reuters page). These rates denote an average of quotes received from eight different pre-defined / approved dealers / brokers.
Fully Paid-up Listed ordinary Shares, Term finance certificates and corporate Sukuks	Fair value of investment in listed equity securities, term finance certificates and corporate sukuks are valued on the basis of available closing quoted market prices.
Forward foreign exchange contracts	The fair value has been determined by interpolating the mid rates announced by State Bank of Pakistan.

**35.4 Derivative instruments**

The Bank at present does not offer structured derivative products such as Interest Rate Swaps, Forward Rate Agreements or FX Options. However, the Bank's Treasury buys and sells derivative instruments such as forward foreign exchange contract.

**36. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES**

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

Particulars	(Rupees in '000)					
	2017					
	Corporate Banking	Global Markets	Retail Banking	Commercial Banking	Senoff	Total
Total income (net of interest expense and provisions)	45,459	966,580	718,303	225,787	1,019,125	2,975,254
Total operating expenses	(342,915)	(189,801)	(1,347,452)	(164,158)	-	(2,044,326)
Net (loss) / income (before tax)	(297,456)	776,779	(629,149)	61,629	1,019,125	930,928
Segment assets (gross)	31,371,796	73,113,545	2,741,984	9,681,513	2,754,382	119,663,220
Segment non-performing loans	1,920,287	-	415,461	-	-	2,335,748
Segment provision held *	(1,914,088)	(17,920)	(415,656)	-	(164,509)	(2,512,173)
Segment liabilities	10,783,634	44,762,221	46,292,558	1,970,076	634,364	104,442,853
Depreciation of fixed assets	18,914	7,653	134,054	9,243	-	169,864
Amortization of intangible assets	7,702	4,154	25,020	3,652	-	40,528
Segment return on net assets (%) **	-1.23%	0.98%	-30.47%	0.96%	30.72%	0.65%
Segment cost of funds (%) **	5.15%	5.74%	4.35%	5.60%	0.00%	4.94%

(Rupees in '000)

Particulars	2016					
	Corporate Banking	Global Markets	Retail Banking	Commercial Banking	Senoff	Total
Total income (net of interest expense and provisions)	64,096	1,486,668	704,795	72,283	591,716	2,919,558
Total operating expenses	(464,031)	(199,136)	(1,299,652)	(30,284)	-	(1,993,103)
Net (loss) / income (before tax)	(399,935)	1,287,532	(594,857)	41,999	591,716	926,455
Segment assets (gross)	25,854,755	68,889,783	2,440,519	3,937,665	2,699,560	103,822,282
Segment non-performing loans	1,942,602	-	430,324	-	-	2,372,926
Segment provision held *	(1,693,254)	(34,686)	(410,552)	-	(269,299)	(2,407,791)
Segment liabilities	13,521,372	33,858,289	40,189,122	549,010	977,174	89,094,967
Depreciation of fixed assets	20,992	6,189	119,299	154	-	146,634
Amortization of intangible assets	3,784	2,397	8,063	46	-	14,290
Segment return on net assets (%) **	-1.91%	2.25%	-28.64%	2.09%	7.35%	0.64%
Segment cost of funds (%) **	4.99%	6.09%	4.58%	5.97%	0.00%	5.07%

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

\*\* The segment rate of returns and cost of funds are based on average assets and liabilities for the year.

### 37. TRUST ACTIVITIES

The Bank commonly acts as a trustee and in other fiduciary capacity that result in the holding or placing of assets on behalf of individuals, trust, retirement benefit plans and other institutions. These are not assets of the Bank and, therefore, are not included in the statement of financial position.

(Rupees in '000)

Category	2017	2016	2017			2016		
	Number of IPS Accounts		Securities Held (Face Value)					
			Market Treasury Bills	Pakistan Investment Bonds	Total	Market Treasury Bills	Pakistan Investment Bonds	Total
Employee Funds	16	2	159,200	-	159,200	174,200	-	174,200
Others	26	9	26,600	59,700	86,300	73,200	23,800	97,000
	<b>42</b>	<b>11</b>	<b>185,800</b>	<b>59,700</b>	<b>245,500</b>	<b>247,400</b>	<b>23,800</b>	<b>271,200</b>

### 38. RELATED PARTY TRANSACTIONS

The Bank has related party relationships with its holding company, employee contribution plan, its directors and key management personnel.

Banking transactions with the related parties are executed substantially on the same terms, including mark-up rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties and do not involve more than a normal risk. Transactions with the executives are undertaken at terms in accordance with employment agreements and services rules.

Contributions to the contributory provident fund scheme are made in accordance with the terms of the contribution plan. Remuneration to the Chief Executive Officer and directors are disclosed in note 33 to these financial statements and are determined in accordance with the terms of their appointment.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Bank. The Bank considers all members of its executive team, including the Chief Executive Officer to be key management personnel.



Details of transactions with related parties are given below:

(Rupees in '000)

2017				2016			
Directors	Key management personnel	Parent Company	Others	Directors	Key management personnel	Parent Company	Others

**BALANCES OUTSTANDING - GROSS**

**Advances**

At January 1	-	143,964	-	-	-	107,403	-	-
Disbursed during the year	-	28,847	-	-	-	60,041	-	-
Repaid during the year	-	(21,664)	-	-	-	(23,480)	-	-
At December 31	-	151,147	-	-	-	143,964	-	-

**Deposits**

At January 1	28,987	27,556	-	6,665	15,700	23,546	-	1,767
Received during the year	123,858	358,100	-	141,809	681,298	404,735	-	201,527
Withdrawn during the year	(137,411)	(363,216)	-	(129,546)	(668,011)	(400,725)	-	(196,629)
At December 31	15,434	22,440	-	18,928	28,987	27,556	-	6,665

**Others**

Guarantees	-	-	123,664	-	-	-	195,209	-
Balances in nostro accounts	-	-	12,964	-	-	-	28,677	-
Sundry receivable / (payable) (including Group Shared Service cost) - net	-	-	3,177	-	-	-	(105,304)	-
Balances in Vostro accounts	-	-	234,884	-	-	-	115,261	-

**TRANSACTIONS DURING THE YEAR**

Remuneration and benefits	-	260,790	-	-	-	222,800	-	-
Directors fee	8,931	-	-	-	7,862	-	-	-
Mark-up / return / interest expensed	113	501	-	823	65	660	-	673
Mark-up / return / interest income	-	7,084	-	-	-	6,769	-	-
Disposal of fixed assets (at cost) - Annexure II	-	-	-	-	-	16,520	-	-
Group shared services cost - note 25.1	-	-	(12,607)	-	-	-	109,084	-

## Forex transactions during the year - Samba Financial Group

(Currency in '000)

2017				
CURRENCY	READY / SPOT / TOM		FORWARD	
	BUY	SELL	BUY	SELL
AED	-	6,000	-	-
CAD	-	-	-	-
CHF	60	-	10	-
EUR	12,970	22,150	9,250	4,850
GBP	8,844	16,675	11,600	2,700
JPY	388,750	58,836	57,000	56,800
SAR	161,815	23,628	-	-
SGD	-	-	-	-
USD	109,814	73,136	9,617	26,030
PKR	-	5,746,397	-	-

## Forex deals outstanding as at the year - Samba Financial Group

(Currency in '000)

2017				
CURRENCY	READY / SPOT / TOM		FORWARD	
	BUY	SELL	BUY	SELL
EUR	-	-	300	-
GBP	-	-	1,150	300
USD	-	-	402	1,893

## Forex transactions during the year - Samba Financial Group

(Currency in '000)

2016				
CURRENCY	READY / SPOT / TOM		FORWARD	
	BUY	SELL	BUY	SELL
AED	1,937	-	-	-
CAD	1,421	1,416	-	-
CHF	100	-	-	-
EUR	13,645	15,575	4,800	2,600
GBP	8,500	29,935	14,925	4,790
JPY	125,203	-	9,500	-
SAR	74,625	97,027	13,128	2,251
SGD	25	-	-	-
USD	135,560	49,357	9,962	29,448
PKR	-	5,296,414	-	-

## Forex deals outstanding as at the year - Samba Financial Group

(Currency in '000)

2016				
CURRENCY	READY / SPOT / TOM		FORWARD	
	BUY	SELL	BUY	SELL
EUR	-	-	300	-
GBP	-	-	725	-
USD	-	-	-	1,210

38.1 Details of loans and advances to the companies or firms in which the directors of the group are interested as directors, partners or in case of private companies as members, are given in note 10.7 to these financial statements. Details of remuneration to the executives are disclosed in note 33 to these financial statements, whereas the number of shares of the Bank held by the related parties is disclosed in note 18.2.1 to these financial statements.

## 39. CAPITAL-ASSESSMENT AND ADEQUACY BASEL III SPECIFIC

### 39.1 Capital Management

The State Bank of Pakistan (SBP) has introduced new guidelines with respect to disclosure of capital adequacy related information in the financial statements of banks vide its communication dated February 4, 2014. These guidelines are based on the requirements of Basel III which were introduced earlier by the SBP in August 2013 for implementation by banks in Pakistan. The SBP has specified a transitional period till 2018 for implementation of Basel III. During the year SBP vide its BPRD Circular No. 11 of 2014 dated November 5, 2014 has revised the disclosure requirements with respect to capital adequacy related information. The disclosures below have been prepared on the basis of these new guidelines. The comparative information has been restated to facilitate comparison.

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

The Bank's Board and the management is committed to maintaining a sound balance between depositors' liability and shareholders' funds so that optimal capital / debt ratio is maintained. The optimal capital / debt ratio will provide reasonable assurance to depositor's about safety and security of their funds and at the same time provide impetus to the management to invest their depositors' funds into profitable ventures without compromising the risk profile of the Bank. The capital requirement of the Bank has been determined based on the projected growth plan to be achieved in the next three to five years in all areas of business operations. Further, it also takes into account a road map for capital enhancement as directed by the SBP vide its various circulars issued from time to time.

The Bank prepares an annual budget and five year plan for purpose of the growth map and future direction. Bottom up approach is used to prepare annual budget and detailed deliberations are held while preparing the five year plan. The growth prospects takes into consideration prevailing economic and political factors in Pakistan and abroad.

The Banks are required to maintain Minimum Capital Requirement (MCR) as prescribed by the State Bank of Pakistan through its BSD Circular No. 7 dated April 15, 2009 which required the minimum paid up capital (net of accumulated losses) to be raised to Rs 10 billion by the year ended December 31, 2013. As at December 31, 2017 the Bank's Paid up Capital is Rs 10.082 billion. In addition, the Banks are also required to maintain a minimum Capital Adequacy Ratio (CAR) of 11.28 percent of their risk weighted exposure. The Bank's CAR as at December 31, 2017 is 19.74 percent (2016: 23.94 percent) of its risk weighted exposure.

The Bank calculates capital adequacy ratio for credit risk, market risk and operational risk based upon the requirements under the Basel Accord as per the guidelines issued by the State Bank of Pakistan from time to time in this regard.

Major credit risk in respect of on and off-balance sheet exposures are mainly claims on banks, corporates, retail customers, residential mortgages and unquoted associated undertakings. Market risk exposures are mainly in fixed income securities and foreign exchange. The Bank's potential risk exposures shall remain in these exposure types.

The stress test is carried out using sensitivity analysis as per SBP guidelines wherein the Bank gauged its resilience against the sixteen stress scenarios / shocks and built its capacity to maintain either the level of resilience or preparedness against majority of these shocks. The Bank has evaluated its capacity to remain within the regulatory CAR under all stress conditions.

The Bank has taken into account credit risk, market risk and operational risk when planning its assets.

### 39.2 Capital Structure

Under Basel III framework, the Bank's regulatory capital has been analysed into two tiers as follows:

- Tier 1 capital (going concern capital) which is sub divided into:

- a) Common Equity Tier 1 (CET1), which includes fully paid up capital, reserve for bonus issue, general reserves and un-appropriated profits (net of losses), etc after deductions for investments in the equity of subsidiary companies engaged in banking and financial activities (to the extent of 50%), reciprocal crossholdings and deficit on revaluation of available for sale investments and deduction for book value of intangibles.
- b) Additional Tier 1 capital (AT1), which includes instruments issued by the Bank which meet the specified criteria after deduction of remaining 50% investment in the equity of subsidiary companies engaged in banking and financial activities and other specified deductions.

Presently the Bank does not have any AT1 capital.

- Tier II capital, which includes general provisions for loan losses (upto a maximum of 1.25% of credit risk weighted assets), reserves on revaluation of fixed assets and equity investments after deduction of deficit on available for sale investments (upto a maximum of 89%).

Banking operations are categorised in either the trading book or the banking book and risk weighted assets are determined according to the specified requirements that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures.

The required capital adequacy ratio is achieved by the Bank through:

- (a) Adequate level of paid up capital;
- (b) Adequate risk profile of asset mix;
- (c) Ensuring better recovery management; and
- (d) Maintaining acceptable profit margins.

### 39.3 Capital Adequacy Ratio

The capital to risk weighted asset ratio, calculated in accordance with SBP guidelines on capital adequacy, under Basel III and Pre-Basel III treatment using Standardized Approach of Credit and Market Risk and Basic indicator Approach for Operational Risk is presented below:

#### Capital Adequacy Ratio (CAR) disclosure

Particulars	(Rupees in '000)	
	2017	2016
<b>Common Equity Tier 1 capital (CET1): Instruments and reserves</b>		
Fully paid-up capital / capital deposited with the SBP	10,082,387	10,082,387
Balance in share premium account	-	-
Reserve for issue of bonus shares	-	-
Discount on issue of shares	-	-
General / Statutory Reserves	555,451	407,680
Gain / (Losses) on derivatives held as Cash Flow Hedge	-	-
Unappropriated profits	1,843,203	1,252,121
Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-	-
<b>CET 1 before Regulatory Adjustments</b>	<b>12,481,041</b>	<b>11,742,188</b>
<b>Total regulatory adjustments applied to CET1 (Note 39.4)</b>	<b>(206,974)</b>	<b>(349,203)</b>
<b>Common Equity Tier 1</b>	<b>12,274,067</b>	<b>11,392,985</b>

(Rupees in '000)

Particulars	Amount	
	2017	2016
<b>Additional Tier 1 (AT1) Capital</b>		
Qualifying Additional Tier-1 capital instruments plus any related share premium of which:	-	-
- classified as equity	-	-
- classified as liabilities	-	-
Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties	-	-
- of which: instrument issued by subsidiaries subject to phase out	-	-
<b>AT1 before regulatory adjustments</b>	-	-
<b>Total of Regulatory Adjustment applied to AT1 capital (Note 39.6)</b>	-	-
<b>Additional Tier 1 capital after regulatory adjustments</b>	-	-
<b>Tier 1 Capital (CET1 + admissible AT1)</b>	<b>12,274,067</b>	<b>11,392,985</b>
<b>Tier 2 Capital</b>		
Qualifying Tier 2 capital instruments under Basel III plus any related share premium	-	-
Capital instruments subject to phase out arrangement issued	-	-
Tier 2 capital instruments issued to third parties by consolidated subsidiaries	-	-
- 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	17,495	105,908
Revaluation Reserves (net of taxes)		
of which:		
- Revaluation reserves on fixed assets	-	-
- Unrealized gains / losses on AFS	202,166	450,322
Foreign Exchange Translation Reserves	-	-
Undisclosed / Other Reserves (if any)	-	-
<b>T2 before regulatory adjustments</b>	<b>219,661</b>	<b>556,230</b>
Total regulatory adjustment applied to T2 capital (Note 39.7)	-	-
Tier 2 capital (T2) after regulatory adjustments	219,661	556,230
Tier 2 capital recognized for capital adequacy	219,661	556,230
Portion of Additional Tier 1 capital recognized in Tier 2 capital	-	-
Total Tier 2 capital admissible for capital adequacy	219,661	556,230
<b>TOTAL CAPITAL (T1 + admissible T2)</b>	<b>12,493,728</b>	<b>11,949,215</b>
<b>Total Risk Weighted Assets (RWA) {for details refer Note 39.12}</b>	<b>63,305,648</b>	<b>49,906,183</b>
<b>Capital Ratios and buffers (in percentage of risk weighted assets)</b>		
CET1 to total RWA	19.39%	22.83%
Tier-1 capital to total RWA	19.39%	22.83%
Total capital to total RWA	19.74%	23.94%
Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement) of which:		
- capital conservation buffer requirement	0.65%	0.65%
- countercyclical buffer requirement	-	-
- D-SIB or G-SIB buffer requirement	-	-
CET1 available to meet buffers (as a percentage of risk weighted assets)	13.39%	16.83%
<b>National minimum capital requirements prescribed by SBP</b>		
CET1 minimum ratio	6.00%	6.00%
Tier 1 minimum ratio	7.50%	7.50%
Total capital minimum ratio	10.00%	10.00%
CCB (Consisting of CET 1 only)	1.28%	0.65%
Total capital minimum ratio	11.28%	10.65%

(Rupees in '000)

Particulars	2017		2016	
	Amount	Pre - Basel III treatment*	Amount	Pre - Basel III treatment*
<b>39.4 Common Equity Tier 1 capital: Regulatory adjustments</b>				
Goodwill (net of related deferred tax liability)	-	-	-	-
All other intangibles (net of any associated deferred tax liability)	133,370	-	197,432	-
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)	73,604	92,005	151,771	252,952
Defined-benefit pension fund net assets	-	-	-	-
Reciprocal cross holdings in CET1 capital instruments	-	-	-	-
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 common stocks of 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	-	-	-	-
- 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	-	-	-	-
Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	-	-	-	-
<b>Total regulatory adjustments applied to CET1</b>	<b>206,974</b>	<b>92,005</b>	<b>349,203</b>	<b>252,952</b>

**39.5 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	-	-	-	-
<b>Total of Regulatory Adjustment applied to AT1 capital</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

\* This column highlights items that are still subject to Pre Basel III treatment during the transitional period.

Particulars	(Rupees in '000)			
	2017		2016	
	Amount	Pre - Basel III treatment*	Amount	Pre - Basel III treatment*
<b>39.6 Tier 2 Capital: Regulatory adjustments</b>				
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	-	-	-	-
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	-	-	-	-
<b>Amount of Regulatory Adjustment applied to T2 capital</b>	-	-	-	-

\* This column highlights items that are still subject to Pre Basel III treatment during the transitional period.

Particulars	(Rupees in '000)	
	2017	2016
	<b>39.7 Risk Weighted Assets subject to pre-Basel III treatment</b>	
Risk weighted assets in respect of deduction items (which during the transitional period will be risk weighted subject to Pre-Basel III Treatment)	-	-
of which: deferred tax assets	18,401	101,181
of which: Defined-benefit pension fund net assets	-	-
of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is less than 10% of the issued common share capital of the entity	-	-
of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is more than 10% of the issued common share capital of the entity	-	-
<b>Amounts below the thresholds for deduction (before risk weighting)</b>		
Non-significant investments in the capital of other financial entities	163,244	240,969
Significant investments in the common stock of financial entities	-	-
Deferred tax assets arising from temporary differences (net of related tax liability)	344,811	156,689
<b>Applicable caps on the inclusion of provisions in Tier 2</b>		
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	17,495	105,908
Cap on inclusion of provisions in Tier 2 under standardized approach	-	-
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	-
Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	-

(Rupees in '000)

Particulars	Reference	2017	
		Balance sheet as in published financial statements	Under regulatory scope of reporting
<b>39.8 Reconciliation of each financial statement line item to item under regulatory scope of reporting - Step 1</b>			
<b>Assets</b>			
Cash and balances with treasury banks		3,887,745	3,887,745
Balances with other banks		127,386	127,386
Lending to financial and other institutions		5,192,950	5,192,950
Investments		62,918,102	62,918,102
Advances		40,181,773	40,181,773
Operating fixed assets		1,246,618	1,246,618
Deferred tax assets		436,816	436,816
Other assets		3,159,657	3,159,657
<b>Total assets</b>		<b>117,151,047</b>	<b>117,151,047</b>
<b>Liabilities and Equity</b>			
Bills payable		686,692	686,692
Borrowings		46,201,468	46,201,468
Deposits and other accounts		54,901,464	54,901,464
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities		2,653,229	2,653,229
<b>Total liabilities</b>		<b>104,442,853</b>	<b>104,442,853</b>
Share capital		10,082,387	10,082,387
Discount on issue of shares		-	-
Reserves		555,451	555,451
Unappropriated profit		1,843,203	1,843,203
Surplus on revaluation of assets - net of deferred tax		227,153	227,153
<b>Total liabilities and equity</b>		<b>117,151,047</b>	<b>117,151,047</b>
<b>39.9 Reconciliation of balance sheet to eligible regulatory capital - Step 2</b>			
<b>Assets</b>			
Cash and balances with treasury banks		3,887,745	3,887,745
Balances with other banks		127,386	127,386
Lending to financial and other institutions		5,192,950	5,192,950
Investments		62,918,102	62,918,102
of which:			
- non-significant capital investments in capital of other financial institutions exceeding 10% threshold	a	-	-
- significant capital investments in financial sector entities exceeding regulatory threshold	b	-	-
- mutual Funds exceeding regulatory threshold	c	-	-
- reciprocal crossholding of capital instrument	d	-	-
- others	e	-	-
Advances		40,181,773	40,181,773
- shortfall in provisions / excess of total EL amount over eligible provisions under IRB	f	-	-
- general provisions reflected in Tier 2 capital	g	17,495	17,495
Operating fixed assets		1,246,618	1,246,618
- of which: Intangibles	k	133,370	133,370
Deferred tax assets		436,816	436,816
of which:			
- DTAs that rely on future profitability excluding those arising from temporary differences	h	92,005	92,005
- DTAs arising from temporary differences exceeding regulatory threshold	i	344,811	344,811
Other assets		3,159,657	3,159,657
of which:			
- goodwill	j	-	-
- defined-benefit pension fund net assets	l	-	-
<b>Total assets</b>		<b>117,151,047</b>	<b>117,151,047</b>



(Rupees in '000)

Particulars	Reference	2017	
		Balance sheet as in published financial statements	Under regulatory scope of reporting
<b>Liabilities and Equity</b>			
Bills payable		686,692	686,692
Due from financial institutions		46,201,468	46,201,468
Deposits and other accounts		54,901,464	54,901,464
Sub-ordinated loans of which:		-	-
- eligible for inclusion in AT1	m	-	-
- eligible for inclusion in Tier 2	n	-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities of which:		-	-
- DTLs related to goodwill	o	-	-
- DTLs related to intangible assets	p	-	-
- DTLs related to defined pension fund net assets	q	-	-
- other deferred tax liabilities	r	-	-
Other liabilities		2,653,229	2,653,229
<b>Total liabilities</b>		<b>104,442,853</b>	<b>104,442,853</b>
<b>Share capital</b>		10,082,387	10,082,387
- of which: amount eligible for CET1	s	10,082,387	10,082,387
- of which: amount eligible for AT1	t	-	-
Reserves of which:		555,451	555,451
- portion eligible for inclusion in CET1 - Statutory reserve	u	555,451	555,451
- portion eligible for inclusion in CET1 - General reserve		-	-
- portion eligible for inclusion in Tier 2 - General reserve	v	-	-
Discount on issue of shares		-	-
Unappropriated profit	w	1,843,203	1,843,203
Minority Interest of which:		-	-
- portion eligible for inclusion in CET1	x	-	-
- portion eligible for inclusion in AT1	y	-	-
- portion eligible for inclusion in Tier 2	z	-	-
Surplus on revaluation of assets of which:		-	-
- Revaluation reserves on Fixed Assets		-	-
- Unrealized Gains / Losses on AFS	aa	227,153	227,153
- In case of Deficit on revaluation (deduction from CET1)	ab	-	-
<b>Total liabilities and Equity</b>		<b>117,151,047</b>	<b>117,151,047</b>

## 39.10 Basel III Disclosure (with added column) - Step 3

(Rupees in '000)

Particulars	2017	
	Source based on reference number from step 2	Component of regulatory capital reported by bank
<b>Common Equity Tier 1 capital (CET1): Instruments and reserves</b>		
1 Fully Paid-up Capital		10,082,387
2 Balance in share premium account	(s)	-
3 Discount on issue of shares		-
4 Reserve for issue of bonus shares		-
5 General / Statutory Reserves		555,451
6 Gain / (Losses) on derivatives held as Cash Flow Hedge	(u)	-
7 Unappropriated / unremitted profits	(w)	1,843,203
8 Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	(x)	-
9 <b>CET 1 before Regulatory Adjustments</b>		<b>12,481,041</b>

(Rupees in '000)

Particulars	2017	
	Source based on reference number from step 2	Component of regulatory capital reported by bank
<b>Common Equity Tier 1 capital: Regulatory adjustments</b>		
10 Goodwill (net of related deferred tax liability)	(j) - (s)	-
11 All other intangibles (net of any associated deferred tax liability)	(k) - (p)	133,370
12 Shortfall of provisions against classified assets	(f)	-
13 Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	(h) - (r) * x%	73,604
14 Defined-benefit pension fund net assets	(l) - (q) * x%	-
15 Reciprocal cross holdings in CET1 capital instruments	(d)	-
16 Cash flow hedge reserve		-
17 Investment in own shares / CET1 instruments		-
18 Securitization gain on sale		-
19 Capital shortfall of regulated subsidiaries		-
20 Deficit on account of revaluation from bank's holdings of property / AFS	(ab)	-
21 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)	(a) - (ac) - (ae)	-
22 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)	(b) - (ad) - (af)	-
23 Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	(i)	-
24 Amount exceeding 15% threshold of which:		-
-significant investments in the common stocks of financial entities		-
-deferred tax assets arising from temporary differences		-
25 National specific regulatory adjustments applied to CET1 capital		-
26 Investment in TFCs of other banks exceeding the prescribed limit		-
27 Any other deduction specified by SBP (mention details)		-
28 Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions		-
29 Total regulatory adjustments applied to CET1		206,974
<b>Common Equity Tier 1</b>		<b>12,274,067</b>
<b>Additional Tier 1 (AT 1) Capital</b>		
30 Qualifying Additional Tier-1 instruments plus any related share premium of which:		-
31 -Classified as equity	(t)	-
32 -Classified as liabilities	(m)	-
33 Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties	(y)	-
34 -of which: instrument issued by subsidiaries subject to phase out		-
35 <b>AT1 before regulatory adjustments</b>		-
<b>Additional Tier 1 Capital: regulatory adjustments</b>		
36 Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)		-
37 Investment in own AT1 capital instruments		-
38 Reciprocal cross holdings in Additional Tier 1 capital instruments		-
39 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)	(ac)	-
40 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	(ad)	-
41 Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-BaseI III treatment which, during transitional period, remain subject to deduction from tier-1 capital		-
42 Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions		-
43 Total of Regulatory Adjustment applied to AT1 capital		-
44 Additional Tier 1 capital		-
45 <b>Additional Tier 1 capital recognised for capital adequacy</b>		-
<b>Tier 1 Capital (CET1 + admissible AT1)</b>		<b>12,274,067</b>

(Rupees in '000)

Particulars	2017	
	Source based on reference number from step 2	Component of regulatory capital reported by bank
<b>Tier 2 Capital</b>		
46 Qualifying Tier 2 capital instruments under Basel III		-
47 Capital instruments subject to phase out arrangement from Tier 2	(n)	-
48 Tier 2 capital instruments issued to third party by consolidated subsidiaries	(z)	-
-of which: instruments issued by subsidiaries subject to phase out		-
49 General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	(g)	17,495
50 Revaluation Reserves eligible for Tier 2 of which:		-
51 -portion pertaining to Fixed Asset		-
52 -portion pertaining to AFS securities	89% of (aa)	202,166
53 Foreign Exchange Translation Reserves	(v)	-
54 Undisclosed / Other Reserves (if any)		-
55 <b>T2 before regulatory adjustments</b>		<b>219,661</b>
<b>Tier 2 Capital: regulatory adjustments</b>		
56 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		-
57 Reciprocal cross holdings in Tier 2 instruments		-
58 Investment in own Tier 2 capital instrument		-
59 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)	(ae)	-
60 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	(af)	-
61 Amount of Regulatory Adjustment applied to T2 capital		-
62 Tier 2 capital (T2)		-
63 Tier 2 capital recognised for capital adequacy		-
64 Excess Additional Tier 1 capital recognised in Tier 2 capital		-
65 <b>Total Tier 2 capital admissible for capital adequacy</b>		<b>219,661</b>
<b>TOTAL CAPITAL (T1 + admissible T2)</b>		<b>12,493,728</b>

### 39.11 Leverage Ratio

According to Basel III instructions issued by State Bank of Pakistan (BPRD circular # 06 dated August 15, 2013), it is mandatory for all the banks to calculate and report the Leverage Ratio on a quarterly basis with the minimum benchmark of 3%. The leverage ratio calculated below is based on average balances of last quarter of 2017 and 2016 respectively.

The reason for calculating leverage ratio is to avoid excessive On- and Off-balance sheet leverage in the banking system. A simple, transparent and non-risk based Ratio has been introduced with the following objectives:

- Constrain the build-up of leverage in the banking sector which can damage the broader financial system and the economy; and
- Reinforce the risk based requirements with an easy to understand and a non-risk based measure.

(Rupees in '000)

Particulars	2017		2016	
<b>On balance sheet exposures</b>				
1 On-balance sheet items (excluding derivatives but including collateral)	114,729,576		94,444,609	
2 Derivatives	-		-	
3 <b>Total On balance sheet exposures</b>	<b>114,729,576</b>		<b>94,444,609</b>	
<b>Off balance sheet exposures</b>				
4 Off-balance sheet items (excluding derivatives)	10,342,510		8,510,019	
5 Commitment in respect of derivatives (derivatives having negative fair value are also included)	483,578		411,543	
6 <b>Total Off balance sheet exposures</b>	<b>10,826,088</b>		<b>8,921,562</b>	
<b>Capital and total exposures</b>				
7 Tier 1 capital (Note 41.2)	12,274,067		11,392,985	
8 <b>Total exposures (sum of lines 3 and 6)</b>	<b>125,555,664</b>		<b>103,366,171</b>	
<b>Basel III leverage ratio</b>	<b>9.78%</b>		<b>11.02%</b>	

Shift in leverage ratio is mainly due to increase in on balance sheet exposure i.e increase in Investments and increase in Loans and Advances to Customers.

(Rupees in '000)

## 39.12 Risk-weighted exposures

Note

	Note	2017		2016	
		Capital Requirement	Risk adjusted value	Capital Requirement	Risk adjusted value
<b>Credit Risk</b>					
<b>Portfolios subject to standardised approach (Comprehensive approach)</b>					
<b>On-Balance Sheet Items:</b>					
Cash and Cash Equivalent		-	-	-	-
Sovereign and central banks		512	5,116	824	8,244
Public Sector Entities (PSEs)		45,573	455,734	87,044	870,436
Banks and securities firms		127,612	1,276,119	141,881	1,418,814
Corporate portfolio	39.13	3,604,940	36,049,396	2,265,011	22,650,108
Retail non mortgages	39.13	45,972	459,717	13,275	132,749
Mortgages - Residential		18,953	189,533	15,116	151,162
Past Due Loans		2,215	22,152	14,735	147,351
Operating Fixed Assets		111,325	1,113,248	126,128	1,261,283
Other assets		360,721	3,607,205	285,696	2,856,956
		4,317,823	43,178,220	2,949,710	29,497,103
<b>Off balance sheet items:</b>					
<b>Non-Market Related:</b>					
Direct credit substitutes		115,255	1,152,547	26,200	261,997
Performance-related contingencies	39.14	175,928	1,759,283	114,659	1,146,587
Trade-related contingencies		78,513	785,133	47,611	476,105
		369,696	3,696,963	188,470	1,884,689
<b>Risk-weighted exposures</b>					
<b>Market related:</b>					
Outstanding interest rate contracts		-	-	-	-
Outstanding foreign exchange contracts	39.15	108,913	1,089,131	50,987	509,865
		108,913	1,089,131	50,987	509,865
<b>Equity Exposure Risk in the Banking Book</b>					
Listed equity investments held in banking book		14,868	148,683	-	-
Unlisted equity investments held in banking book		9,000	90,000	1,500	15,000
Recognised portion of significant investment		-	-	-	-
		23,868	238,683	1,500	15,000
<b>Total credit risk exposures</b>		4,820,300	48,202,997	3,190,667	31,906,657
<b>Market Risk</b>					
Capital Requirement for portfolios subject to Standardized Approach					
Interest rate risk		830,863	8,308,625	1,126,889	11,268,888
Equity position risk		170,535	1,705,350	215,195	2,151,950
Foreign exchange risk		6,879	68,788	15,903	159,025
Position in options		-	-	-	-
<b>Total market risk exposures</b>		1,008,277	10,082,763	1,357,987	13,579,863
<b>Operational Risk</b>					
Capital Requirement for operational risks		501,989	5,019,888	441,966	4,419,663
<b>TOTAL</b>		6,330,566	63,305,648	4,990,620	49,906,183
<b>Capital Adequacy Ratio</b>		<b>Required</b>	<b>Actual</b>	<b>Required</b>	<b>Actual</b>
		December-17		December-16	
CET1 to total RWA		6.00%	19.39%	6.00%	22.83%
Tier-1 capital to total RWA		7.50%	19.39%	7.50%	22.83%
Total capital to total RWA		10.65%	19.74%	10.65%	23.94%

39.13 Cash margin and eligible securities amounting to Rs. 34.717 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. 17.495 million which is reported separately in Tier II (supplementary) capital as per BSD circular letter number 03 dated 20 May 2006.

39.14 No cash margin and eligible securities have been deducted from off-balance sheet items.

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

### 39.16 Main Features of Regulatory Capital Instruments

Main Features		Common Shares
1	Issuer	Samba Bank Limited
2	Unique identifier (eg KSE Symbol or Bloomberg identifier etc.)	SBL
3	Governing law(s) of the instrument Regulatory treatment	Laws applicable in Pakistan
4	Transitional Basel III rules	Common Equity Tier 1
5	Post-transitional Basel III rules	Common Equity Tier 1
6	Eligible at solo / group / group & solo	Solo
7	Instrument type	Ordinary shares
8	Amount recognized in regulatory capital (Currency in PKR thousands, as of reporting date)	Rs.10,082,387
9	Par value of instrument	10
10	Accounting classification	Shareholders' equity
11	Original date of issuance	January 13, 2006
12	Perpetual or dated	Perpetual
13	Original maturity date	NA
14	Issuer call subject to prior supervisory approval	No
	Optional call date, contingent call dates and redemption amount	NA
16	Subsequent call dates, if applicable Coupons / dividends	NA
17	Fixed or floating dividend / coupon	Floating dividend
18	coupon rate and any related index / benchmark	NA
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
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)	NA
25	If convertible, fully or partially	NA
26	If convertible, conversion rate	NA
27	If convertible, mandatory or optional conversion	NA
28	If convertible, specify instrument type convertible into	NA
29	If convertible, specify issuer of instrument it converts into	NA
30	Write-down feature	No
31	If write-down, write-down trigger(s)	NA
32	If write-down, full or partial	NA
33	If write-down, permanent or temporary	NA
34	If temporary write-down, description of write-up mechanism	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Residual interest
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A

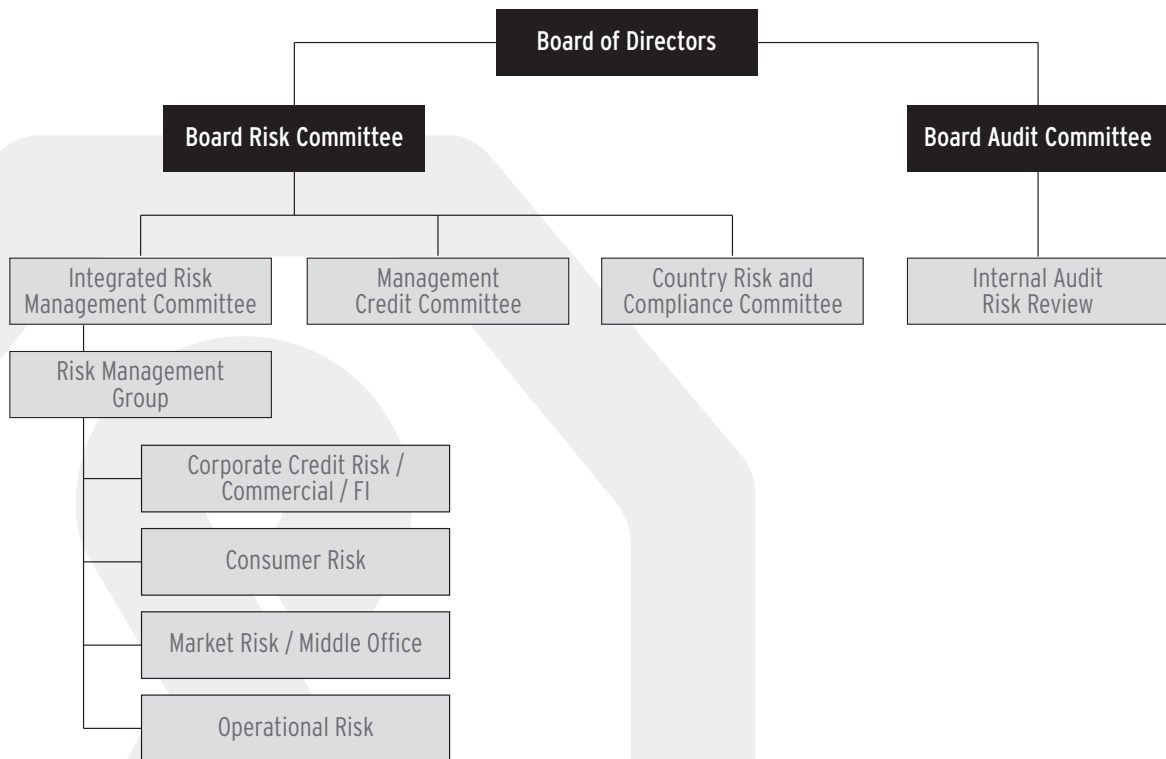
#### 40. RISK MANAGEMENT

Risk can be defined as a combination of the probability of an event and its consequences. In all types of undertakings, there is a potential for events and consequences that constitute opportunities for benefit (upside) or threats to success (downside). Risk Management is increasingly recognised as being concerned with both positive and negative aspects of risk. However, as a matter of prudence it is generally recognised that consequences are only negative and therefore the management of risk is focused on prevention and mitigation of harm.

The types and degree of risk an organisation may be exposed to depends upon its size, complexity in business activities, volume etc. Unless risks are assessed and measured it will not be possible to control risks. Further, an accurate assessment of risk gives management a clear view of the Bank's standing and helps in deciding future action plans. Management of risk by banks in Pakistan is governed by rules and regulations set by the State Bank of Pakistan in its capacity as a Regulator of the banks.

The Bank maintains a dedicated Risk Management organisational unit, independent from any business and reporting directly to the President & CEO through the Chief Risk Officer.

The Bank is exposed to a number of risks, such as credit, market, operational, liquidity, etc. The Board of Directors is ultimately responsible for the risk management function. In order to find an appropriate balance between risk and the desired level of return, the Board has formed certain specialised committees such as Integrated Risk Management Committee (IRMC), Management Credit Committee (MCC), Asset and Liability Committee (ALCO) and Country Risk and Compliance Committee (CRCC) to manage these areas. These committees act within the Bank's overall policies and Board delegated authorities. Integrated Risk Management Committee is a management committee which reviews and monitors risks associated with activities of specific areas. Country Risk and Compliance Committee provides senior management oversight on all material issues pertaining to Operational Risk and Compliance. The Board Risk Committee oversees the risk management function, including credit risks, market risks, liquidity risks, and operational risks that can cause losses to the Bank, to ensure appropriate supervision and governance of the risk management function.



## 40.1 Credit Risk

Credit Risk is the risk of loss as a result of failure by a customer or counterparty to meet its contractual obligations. 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 loans and advances to Financial Institutions, Corporations and Commercial activities.

### (a) Credit Risk Management (CRM) Objectives & Policies

Specific credit risk management objectives are:

- To gain a clear and accurate understanding and independent assessment of the level of credit risk being undertaken at each individual facility level going up to the total portfolio.
- To develop and implement uniform and acceptable credit standards across the Bank.
- To ascertain that overall risk of the Bank's corporate and commercial credit portfolio remains within manageable limits.
- To control and plan the taking of credit risk in conjunction with business, ensuring it is appropriately diversified and avoiding undesirable concentrations.
- To ensure that an effective CRM framework is in place that enables a proactive approach to identifying potential risks.
- To ensure that the balance sheet correctly reflects the value of our assets.

### (b) CRM Organisation and Structure

Taking credit risk is central to the business therefore it has been ensured that business managers in conjunction with risk managers are responsible for establishing and maintaining appropriate risk limits and risk management procedures.

### (c) Credit Approval Authorities and Standardised Procedures

A system of checks and balances has been established around the extension of credit which is based on an independent risk management function and multiple credit approvers. Every extension of credit is required to be approved by authorised Credit Officers from business and risk.

The Credit Policy approved by the Board of Directors (BoD) include:

- Setting maximum exposure limits for a single obligor and for a single group of related obligors based upon the obligor risk rating of the customer and the group.
- Defining maximum exposure limit to an individual sector in terms of portfolio composition to avoid excessive concentration.
- Requirement to risk rate every obligor on the basis of a standard and approved internal credit risk rating policy.
- Setting consistent standards to be followed across the Corporate, Commercial and Financial Institutions Group for the origination, documentation and maintenance of extensions of credit. These standards include problem recognition, the classification process of problem credits and remedial action. Quarterly reporting is made to the BoD on all credit exposures approved during the quarter, all changes in classification, provisions and write-offs taken during the quarter.

### (d) Credit Risk Portfolio Management

The Bank seeks to manage its credit risk exposure by ensuring that its customers meet the minimum credit standards as defined in the approved Credit Policy. It also seeks diversification of lending activities by ensuring that there is no undue concentration of risks within groups of customers, industry segments and tenor buckets.

The corporate and commercial portfolio is monitored through the Integrated Risk Management Committee (IRMC) which includes risk managers and Chief Risk Officer - CRO. The major functions of the IRMC pertaining to Credit Risk Management include:

- To review the lending policies and standards that conform to the regulations and the internal credit lending standards.
- Manage and monitor the overall credit risk exposure of the Bank, in terms of the pre-defined limits.
- Develop and implement standards of credit quality.
- Regularly review, monitor and evaluate the quality of credit portfolio in the light of the approved limits.
- Consumer Risk Management is responsible for managing the credit risk of consumer asset products and operates on a program based lending approach to manage, mitigate and approve risks on a portfolio level. Consumer Risk Management is responsible for managing the entire consumer credit cycle while maintaining the risk parameters approved under the Product Program. The credit cycle and its scope includes engagement in product program planning & subsequent program based approvals (along with business), management of credit underwriting process, portfolio monitoring & review, collections and recoveries.

**(e) Risk Rating**

The BoD has approved the Internal Credit Risk Rating Policy for the Corporate and Investment Banking Group. Through this policy, an appropriate rating mechanism has been devised for the purpose of identifying and measuring the credit risk against each obligor / transaction. The mechanism considers factors such as management, financial health, overall past performance at industry / country level, etc. and subsequently, the facility structuring / collateral and / or support (if any).

For the purpose of evaluating credit risk and assigning grades that illustrate the credit risk associated with the obligor, an Obligor Risk Rating model named "FARAS" Financial Analysis and Risk Assessment System (copyright of Samba Financial Group and licensed to the Bank for its use) Pakistan Version (modified to suit Pakistani economic environment) has been implemented. The model determines the Obligor Risk Rating (ORR) based on certain quantitative and qualitative information / assessment. It assigns grades from "2" to "7" (under the performing category), with sub-grades to denote a better or worse position than the full grade to a degree that is sufficient to be noted, but not material enough to require a full grade change (upgrade or downgrade). FARAS has been introduced, implemented and in use by the Corporate & Investment Banking Groups, Commercial Banking Group, SME Banking Group and forms an integral part of the credit approval process that materially helps in decision making.

The Bank has implemented a maker and checker control process for assigning the final ORR to an obligor. The business managers are the makers and Independent Risk is the checker and also approves the final assigned risk rating to an obligor.

ORRs ranging between "8" to "10" are assigned to classified obligors based upon an internal classification and remedial management process.

The credit limits delegations under the Credit Policy are based on a grid that is driven by the assigned risk rating.

**(f) Mitigants**

A range of initiatives are used to mitigate credit risk.

**Credit Principles and Policy**

To ensure consistency and standardization across the Corporate, Commercial, SME, Consumer Financial Institution and Investment Banking Groups, standard credit procedures and policy are implemented through the BoD approved Credit Policy. This ensures clear definition of responsibilities of the business, risk, credit administration and remedial departments and provides a basis for a disciplined environment.



## Counter Party Limits and Risk Rating

The maximum permitted per party limits under the credit delegations are derived as a function of the ORR of that obligor or group of obligors and therefore, acts as a check and balance on building up excessive obligor concentrations.

## Concentration Risk

The Credit Policy provides limits for industry sector concentrations. Through the regular IRMC meetings on the portfolio composition, exposures are monitored to highlight any concentrations that may occur and future strategy is devised to prevent excessive concentration of risk.

## Collateral

One of the mitigants is the collateral held against the credit exposures. The Credit Policy requires that collateral should always be realistically valued, providing margins, duly insured in favour of the Bank and giving the Bank a pari passu status with other lenders for similar transactions / nature of exposure. In case of a weak credit, facility specific support / guarantees are recommended as risk mitigation. To minimize the credit loss, seeking additional collateral from the obligor is recommended, as soon as impairment indicators are noticed in individual loans and advances.

## Early Warning Mechanism

The Credit Policy and established procedures prescribe an early warning mechanism which the business managers are required to follow. Due to early problem recognition the business may seek additional collateral and exercise other such measures to stop further deterioration.

## Target Market Screens (TM) and Risk Acceptance Criteria (RAC)

Industry Specific and Generic TM Screens & RACs have been approved and put in place as basic guiding rules.

## Target Market (TM) Document

A Board approved TM document has been put in place after joint deliberation between Corporate & Investment Banking Group (CIBG) & Credit Risk Management (CRM). This defines the target market and risk appetite for the CIBG business and is reviewed on a need basis. It serves as a guiding document for the relationship team and also acts as an effective risk management tool.

## Rapid Portfolio Reviews (RPR)

In order to assess the impact of any major event in the country that can have a negative impact on the health of the corporate portfolio, the entire portfolio is stressed through the RPR process on need basis. The RPRs conducted in the past include the impact of the prevailing inter-circular debt, currency devaluation, gas supply curtailment, increase in cotton prices and subsequent fall in cotton prices leading to inventory losses on the financial health of textile sector obligors etc. The RPR is an effective risk management tool and has helped the Bank in assessing the robustness of its portfolio and taking corrective actions in a timely and proactive manner.

### (g) Remedial management and allowances for impairment

The approved procedures define the Classified Credit process to be followed in order to establish a consistent approach to problem recognition, problem labeling, remedial action, loan loss provisioning and the initiation of credit write-offs. Clear responsibilities are defined pertaining to all processes that are required to be followed, in order to have an effective remedial management set-up in place.

A Remedial Asset Committee comprising remedial and risk managers and President & CEO, under the initiative of the Institutional Remedial Management Department, conducts regular reviews of the corporate credit classified portfolio and also recommends recovery / work-out plans, waivers and write-offs.

The Bank follows a very stringent loan loss reserve policy and as a result the impaired portfolio of the Bank is almost fully provisioned.

#### 41. SEGMENTAL INFORMATION

##### 41.1 Segment by class of business

Chemical, Lubricants and pharmaceuticals  
 Agriculture, forestry, hunting and fishing  
 Textile  
 Cement  
 Sugar  
 Footwear and leather garments  
 Automobile and transportation services  
 Construction  
 Wholesale and retail trade  
 Financial  
 Insurance  
 Electronics and electrical appliances  
 Power (electricity), gas, water and sanitary  
 Individuals  
 Manufacturing  
 Transport, storage and communication  
 Services  
 Paper and allied  
 Oil Marketing and Refinery  
 Others

2017					
Gross advances		Deposits		Contingencies & commitments	
Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
2,230,858	5.25	1,836,610	3.35	814,976	1.03
779	-	33,124	0.06	357,305	0.45
7,478,546	17.60	311,443	0.57	1,185,546	1.50
649,824	1.53	49,974	0.09	113,695	0.14
3,996,661	9.40	210,072	0.38	249,430	0.32
527,766	1.24	9,958	0.02	41,699	0.05
1,328	-	7,354,419	13.40	270,034	0.34
1,125,212	2.65	1,002,873	1.83	1,598,451	2.02
45,839	0.11	190,405	0.35	117,811	0.15
949,991	2.24	1,188,627	2.17	68,310,873	86.36
829	-	2,332,276	4.25	552,086	0.70
485,227	1.14	161,726	0.29	726,818	0.92
3,403,470	8.01	83,983	0.15	1,224,228	1.55
2,019,528	4.75	21,307,130	38.81	35,333	0.04
9,370,215	22.05	839,847	1.53	128,972	0.16
1,555,548	3.66	1,690,251	3.08	18,189	0.02
2,503,003	5.89	11,350,342	20.67	133,962	0.17
128	-	-	-	37,034	0.05
2,278,669	5.36	1,949,286	3.55	158,159	0.20
3,879,139	9.12	2,999,118	5.46	3,022,218	3.83
42,502,560	100.00	54,901,464	100.00	79,096,819	100.00

Chemical and pharmaceuticals  
 Agriculture, forestry, hunting and fishing  
 Textile  
 Cement  
 Sugar  
 Footwear and leather garments  
 Automobile and transportation services  
 Construction  
 Wholesale and retail trade  
 Financial  
 Insurance  
 Electronics and electrical appliances  
 Power (electricity), gas, water and sanitary  
 Individuals  
 Manufacturing  
 Transport, storage and communication  
 Services  
 Paper and allied  
 Oil Marketing and Refinery  
 Others

2016					
Gross advances		Deposits		Contingencies & commitments	
Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
6,249,681	20.17	5,560,994	11.05	1,257,887	2.39
480,589	1.55	280,374	0.54	-	-
5,230,504	16.88	406,504	0.81	213,078	0.40
427,632	1.38	10,010	0.02	82,476	0.16
2,567,311	8.28	103,284	0.21	-	-
271,141	0.87	9,274	0.02	-	-
1,328	-	4,586,384	9.12	261,997	0.50
-	-	566,545	1.13	-	-
115,390	0.37	-	-	33,436	0.06
-	-	4,203,953	8.36	44,263,309	84.07
829	-	1,220,542	2.43	-	-
239,286	0.77	103,893	0.21	-	-
3,232,032	10.43	-	-	2,359,780	4.48
1,007,701	3.25	19,188,140	38.14	-	-
6,241,919	20.14	-	-	1,426,463	2.71
1,717,120	5.54	-	-	-	-
851,817	2.75	9,841,484	19.56	54,928	0.10
147,536	0.48	-	-	-	-
-	-	-	-	-	-
2,206,136	7.14	4,225,423	8.40	2,697,995	5.12
30,987,952	100.00	50,306,804	100.00	52,651,349	100.00

#### 41.2 Segment by sector

		2017					
		Gross advances		Deposits		Contingencies & commitments	
		Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public / Government		2,278,669	5.36	6,711,042	12.22	597,222	0.76
Private		40,223,891	94.64	48,190,422	87.78	78,499,597	99.24
		42,502,560	100.00	54,901,464	100.00	79,096,819	100.00

		2016					
		Gross advances		Deposits		Contingencies & commitments	
		Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public / Government		4,295,338	13.86	11,695,298	23.25	91,573	0.17
Private		26,692,614	86.14	38,611,506	76.75	52,559,776	99.83
		30,987,952	100.00	50,306,804	100.00	52,651,349	100.00

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

		(Rupees in '000)		2017		2016	
		Classified advances	Specific provisions held	Classified advances	Specific provisions held	Classified advances	Specific provisions held
Chemical and pharmaceuticals		672	612	672	612	672	612
Textile		269,938	266,510	286,438	281,918	286,438	281,918
Sugar		218,239	218,239	220,885	121,061	220,885	121,061
Manufacturing		621,702	621,702	622,963	477,596	622,963	477,596
Footwear and leather garments		2,706	1,806	2,706	1,806	2,706	1,806
Automobile and transportation services		1,328	1,228	1,328	1,228	1,328	1,228
Insurance		829	729	829	729	829	729
Electronics and electrical appliances		38,977	38,677	38,977	38,677	38,977	38,677
Power (electricity), gas, water, sanitary		591,383	591,383	591,383	591,383	591,383	591,383
Individuals		499,992	477,390	516,457	491,728	516,457	491,728
Services		2,716	1,846	2,716	1,846	2,716	1,846
Others		87,266	83,170	87,572	83,480	87,572	83,480
		2,335,748	2,303,292	2,372,926	2,092,064	2,372,926	2,092,064

#### 41.4 Details of non-performing advances and specific provisions by sector

Public / government		-	-	-	-	-	-
Private		2,335,748	2,303,292	2,372,926	2,092,064	2,372,926	2,092,064
		2,335,748	2,303,292	2,372,926	2,092,064	2,372,926	2,092,064

#### 41.5 Geographical segment analysis

(Rupees in '000)

	2017			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
Pakistan	930,928	117,151,047	12,708,194	79,096,819

(Rupees in '000)

	2016			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
Pakistan	926,455	101,414,491	12,319,524	52,651,349

The Bank does not have any overseas operations, therefore its entire geographical dispersion arises inside Pakistan.

#### 41.6 Credit Risk – General Disclosures

The Bank has adopted Standardised approach, under Basel III. According to the regulatory statement submitted under the standardised Approach, the portfolio has been divided into Claims on Public Sector Entities in Pakistan (PSEs), claims on corporate (excluding equity exposure) and claims categorised as retail portfolio. Claims on corporate constitute 63% of the total exposure, 4% represents claims on PSEs, 1% represents retail non-mortgages and the remaining 1% exposure pertains to claims categorised as mortgage residential portfolio.

#### 41.7 Credit Risk: Standardised Approach

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

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

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

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 exposure without any adjustments.

For exposure amounts after risk mitigation subject to the standardised approach, amount of bank's / DFI's outstanding (rated & unrated) in each risk bucket as well as those that are deducted are as follows:

(Rupees in '000)

Exposure	Rating category No.	Amount outstanding	Deduction CRM*	Net Amount
Corporate	1-4	10,295,205	33	10,295,172
Banks	1-5	5,372,243	-	5,372,243
Sovereigns (local government securities)	N/A	8,156,363	-	8,156,363
Unrated		34,055,533	7,247	34,048,286
Total		<u>57,879,344</u>	<u>7,280</u>	<u>57,872,064</u>

\* CRM = Credit Risk Mitigation

**Eligible financial collateral and other eligible collateral after the application of haircuts**

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

Main types of collateral taken by the bank are:

- Cash margin
- Lien on deposits / government securities
- Hypothecation on stocks / assets
- Mortgage on properties

**41.8 Market risk**

The Bank is exposed to market risk which is the risk that the value of on and off-balance sheet exposures of the Bank will be adversely affected by movements in market rates or prices such as interest rates, foreign exchange rates, equity prices, credit spreads and / or commodity prices resulting in a loss to earnings and capital.

**41.8.1 Principal sources of Market Risks in both Trading Book and Banking Book****Price Risk**

Price risk is the risk that there may be a financial loss as a result of change in the level or volatility of interest rates, foreign exchange rates, and commodity or equity prices.

**Liquidity Risk**

Liquidity risk is the risk that any bank, business and its entities, will be unable to meet a financial commitment when due.

**Differentiation between Trading and Banking Book****Trading Book**

- Positions that are assumed to be held for short term.
- Securities are to be sold within 90 days from the date of their classification as held for trading under normal circumstances.
- They are marked-to-market (MTM) daily.
- Any MTM difference affects the profit and loss (P&L) account.

**Banking Book**

- Securities holding intention is for long term.
- Sale before maturity is permitted.
- Positions are marked-to-market (MTM) periodically.
- MTM differences affect the equity.
- Interest income / expense affect profit and loss account.

## 4.1.9 Market Risk Management

### 4.1.9.1 Objectives

Market risk is the risk to a bank's financial condition resulting from adverse movements in market prices. Accurately measuring a bank's market risk requires timely information about the current market values of its assets, liabilities, and off-balance sheet positions. Market risk arises from factors such as changing interest rates and currency exchange rates, the liquidity of markets for specific commodities or financial instruments, and local or world political and economic events. All of these sources of potential market risk can affect the value of the institution and should be considered in the market risk measurement process.

Management of market risk aims to control related risk exposure while ensuring that earnings commensurate with levels of risk.

The Bank has approved market risk policy encompassing market risk limit framework where all relevant market factors have been identified and taken into consideration in the establishment of the independent market risk limit frameworks. The policy also articulates standards for defining, measuring and communicating market risk.

The Bank has established quantitative limits related to market risk and has also set limits for the maximum amount of losses arising from market activities as under:

### 4.1.9.2 Price Risk Management

Trading Book is controlled through:

- Factor Sensitivity and associated limits
- Value at Risk (VaR) limits
- Trading - Action triggers

Banking Book is controlled through:

- Factor Sensitivity and associated limits
- Sensitivity of bonds using DV01 limits
- Triggers - Simplified action triggers

### 4.1.9.3 Structure and Organization of the Market Risk Management



#### 41.9.4 Market Risk Management Function

- Monitoring compliance with all the market risk management policies and procedures of the treasury function as approved by the Board of Directors.
- Identifying and specifying all relevant market factors for each risk-taking unit.
- Monitoring the day-to-day dealings of the front office against the pre-determined tolerable limits.
- Ensuring that the following are reflected in the periodic (at least quarterly) profit and loss account:
  - All transactions executed; and
  - Current independent market data used with respect to revaluation.
- Dealer limits monitoring and excess reporting.
- Random review of recorded telephone conversations for Global Market (GM) activities and related telephone recordings through Telecard voice recording system.
- As per new Rate Reasonability Review Process document, any transaction outside the agreed tolerance band will be reviewed and highlighted by Market Risk.
- Review the factor sensitivity, VaR and stress testing methodologies and results for reasonableness, consistency and completeness.
- Preparing forecasts (simulations) showing the effect of various possible changes in market conditions relating to risk exposures and ensure their integrity.
- Preparing Market Access Reports (MAR), maturity and interest rate risk GAP reports.
- Preparing market risk dashboard for Asset Liability Committee (ALCO), Integrated Risk Management Committee (IRMC), Board Risk Committee (BRC) and senior management.
- Preparing GAP analysis report and reviewing methodologies to calculate risk under Pillar I and II of ICAAP Framework.
- Preparing Business Continuity Program (BCP) for market risk.
- Finalising methodologies to calculate risks under Pillar I & II for ICAAP Framework.
- Jointly developing, with business, standard stress test scenarios and reviewing the standard stress test library at least annually.
- Reviewing the Bank's capital adequacy.

#### 41.9.5 Scope and Nature of Risk Reporting

- It is the policy of the Bank that a comprehensive set of market risk data, generated through the businesses' risk-taking activities, is identified and communicated throughout the applicable business, IRMC and Senior Management.
- It is the responsibility of Market Risk Management to define, construct and maintain an independent market risk reporting framework that effectively, consistently and meaningfully communicates risks, risk appetite and the quality of earnings.
- At a minimum, market risk reports are produced for each risk-taking unit, consistent with the level at which the independent market risk limit frameworks are established. However, additional market risk reports may be produced if Market Risk Management determines that the level and / or nature of the risk within a business, warrant inclusion in the market risk reporting packages.
- The market risk data and other data used to populate the independent market risk reports should be from independent risk systems or other independent support systems (e.g., general ledger). If the information available in the independent systems is not sufficiently comprehensive, any other data used to populate the reports must be subject to a reconciliation process to ensure its integrity.
- It is the responsibility of Market Risk Management and the business to assist in the quality control process by reviewing the reports for reasonableness, consistency and completeness.

#### 41.9.6 Market Risk Management System

The Bank has market risk software to manage the market risks from its trading and non-trading activities.

At each level, checks and balances are maintained through a system in which back and middle offices operate independently from front offices. In addition, ALCO, IRMC and BRC meetings are held respectively every month / quarter to deliberate important matters related to market risk and control.



#### 41.10 Market Risk Measurement Model

Since daily variation in market risk is significantly greater than other types of risk, the Bank measures and manages market risk using VaR on a daily basis.

Market risk for trading and non-trading activities is measured using a uniformed market risk measurement model. The principal model used for these activities is Variance-Covariance matrix model (holding period, 10 days; confidence interval, 99%; and observation period 365 business days). The model calculates VaR amount by applying actual fluctuations in the market rates and prices over a fixed period in the past. However, the Bank is not using this model to calculate Basel III regulatory capital adequacy ratios which are being computed using the standardised approach which is in accordance with the regulatory requirement.

The Bank is using the following components for measuring market risk factors:

- Factor Sensitivities
- Volatility and Correlation Calculations
- Value-at-Risk (VaR)
- Stress Testing
- Back Testing

#### 41.11 Foreign Exchange Risk

The Foreign exchange risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The risk is managed through State Bank of Pakistan's forward covers and other hedging instruments. Overall foreign exchange risk is managed by dealing in authorised currencies, devising separate authority matrices for different types of foreign currency transactions and assigning the ceilings of exposures to parties. Foreign exchange open and mismatch positions are controlled through internal limits and are marked to market on a daily basis to contain forward exposures.

Pakistan Rupee  
United States Dollar  
Great Britain Pound  
Japanese Yen  
Euro  
Other currencies

(Rupees in '000)

2017			
Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
113,338,500	(98,806,456)	(1,773,851)	12,758,193
3,661,999	(5,348,244)	1,622,220	(64,025)
107,315	(225,749)	126,677	8,243
3,342	-	-	3,342
24,615	(62,073)	39,676	2,218
15,276	(331)	(14,722)	223
117,151,047	(104,442,853)	-	12,708,194

Pakistan Rupee  
United States Dollar  
Great Britain Pound  
Japanese Yen  
Euro  
Other currencies

(Rupees in '000)

2016			
Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
94,207,783	(82,466,033)	430,105	12,171,855
7,040,507	(6,350,284)	(560,356)	129,867
114,931	(219,001)	97,072	(6,998)
163	-	-	163
21,819	(59,357)	33,179	(4,359)
29,288	(292)	-	28,996
101,414,491	(89,094,967)	-	12,319,524

#### 41.12 Equity Position Risk

Equity position risk in Trading Book arises due to changes in prices of individual stocks or levels of equity indices. Currently, the Bank's equity investments comprises of Available for Sale (AFS), Held for Trading (HFT) and Future portfolio. The AFS portfolio is maintained with a medium-term view of capital gains and dividend income.



## 42. 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 a financial instrument will fluctuate due to changes in market interest rates. The Bank is exposed to 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 monitors this risk and manages it by repricing of assets and liabilities with the objective of limiting the potential adverse effects on the profitability of the Bank.

The Bank's interest rate sensitivity position based on the earlier of contractual re-pricing or maturity date is as follows:

(Rupees in '000)

		2017									Non-interest bearing financial instruments
Effective yield/ interest rate %	Total	Exposed to yield / interest rate risk									
		Upto one 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	

### On-balance sheet financial instruments

#### Assets

##### Cash and balances with

treasury banks

Balances with other banks

Lendings to financial institutions

Investments - net

Advances - net

Other assets

-	3,887,745	-	-	-	-	-	-	-	-	-	-	3,887,745
-	127,386	-	-	-	-	-	-	-	-	-	-	127,386
6.35%	5,192,950	5,192,950	-	-	-	-	-	-	-	-	-	-
8.89%	62,918,102	16,340,018	2,051,060	-	6,389,995	11,678,274	11,069,291	11,138,725	3,388,060	-	-	862,679
6.64%	40,181,773	18,379,888	12,005,962	6,280,675	1,925,180	206,432	229,468	561,267	555,899	-	-	37,002
-	2,726,771	-	-	-	-	-	-	-	-	-	-	2,726,771
	115,034,727	39,912,856	14,057,022	6,280,675	8,315,175	11,884,706	11,298,759	11,699,992	3,943,959	-	-	7,641,583
<b>Liabilities</b>												
-	686,692	-	-	-	-	-	-	-	-	-	-	686,692
6.20%	46,201,468	43,081,077	1,787,000	838,000	-	-	-	88,213	384,842	-	-	22,336
4.57%	54,901,464	3,262,591	5,791,175	25,158,576	7,545,017	4,198	236,846	16,095	-	-	-	12,886,966
-	1,926,485	-	-	-	-	-	-	-	-	-	-	1,926,485
	103,716,109	46,343,668	7,578,175	25,996,576	7,545,017	4,198	236,846	104,308	384,842	-	-	15,522,479
	11,318,618	(6,430,812)	6,478,847	(19,715,901)	770,158	11,880,508	11,061,913	11,595,684	3,559,117	-	-	(7,880,896)

#### On-balance sheet gap

### Cumulative Yield / Interest Risk Sensitivity Gap

(6,430,812) 48,035 (19,667,866) (18,897,708) (7,017,200) 4,044,713 15,640,397 19,199,514 19,199,514

(Rupees in '000)

		2016									Non-interest bearing financial instruments
Effective yield/ interest rate %	Total	Exposed to yield / interest rate risk									
		Upto one 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	

### On-balance sheet financial instruments

#### Assets

##### Cash and balances with

treasury banks

Balances with other banks

Lendings to financial institutions

Investments - net

Advances - net

Other assets

-	4,723,664	-	-	-	-	-	-	-	-	-	-	4,723,664
-	816,421	14	-	-	-	-	-	-	-	-	-	816,407
6.10%	5,277,254	5,277,254	-	-	-	-	-	-	-	-	-	-
7.95%	57,237,456	876,950	1,195,023	-	1,912,080	23,936,818	5,634,856	15,030,991	7,564,760	-	-	1,085,978
6.65%	28,789,980	10,308,013	10,614,645	5,878,907	649,744	216,636	227,094	507,537	108,916	-	-	278,488
-	2,261,587	-	-	-	-	-	-	-	-	-	-	2,261,587
	99,106,362	16,462,231	11,809,668	5,878,907	2,561,824	24,153,454	5,861,950	15,538,528	7,673,676	-	-	9,166,124
<b>Liabilities</b>												
-	915,076	-	-	-	-	-	-	-	-	-	-	915,076
6.05%	35,847,072	7,940,000	6,820,556	1,092,577	19,873,586	-	-	98,016	-	-	-	22,337
4.62%	50,306,804	8,237,942	9,041,596	19,450,407	4,549,805	30,000	4,070	39,858	-	-	-	8,953,126
-	1,074,392	-	-	-	-	-	-	-	-	-	-	1,074,392
	88,143,344	16,177,942	15,862,152	20,542,984	24,423,391	30,000	4,070	137,874	-	-	-	10,964,931
	10,963,018	284,289	(4,052,484)	(14,664,077)	(21,861,567)	24,123,454	5,857,880	15,400,654	7,673,676	-	-	(1,798,807)

#### On-balance sheet gap

### Cumulative Yield / Interest Risk Sensitivity Gap

284,289 (3,768,195) (18,432,272) (40,293,839) (16,170,385) (10,312,505) 5,088,149 12,761,825 12,761,825

## 43. LIQUIDITY RISK

### 43.1 Liquidity risk management

The objective is to establish standards for defining, measuring and reporting liquidity risk in order to ensure the transparency and comparability of liquidity risk-taking activities.

Liquidity risk is being monitored through the following:

#### (a) Gap Analysis: Market Access Report (MAR)

Market Access Report is a key tool in monitoring the current liquidity position of the Bank and it measures the 'gaps' over various time horizons, based on a business-as-usual assumption that the asset levels remain constant. MAR quantifies the daily and cumulative gap in a business-as-usual environment. The gap for any given tenor bucket represents the borrowings from, or placements to, the markets (internal or external), required to replace maturing liabilities or assets. MAR Limits establish a boundary for how much incremental funding is appropriate, relative to the size of statement of financial position and market capacity.

#### (b) Stress Scenario

Stress test is intended to quantify the likely impact of an event on the balance sheet and the net potential cumulative gap over a 3-month period, and to ascertain what incremental funding may be required under the defined stress scenario. The scenario is proposed by the Market Risk Management at a minimum on an annual basis, endorsed by the treasurer, and approved by the Board of Directors.

#### (c) Scope and Nature of Risk Reporting

- It is the policy of the Bank that the comprehensive set of liquidity risk data, generated through the businesses' risk-taking activities, is identified and communicated throughout the applicable business, treasury, and senior management.
- Market Risk is responsible to construct and maintain an independent liquidity risk-reporting framework that effectively, consistently and meaningfully communicates risks and risk appetite.
- Treasurer is responsible to ensure the completeness and integrity of the liquidity risk data, and that the data can be effectively reported into the independent risk systems.
- ALCO, the Treasurer and the market risk managers are responsible for assisting in the quality control process by reviewing the reports for reasonableness, consistency and completeness.

#### (d) Mitigating Liquidity Risk and Processes for Continuous Monitoring

The following tools are being used in order to monitor the liquidity risk:

- Market Access Report (MAR)
- Stress Scenario
- Liquidity Ratios
- Significant Funding Sources (large funds providers)
- Contingency Funding Plans

### 43.2 Liquidity Coverage Ratio

The purpose of this disclosure is to provide the information pursuant to Basel III Liquidity Standards issued under BPRD circular # 08 dated June 23, 2016. This supplements the disclosure in the Risk Management sections as well as related information in the Notes to the Financial Statements. This disclosure should be read in conjunction with the Bank's Financial Statements as of December 31, 2017.

The Liquidity Coverage Ratio "LCR" ensures that Samba Bank Limited (the "Bank") maintains sufficient unencumbered High Quality Liquid Assets ("HQLA") to survive a significant liquidity stress scenario over a 30-days horizon. LCR reporting to SBP commenced from January 31, 2017 on a monthly basis. Minimum requirement is set at 90% as of December 31, 2017 and shall increase to 100% by December 31, 2018.

(a) **Liquidity Management Framework**

The Bank has a clear policy to maintain adequate liquidity at all times, in order to be in a position, in the normal course of business, to meet all obligations, to repay depositors and to fulfill commitments. However, despite careful management of the liquidity position, a crisis can happen due to either unforeseen events or circumstances beyond the Bank's control. In order to meet such a situation Liquidity Contingency Plan is prepared to mitigate the effects on Bank's liquidity, duly approved by the board. The board and senior management are apprised about liquidity profile of the Bank on periodic basis so as to ensure proactive liquidity management and to avoid abrupt shocks. The management of liquidity risk within the Bank is undertaken within approved limits and other policy parameters set by ALCO which meets on monthly basis and reviews compliance with policy parameters. Day to day monitoring is done by the treasury while overall compliance is monitored and coordinated by the ALCO and includes reviewing the actual and planned strategic growth of the business and its impact on the statement of financial position and monitoring the Bank's liquidity profile and associated activities. Bank's treasury function has the primary responsibility for assessing, monitoring and managing bank's Liquidity and funding strategy. Treasury middle office being part of risk management department is responsible for the independent identification & monitoring of risks inherent in treasury operations. The Bank has in place Market Risk Limit Package (MRLP) which includes strategy along with liquidity risk tolerance appetite levels for effective liquidity management of the Bank. Market Risk (MR) prepares various reports on the liquidity ratios. All MR reports including Stress Scenarios are prepared and shared with senior management on a daily basis.

(b) **Funding Sources**

The bank's prime source of liquidity is the customer's deposit base. Within deposits, Bank strives to maintain a healthy core deposit base in form of current and saving deposits and avoid concentration in particular products, tenors and dependence on large fund providers. The Bank holds a funding base that is driven by Current and Saving Account "CASA" and Term Deposits from retail, affluent and corporate customers. This is complemented by wholesale funding from operational & non-operational deposits held by commercial clients of the Bank and funding from interbank market. The bank follows centralized funding strategy so as to ensure achievement of strategic and business objectives of the Bank.

(c) **Liquidity Risk Mitigation Techniques**

As already disclosed in Note 43.1 (d) Mitigants of Liquidity Risk and Processes for Continuous Monitoring

(d) **Liquidity Stress Testing**

As already disclosed in Note 43.1 (b) Stress Scenario

(e) **Contingency Funding Plan**

The Contingency Funding Plan is based on a dynamic proactive approach, where the risks are ring fenced and stress scenarios are developed, based on which limits are applied to prevent a situation where liquidity risk becomes untenable. The assumptions used in stress scenario consider the impact of accelerated run-off. This proactive process has been tested successfully by the Bank. MAR limits reflect and control SBL's funding risks and enable effective management of any liquidity crisis situation that may arise, thus presenting a reliable and sound image to the market:

- To identify trigger events and to describe the actions to be taken to manage the liquidity crisis.
- To define the role and responsibility of the Crisis Management Team (CMT) with regards to:
  - Market information & funding sources
  - State Bank of Pakistan's support
  - Asset disposal
  - Communication

(f) **Main drivers of LCR**

Bank's LCR is sensitive to changes in (a) balance sheet movement resulting from retail, commercial and corporate loan / deposits activities as well as inter-bank borrowing and lending; (b) maturity movements in the balance sheet and balances fall into and out of the 30 days tenor; (c) HQLA movement driven by changes in Government Securities and Balances held with SBP.

**(g) Quarterly Changes in LCR over the year**

The data presented in the quantitative disclosure is a simple average of quarterly LCR, wherein quarterly LCR is a simple average of monthly observations. In the first quarter of 2017, Bank's LCR was 229%. The average LCR increased through to the second quarter to 252% due to reduction in HQLA partially off-set by decrease in Net Cash Outflows. Average third quarter LCR was 242% and fourth quarter LCR increased to 247% due to decrease in HQLA as well as decrease in Net Cash Outflows. In all quarters, Bank's LCR remained well above the regulatory minimum requirement of 90% as of December 31, 2017.

**(h) Composition of High Quality Liquid Assets ("HQLA")**

The Bank holds an adequate portfolio of HQLA that are available to meet the liquidity needs under stress scenarios. The HQLA comprise primary of Level 1 securities in the form of Cash and Treasury Balances, Unencumbered Fixed Income Securities issued by Government of Pakistan in local currency and Foreign Currency Debt securities issued by Government of Pakistan. Level 1 security is included at 100% of their market value in the portfolio of HQLA. Level 2A Assets (weight 85%) consist of marketable securities held with a 20% risk weight under Basel Framework standardized approach for credit risk, whereas level 2B Assets include marketable corporate debt securities (weight 85%) and non-financial common equity shares (weight 85%).

**(i) Concentration of funding sources**

Bank has a threshold for determining the basis for Significant Funding Sources (SFS). The threshold amount of SFS is PKR 250 million and above. MR prepares SFS report which carries information about large fund providers with approved limits, being monitored daily. Based on this report, the Retail and Corporate businesses are regularly aiming to reduce these concentrations and to add granularity to the deposit portfolio. Moreover, the risk of concentration of funding sources is regularly discussed at Asset Liability Committee (ALCO) meetings as well as Board Risk Committee (BRC) meetings.

**(j) Currency Mismatch in the LCR**

The Bank predominately operates in the Pakistani Rupees. FCY exposures are maintained within pre-defined thresholds and liquidity for each foreign currency is managed by utilizing interbank market through currency swaps.

**(k) Derivative Exposures**

Derivative flows comprise mainly of foreign exchange flow driven by swaps, forwards and spots. Such derivative positions are marked-to market in the computation of net outflows.

**(l) A description of the degree of centralization of liquidity management and interaction between the group's units; and**

The Liquidity risk is regularly being discussed at ALCO meetings as well as Board Risk Committee meetings. In order to monitor this risk, there are ALCO ratios (SFS ratios) which are presented and discussed in each ALCO & BRC.

**(m) Other inflows and outflows in the LCR calculation that are not captured in the LCR disclosure template but which the bank considers to be relevant for its liquidity profile.**

All inflows and outflows are being captured in the LCR calculation and LCR disclosure template.

(Rupees in '000)

	Total unweighted value (average)	Total weighted value (average)
HIGH QUALITY LIQUID ASSETS		
1 Total high quality liquid assets (HQLA)		27,963,934
2 Retail deposits and deposits from small business customers of which:		
2.1 stable deposit	-	-
2.2 Less stable deposit	34,658,852	3,465,885
3 Unsecured wholesale funding of which:		
3.1 Operational deposits (all counterparties)	723,508	180,877
3.2 Non-operational deposits (all counterparties)	17,393,332	6,957,333
3.3 Unsecured debt	4,185,873	4,185,873
4 Secured wholesale funding	21,657,275	-
5 Additional requirements of which:		
5.1 Outflows related to derivative exposures and other collateral requirements	-	-
5.2 Outflows related to loss of funding on debt products	-	-
5.3 Credit and Liquidity facilities	10,368,578	-
6 Other contractual funding obligations	10,022,430	501,121
7 Other contingent funding obligations	247,033	12,352
8 TOTAL CASH OUTFLOWS		15,303,441
CASH INFLOWS		
9 Secured lending	9,089,870	4,544,935
10 Inflows from fully performing exposures	281,130	140,565
11 Other Cash inflows	2,944,786	-
12 TOTAL CASH INFLOWS		4,685,500
		Total Adjusted Value
TOTAL HQLA		27,963,934
TOTAL NET CASH OUTFLOWS		10,617,941
LIQUIDITY COVERAGE RATIO		263%

### 43.3 Net Stable Funding Ratio

Net Stable Funding Ratio (NSFR) is used to reduce funding risk over a longer time horizon by requiring banks to fund their activities with sufficiently stable sources of funding in order to mitigate the risk of future funding stress. The NSFR limits overreliance on short-term wholesale funding, encourages better assessment of funding risk across all on- and off-balance sheet items and promotes funding stability. The ratio is defined as the amount of available stable funding (ASF), relative to the amount of required stable funding (RSF).

(Rupees in '000)

ASF Item	Unweighted Value By Residual Maturity				LR IX
	No Maturity	Below 6 months	6 months to below 1 year	1 year and above 1 year	Weighted Value
1 Capital:					
2 Regulatory capital	12,128,817	-	-	-	12,128,817
3 Other capital instruments	219,662	-	-	-	219,662
4 Retail deposits and deposit from small business customers:					
5 Stable deposits	-	-	11,101,802	-	24,601,592
6 Less stable deposits	-	-	27,335,102	-	5,550,901
7 Wholesale funding:					
8 Operational deposits	686,693	-	-	-	343,347
9 Other wholesale funding	-	-	2,725,000	-	1,362,500
10 Other liabilities:					
11 NSFR derivative liabilities	-	-	-	-	-
12 All other liabilities and equity not included in other categories	-	2,653,226	-	-	-
13 Total ASF					44,206,819

## RSF item

14 Total NSFR high-quality liquid assets (HQLA)				1,174,850	587,425
15 Deposits held at other financial institutions for operational purposes	-	-	249,313	-	124,656
16 Performing loans and securities:	-	-	-	-	-
17 Performing loans to financial institutions secured by Level 1 HQLA	-	-	-	-	-
18 Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	-	-	-	-
19 Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	-	-	-	-	-
20 With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	-	-	6,722,940	4,369,911
21 Securities that are not in default and do not qualify as HQLA including exchange-traded equities.	709,435	-	-	-	603,020
22 Other assets:	-	-	-	-	5,685,012
23 Physical traded commodities, including gold	-	-	-	-	-
24 Assets posted as initial margin for derivative contracts	-	-	-	-	-
25 NSFR derivative assets	-	-	-	-	-
26 NSFR derivative liabilities before deduction of variation margin posted	-	-	-	-	-
27 All other assets not included in the above categories	3,041,807	-	-	-	3,041,807
28 Off-balance sheet items	-	-	19,130,568	-	956,528
29 Total RSF	-	-	-	-	9,683,347
30 Net Stable Funding Ratio (%)	-	-	-	-	456.52%

#### 44. MATURITIES OF ASSETS AND LIABILITIES

##### 44.1 Maturities of assets and liabilities based on expected maturities

(Rupees in '000)

2017									
Total	Upto one 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
<b>Assets</b>									
Cash and balances with treasury banks	3,887,745	1,383,297	644,287	456,202	408,171	246,736	255,297	493,755	-
Balances with other banks	127,386	127,386	-	-	-	-	-	-	-
Lendings to financial institutions	5,192,950	5,192,950	-	-	-	-	-	-	-
Investments - net	62,918,102	15,160,296	2,051,060	-	7,252,674	11,678,274	11,069,291	12,119,763	3,586,744
Advances - net	40,181,773	12,146,670	10,200,539	9,095,467	1,994,810	833,533	1,492,830	3,034,147	1,383,777
Operating fixed assets	1,246,618	11,301	1,599	9,162	96,043	44,929	123,738	137,447	235,754
Deferred tax assets	436,816	-	-	-	80,802	185,481	63,948	(97,711)	204,296
Other assets	3,159,657	2,609,081	39,597	49,371	36,639	7,463	10,095	407,411	-
	117,151,047	36,630,981	12,937,082	9,610,202	9,869,139	12,996,416	13,015,199	16,094,812	5,410,571
	586,645								
<b>Liabilities</b>									
Bills payable	686,692	686,692	-	-	-	-	-	-	-
Borrowings	46,201,468	43,081,076	1,787,000	838,000	-	-	-	110,550	384,842
Deposits and other accounts	54,901,464	10,097,014	10,781,629	9,506,489	9,449,471	3,706,629	3,939,276	7,420,956	-
Other liabilities	2,653,229	1,477,994	693,812	153,852	91,260	42	2,346	233,923	-
	104,442,853	55,342,776	13,262,441	10,498,341	9,540,731	3,706,671	3,941,622	7,765,429	384,842
	-								
<b>Net assets</b>									
	12,708,194	(18,711,795)	(325,359)	(888,139)	328,408	9,289,745	9,073,577	8,329,383	5,025,729
	586,645								
<b>Represented by:</b>									
Share capital	10,082,387								
Advance against proposed issue of right shares	-								
Reserves	555,451								
Accumulated earnings	1,843,203								
	12,481,041								
Deficit on revaluation of assets - net of deferred tax	227,153								
	12,708,194								

(Rupees in '000)

2016									
Total	Upto one 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
<b>Assets</b>									
Cash and balances with treasury banks	4,723,664	1,475,987	917,850	324,394	370,811	1,631,042	332	3,248	-
Balances with other banks	816,421	816,421	-	-	-	-	-	-	-
Lendings to financial institutions	5,277,254	5,277,254	-	-	-	-	-	-	-
Investments - net	57,237,456	876,951	1,202,531	-	2,990,549	23,936,818	5,634,856	15,030,991	7,564,760
Advances - net	28,789,980	3,575,800	10,222,729	6,235,680	3,596,170	363,470	1,020,333	3,098,562	677,236
Operating fixed assets	1,458,715	37,562	66,285	98,888	140,657	175,335	130,714	158,395	224,382
Deferred tax assets	409,641	-	-	-	168,472	(114,100)	(5,734)	(142,587)	503,590
Other assets	2,701,360	2,080,935	32,651	36,771	47,138	5,598	7,733	490,534	-
	101,414,491	14,140,910	12,442,046	6,695,733	7,313,797	25,998,163	6,788,234	18,639,143	8,969,968
	426,497								
<b>Liabilities</b>									
Bills payable	915,076	915,076	-	-	-	-	-	-	-
Borrowings	35,847,072	7,940,000	6,820,556	1,092,577	19,873,587	-	-	120,352	-
Deposits and other accounts	50,306,804	10,458,238	11,261,892	3,980,275	4,549,805	20,012,666	4,070	39,858	-
Other liabilities	2,026,015	901,924	829,217	23,449	35,458	77	2	235,888	-
	89,094,967	20,215,238	18,911,665	5,096,301	24,458,850	20,012,743	4,072	396,098	-
	-								
<b>Net assets</b>									
	12,319,524	(6,074,328)	(6,469,619)	1,599,432	(17,145,053)	5,985,420	6,784,162	18,243,045	8,969,968
	426,497								
<b>Represented by:</b>									
Share capital	10,082,387								
Advance against proposed issue of right shares	-								
Reserves	407,680								
Accumulated earnings	1,252,121								
	11,742,188								
Deficit on revaluation of assets - net of deferred tax	577,336								
	12,319,524								

Maturities of assets and liabilities reflect their carrying values at which these are reported in the statement of financial position. The maturities of assets and liabilities having contractual maturities have been determined on the basis of the remaining period at the

reporting date to the contractual maturity date. Assets and liabilities not having a contractual maturity are assumed to mature on the expected date of realisation / settlement.

#### 44.2 Maturities of assets and liabilities based on contractual maturities

(Rupees in '000)

		2017								
Total	Upto one 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	
<b>Assets</b>										
Cash and balances with treasury banks	3,887,745	3,887,745	-	-	-	-	-	-	-	
Balances with other banks	127,386	127,386	-	-	-	-	-	-	-	
Lendings to financial institutions	5,192,950	5,192,950	-	-	-	-	-	-	-	
Investments - net	62,918,102	15,160,295	2,051,060	-	7,252,674	6,503,910	16,243,655	12,119,764	3,586,744	
Advances - net	40,181,773	22,134,122	4,705,440	4,480,377	1,771,608	833,533	1,492,830	3,034,147	1,729,716	
Operating fixed assets	1,246,618	11,302	1,599	9,162	96,043	44,929	123,738	137,446	235,754	
Deferred tax assets	436,816	-	-	-	75,811	201,000	60,000	(91,678)	191,683	
Other assets	3,159,657	2,511,765	38,120	47,530	35,272	7,185	9,718	510,067	-	
	117,151,047	49,025,565	6,796,219	4,537,069	9,231,408	7,590,557	17,929,941	15,709,746	5,743,897	
	586,645	-	-	-	-	-	-	-	-	
<b>Liabilities</b>										
Bills payable	686,692	686,692	-	-	-	-	-	-	-	
Borrowings	46,201,468	43,081,077	1,787,000	838,000	-	-	110,549	384,842	-	
Deposits and other accounts	54,901,464	34,783,212	5,791,175	6,524,921	7,545,017	4,198	236,846	16,095	-	
Other liabilities	2,653,229	1,477,993	693,812	153,852	91,260	42	2,346	233,924	-	
	104,442,853	80,028,974	8,271,987	7,516,773	7,636,277	4,240	239,192	360,568	384,842	
	586,645	-	-	-	-	-	-	-	-	
<b>Net assets</b>										
	12,708,194	(31,003,409)	(1,475,768)	(2,979,704)	1,595,131	7,586,317	17,690,749	15,349,178	5,359,055	
	586,645	-	-	-	-	-	-	-	-	
<b>Represented by:</b>										
Share capital	10,082,387	-	-	-	-	-	-	-	-	
Advance against proposed issue of right shares	-	-	-	-	-	-	-	-	-	
Reserves	555,451	-	-	-	-	-	-	-	-	
Accumulated earnings	1,843,203	-	-	-	-	-	-	-	-	
	12,481,041	-	-	-	-	-	-	-	-	
Deficit on revaluation of assets - net of deferred tax	227,153	-	-	-	-	-	-	-	-	
	12,708,194	-	-	-	-	-	-	-	-	

(Rupees in '000)

		2016								
Total	Upto one 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	
<b>Assets</b>										
Cash and balances with treasury banks	4,723,664	4,723,664	-	-	-	-	-	-	-	
Balances with other banks	816,421	816,421	-	-	-	-	-	-	-	
Lendings to financial institutions	5,277,254	5,277,254	-	-	-	-	-	-	-	
Investments - net	57,237,456	876,951	1,202,531	-	2,990,549	23,936,818	5,634,856	15,030,991	7,564,760	
Advances - net	28,789,980	11,285,444	7,133,857	5,094,352	1,262,659	1,220,307	1,201,761	1,160,982	430,618	
Operating fixed assets	1,458,715	37,562	66,285	98,888	140,657	175,335	130,714	158,395	224,382	
Deferred tax assets	409,641	-	-	-	168,472	(114,100)	(5,734)	(142,587)	503,590	
Other assets	2,701,360	2,080,935	32,651	36,771	47,138	5,598	7,733	490,534	-	
	101,414,491	25,098,231	8,435,324	5,230,011	4,609,475	25,223,958	6,969,330	16,698,315	8,723,350	
	426,497	-	-	-	-	-	-	-	-	
<b>Liabilities</b>										
Bills payable	915,076	915,076	-	-	-	-	-	-	-	
Borrowings	35,847,072	7,940,000	6,820,557	1,092,577	19,873,586	-	120,352	-	-	
Deposits and other accounts	50,306,804	34,881,497	9,041,596	1,759,978	4,549,805	30,000	4,070	39,858	-	
Other liabilities	2,026,015	901,924	829,217	23,449	35,458	77	2	235,888	-	
	89,094,967	44,638,497	16,691,370	2,876,004	24,458,849	30,077	4,072	396,098	-	
	426,497	-	-	-	-	-	-	-	-	
<b>Net assets</b>										
	12,319,524	(19,540,266)	(8,256,046)	2,354,007	(19,849,374)	25,193,881	6,965,258	16,302,217	8,723,350	
	426,497	-	-	-	-	-	-	-	-	
<b>Represented by:</b>										
Share capital	10,082,387	-	-	-	-	-	-	-	-	
Advance against proposed issue of right shares	-	-	-	-	-	-	-	-	-	
Reserves	407,680	-	-	-	-	-	-	-	-	
Accumulated earnings	1,252,121	-	-	-	-	-	-	-	-	
	11,742,188	-	-	-	-	-	-	-	-	
Deficit on revaluation of assets - net of deferred tax	577,336	-	-	-	-	-	-	-	-	
	12,319,524	-	-	-	-	-	-	-	-	



Current and Saving deposits have been classified under maturity upto one month as these do not have any contractual maturity. Further, the Bank estimates that these deposits are a core part of its liquid resources and will not fall below the current year's level.

#### 45. OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequate or failed internal processes, errors or mistakes or frauds committed by people, inadequate systems, and from external events. The Bank has an Operational Risk Framework duly approved by the Board which is reviewed after every three years. The Bank has a well developed Operational Risk System, and has implemented an Operational Risk Framework aligned to international best practices. The Bank is using Key Risk Indicators, Risk & Control Self - Assessment and capturing Operational Incidents as tools for identification, monitoring, measuring, and management of operational risk.

A sound internal governance structure enhances the effectiveness of the Bank's Operational Risk Management and is accomplished at the enterprise level through formal oversight by the Board, the CRO and risk management committees aligned to the Bank's overall risk governance framework and practices.

The Bank has set up an Operational Risk Management Department (ORMD), housed within the Risk Management Group which is entrusted with managing controls and processes in an efficient and effective manner. The Operational Risk Management Department (ORMD) oversees the processes for sound operational risk management and also serves as an escalation point for critical operational risk matters within the Bank. The ORMD reports operational risk activities to the Board Risk Committee and Bank's Integrated Risk Management Committee (IRMC) that reviews all risk areas of the Bank, on a holistic basis, and its main activities include:

- Operational Risk Management
- Business Continuity Planning
- Fraud Risk Management
- Information Security
- Quality Assurance Reviews
- Whistle Blowing Unit
- System Parameters and Users Access Maintenance Management

With respect to Basel III for Operational Risk, the bank currently uses the Basic Indicator Approach (BIA) for determining the Operational charge for MCR calculation purposes. Furthermore, the Bank has no immediate plan to move beyond the Basic Indicator Approach.

Operational Risk System has been rolled out Bank-wide. Key Risk Indicators and operational loss incidents are now captured in the Operational Risk System. Organization wide Business Continuity Management Program is aligned with international standards and best practices and is being reviewed and tested to ensure the readiness and effectiveness of alternate arrangements during uncertain situations.

To strengthen the Information Security Controls on electronic information / transactions, during the year 2017, the Bank has revamped information security policy, framework, procedures, guidelines and hardening standards in accordance with the international standards and regulatory requirements.

Furthermore, the Bank is implementing Internal Control over Financial Reporting (ICFR). As per the SBP roadmap, the Bank had completed all stages and is in compliance with SBP instructions on ICFR and had submitted its Long Form Report (LFR) duly certified by the external auditors. From the year 2014 onwards, the Bank has obtained exemption from the State Bank of Pakistan for submission of LFR certified by external auditors. Accordingly, the Bank has made efforts to comply with the prerequisites of ICFR for issuance of annual assessment report by the Board's Audit Committee.

The Bank has well defined policies and procedures in place for each unit duly vetted by the management. The policies & procedures are reviewed periodically to ensure that these are in line with all the relevant laws and regulations.

In addition to the above, institution wide risk, fraud, information security and business continuity awareness is being promoted through regular communications and training workshops.

#### 46. DATE OF AUTHORISATION

These financial statements were approved and authorised for issue on February 22, 2018 by the Board of Directors of the Bank.

#### 47. GENERAL

47.1 Corresponding figures have been re-arranged and reclassified, wherever necessary, for better presentation. There have been no significant reclassifications during the year except for the following:

- Charge for Workers' Welfare Fund amounting to Rs. 19.014 million (2016: Rs. 18.426 million) has been reclassified from 'administrative expenses' to 'other charges'.

There is no impact of this change on the profit after taxation and earnings per share for the current or prior year.

47.2 Figures have been rounded off to the nearest thousand rupees.

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Chief Financial Officer

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President & Chief Executive Officer

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Chairman

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Director

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Director

# STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF PROVIDED

DURING THE YEAR ENDED DECEMBER 31, 2017

ANNEXURE - I

S.No.	Name and address of the borrower	Name of the individuals / partners / directors	CNIC No.	Father's / Husband's name	Outstanding liabilities at the beginning of the year			Principal written off	Interest / Mark-up written off	Other financial relief provided	Total
					Principal	Interest / Mark-up	Others				
1	Revi Enterprises Private Limited. 75-D1, Main Boulevard, Gulberg III, Lahore.	i- Mr. Omer Farooq ii- Kh. Asad Farooq	i- 35202-4874409-7 ii- 35202-3870480-3	i- Kh. Abdul Hakeem ii- Kh. Abdul Hakeem	10,058	1,198	1,594	58	1,198	38,842	40,998
2	Hamid Textile Mills Limited Changa Manga Road, Wan Achan, Pattoki, Distt. Kasur.	i- Mr. Khawar Almas Kh. ii- Mrs. Nighat Khawar iii- Mr. Muhammad Alamgir iv- Mr. Dilshad Ali v- Mrs. Zubabia Andleeb vi- Mr. Basim Dishad	i- 33100-1031366-5 ii- 33100-0924566-0 iii- 35101-3105743-5 iv- 35202-0633905-9 v- 35202-31660252 vi- 35202-5529781-3	i- Kh. Muhammad Sharif ii- Khawar Almas Kh. iii- Muhammad Siddique iv- Farzand Ali v- Dilshad Ali vi- Dilshad Ali	2,052	-	65	451	-	9,706	10,157
Total					12,110	1,198	1,659	509	1,198	48,548	50,255

(Rupees in '000)

STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF PROVIDED

DURING THE YEAR ENDED DECEMBER 31, 2016

ANNEXURE - I

S.No.	Name and address of the borrower	Name of the individuals / partners / directors	CNIC / Passport No.	Father's / Husband's name	Outstanding liabilities at the beginning of the year			Interest / Mark-up written off	Other financial relief provided	Total	
					Principal	Interest / Mark-up	Others				
1	Nazir Cotton Mills Limited 61-K, Gulberg - III, Lahore	i- Mian Shahzad Aslam ii- Mian Amir Naseem iii- Mian Farrukh Naseem	i- 35202-1622560-7 ii- 35202-6929272-1 iii- 33100-8343512-9	i- Mian Muhammad Aslam (Late) ii- Mian Naseem Anwar iii- Mian Naseem Anwar	236,543	-	-	185,543	288,546	474,089	
2	Din Muhammad Dadabhooy 35 - Khayaban-e-Jambaz Phase-V DHA, Karachi	i- Din Muhammad Dadabhooy ii- Muhammad Farooq Dadabhooy iii- Abdul Rahim Dadabhooy	i- 42301-715356-5 ii- 517-89-14237 iii- 42301-7851179-7	i- Muhammad Farooq Dadabhooy ii- Abdul Ghani Dadabhooy iii- Muhammad Farooq Dadabhooy	1,100	6,309	-	800	6,309	7,109	
3	Noor Oil Mills (Pvt) Limited 592-A, New Central Park, Jail Road, Multan	i- Amtal Aziz ii- Khawaja Muhammad Fazal M. Amir Dawood	i- 322-56-593081 ii- 222-51-069748 266-65-004300	i- Khawaja Muhammad Fazil Sardar Khan	1,356	-	62	1,356	5,508	6,864	
4	A-Key Shoes 183-N, Model Town Extension, Lahore.	M. Amir Dawood	266-65-004300	Sardar Khan	907	-	22	907	2,708	3,615	
5	Al Waris Traders Nishitar Road, 5- Nadia Terrace, Karachi.	Inam Waris	505-90-166884	Sufi Muhammad Hameed Waris	743	-	28	743	1,835	2,578	
6	Chaudhry Apparels (Pvt) Limited P-816-C, Latif Mansion, Civil Lines, Faisalabad.	i- Saeed Akhtar ii- Muhammad Latif	i- N/A ii- N/A	i- Muhammad Sharif Awan ii- Muhammad Sharif Awan	2,091	-	71	2,162	16,314	18,405	
7	Classic Nourishment (Pvt.) Limited. 346/5, Industrial Area, Kof Lakhpat, Lahore.	i- Tehsina Rauf ii- Aamir Fayyaz	i- 101-85-100360 ii- 517-62-348785	i- Abdul Rauf ii- Fayyaz Ahmad	1,327	-	81	1,408	6,426	7,753	
8	Combined Hi-Tech Engineering (Pvt) Limited. 9-B, Shalimar Link Road, Lahore.	i- Tariq Ashraf Khan ii- Jaaya Ashraf Khan Malik Saleem Ahmed	i- 267-47-181254 ii- 267-88-181254 246-60-025529	i- Ashraf Khan ii- Tariq Ashraf Khan Muhammad Mehboob	1,170	-	63	1,233	78	1,248	
9	Minerva Center/Cinema Outside Jhang Bazar, Faisalabad.	Arif Raza Jaffery	270-56-023008	Fida Hussain	979	-	150	979	3,058	4,037	
10	Quality Travel Services (Pvt.) Limited. G-19, 5 Davis Road, Hill View Arcade, Lahore.	Muhammad Ahsin	249-63-006010	Rao Mahfooz Ali Khan	757	-	22	779	2,677	3,434	
11	Rao Clinic House No. 65, Street 42, Gulzab Colony, Sannabad, Lahore.	Muhammad Ahsin	249-63-006010	Rao Mahfooz Ali Khan	586	-	38	624	3,417	4,003	
12	Touch Stone (Pvt) Limited 28-C, Gulberg III, Lahore.	i- Uzma Baig ii- Mirza Shaukat Mehmood	i- 272-92-24952 ii- 272-38-47243	i- Mirza Shaukat Mehmood ii- Mirza Sultan Mehmood	563	-	25	588	25	588	
13	Usma Tax G-263, Gable Town, F.B. Area, Karachi.	i- Syed Muhammad Sohail Zafar ii- Shahid Ali Ansari	i- 502-62-053124 ii- 501-54-457125	i- Muhammad Zafar ii- M. A. Ansari	870	-	49	919	2,192	3,062	
14	Crystal Seeds (Pvt) Limited 5-6, Al Hamrah Cultural Complex, Near Qaddafi Stadium, Lahore	i- Khawaja Salahuddin ii- Khawaja Murtaza Salahuddin	i- 275-46-012601 ii- 275-79-407721	i- Khawaja Amin uddin ii- Khawaja Salahuddin	462	-	43	505	627	1,089	
15	Ammar Textile (Pvt) Limited. 18-KM Multan Road, Lahore.	i- Khwaja Belal Ahmad ii- Mrs. Sameena Belal Muhammad Sharif	i- 270-49-082910 ii- 270-54-170953 35202-3907706-9	i- Khawaja Ghulam Mohy-ud-Din ii- W/o Khawaja Belal Ahmad Muhammad Shafi	7,525	1,685	-	7,525	1,685	9,210	
16	Muhammad Sharif House No. 1, Street No. 2, Barkat Street, Mohajirabad, New Shalimar Road, Multan Road, Lahore.	Muhammad Sharif	35202-3907706-9	Muhammad Shafi	1,134	463	-	1,597	2,700	3,097	
17	Alexander & Co 90/20, 9th Floor, Arkey Square, Shahrah-e-Liaqat, Karachi.	i- Sakandar Laiq Ahmad ii- Razia Khatoon Muhammad Raza Ullah Tariq	i- 501-85-480209 ii- 501-45-485689 270-51-347222	i- Muhammad Ahmad ii- w/o Muhammad Ahmad Nazar Ahmad	464	-	6	470	739	1,203	
18	Asim Garments Upper Ali Restaurant, Syed Niaz Park, Near Naadeem Cinema, Bedian Road, Lahore Cantt.	Muhammad Raza Ullah Tariq	270-51-347222	Nazar Ahmad	250	-	22	272	504	754	
19	E. P. S. Motivate Enterprises 51-L, Model Town, Lahore.	Taha Bin Zubair	271-87-05703	Muhammad Zubair	95	-	63	158	1,036	1,131	
20	Rehman Traders 2/21, Rishi Nagar, Firdous Park, Lahore.	Abaid ur Rehman	273-89-044964	Inayat Ullah	464	-	19	483	2,101	2,565	
<b>Total</b>					<b>259,386</b>	<b>8,457</b>	<b>764</b>	<b>268,607</b>	<b>8,391</b>	<b>340,491</b>	<b>555,834</b>

As referred to in note 11.4 to the financial statements, details of disposal of operating fixed assets are given below:

Description	Cost	Accumulated depreciation	Book Value	Sale proceeds	Gain / (loss)	Mode of disposal	Particulars of buyers
<b>(Rupees in '000)</b>							
<b>Owned vehicles</b>							
Suzuki Mehran N-5535	379	250	129	12	(117)	Through Tender	Car Solutions
Motorbike CD 70	35	23	12	29	17	Through Tender	Abdul Rasheed (Bulk Sale)
Motorbike CD 70	35	23	12	29	17	Through Tender	Abdul Rasheed (Bulk Sale)
Motorbike CD 70	40	26	14	33	19	Through Tender	Abdul Rasheed (Bulk Sale)
Motorbike CD 70	49	33	16	6	(10)	Through Tender	Yaqoob Masih
	538	355	183	109	(74)		
<b>Furniture and fixtures</b>							
Renovation at F-11 Islamabad Branch	1,111	648	463	-	(463)	Write Off	
Renovation at Peshawar Branch	1,566	1,566	-	-	-	Write Off	
Renovation at Peshawar Branch	4,515	4,515	-	-	-	Write Off	
Renovation at F-11 Islamabad Branch	1,000	767	233	-	(233)	Write Off	
Renovation at F-11 Islamabad Branch	1,948	1,493	455	-	(455)	Write Off	
Renovation at F-11 Islamabad Branch	2,500	1,917	583	-	(583)	Write Off	
Furniture item at Karachi Warehouse	1,113	1,113	-	-	-	Through Tender	Abdul Rasheed (Bulk Sale)
Items having book value less than Rs 250,000 and cost less than Rs 1,000,000	7,440	7,082	358	603	245	Through Tender	Various
Items having book value less than Rs 250,000 and cost less than Rs 1,000,000	3,050	2,691	359	-	(359)	Write Off	
	24,243	21,792	2,451	603	(1,848)		
<b>Electrical, office and computer equipment</b>							
Computer Equipment / C7000 Enclosure	1,036	1,036	-	-	-	Through Tender	Abdul Rasheed (Bulk Sale)
Computer Equipment / A 1510I Scsi With 22X146 Gb	1,574	1,574	-	-	-	Through Tender	Abdul Rasheed (Bulk Sale)
Computer Equipment / A 1510I Scsi With 22X146 Gb	1,574	1,574	-	-	-	Through Tender	Abdul Rasheed (Bulk Sale)
Computer Equipment / Data Domain 510 Storage And Backup Salsa Project	1,772	1,772	-	-	-	Through Tender	Abdul Rasheed (Bulk Sale)
Computer Equipment / Data Domain 510 Storage And Backup Salsa Project	1,818	1,818	-	-	-	Through Tender	Abdul Rasheed (Bulk Sale)
Computer Equipment / A 1510I Scsi With 22X300 Gb	2,080	2,080	-	-	-	Through Tender	Abdul Rasheed (Bulk Sale)
Computer Equipment / Hp Server Globus	3,035	3,035	-	-	-	Through Tender	Abdul Rasheed (Bulk Sale)
Items having book value less than Rs 250,000 and cost less than Rs 1,000,000	32,676	32,660	16	91	75	Through Tender	Various
Items having book value less than Rs 250,000 and cost less than Rs 1,000,000	409	261	148	-	(148)	Write Off	
	45,974	45,810	164	91	(73)		
<b>Other Disposals</b>							
Switch Software	659	659	-	-	-	Write Off	
<b>December 31, 2017</b>	<b>71,414</b>	<b>68,616</b>	<b>2,798</b>	<b>803</b>	<b>(1,995)</b>		
<b>December 31, 2016</b>	<b>395,991</b>	<b>264,735</b>	<b>131,256</b>	<b>147,141</b>	<b>15,885</b>		
<b>Freehold Land &amp; Building</b>							
Mall Road Property	107,855	21,444	86,411	313,500	227,089	Negotiated deal	Kashif Amanat
<b>December 31, 2017</b>	<b>107,855</b>	<b>21,444</b>	<b>86,411</b>	<b>313,500</b>	<b>227,089</b>		
<b>December 31, 2016</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>		

During the year no assets were sold to the chief executive, directors, executives or to a shareholder holding not less than ten percent of the voting shares of the Bank.

## Pattern of Shareholding

AS AT DECEMBER 31, 2017

Number of Shareholders	Shareholding		Total Shares held
	From	To	
1,526	1	100	66,699
1,908	101	500	502,889
758	501	1,000	547,244
757	1,001	5,000	1,676,520
135	5,001	10,000	932,617
59	10,001	15,000	728,800
26	15,001	20,000	456,997
16	20,001	25,000	352,524
23	25,001	30,000	637,430
7	30,001	35,000	227,176
8	35,001	40,000	300,744
8	40,001	45,000	343,751
7	45,001	50,000	339,560
4	50,001	55,000	209,781
12	55,001	60,000	684,171
2	60,001	65,000	123,478
3	70,001	75,000	217,085
1	75,001	80,000	77,526
1	80,001	85,000	81,000
5	90,001	95,000	458,820
3	95,001	100,000	299,925
6	100,001	105,000	611,675
1	105,001	110,000	108,000
4	110,001	115,000	448,405
2	120,000	125,000	244,043
1	125,001	130,000	129,962

Number of Shareholders	Shareholding		Total Shares held
	From	To	
1	145,001	150,000	148,157
1	155,001	160,000	156,383
2	160,001	165,000	323,362
1	170,001	175,000	173,848
1	175,001	180,000	175,915
2	190,001	195,000	386,476
2	195,001	200,000	396,858
1	210,001	215,000	211,437
1	215,001	220,000	218,500
2	230,001	235,000	463,651
1	235,001	240,000	235,163
3	250,000	255,000	754,372
1	280,001	285,000	281,916
1	295,001	300,000	295,664
1	300,001	305,000	300,100
1	305,001	310,000	308,379
1	315,001	320,000	319,149
1	405,001	410,000	409,818
1	410,001	415,000	412,000
1	415,001	420,000	419,326
1	425,001	430,000	429,290
1	475,001	480,000	479,739
1	490,001	495,000	493,945
1	560,001	565,000	563,832
1	620,001	625,000	622,532
1	660,001	665,000	664,777
1	940,001	945,000	941,599
1	1,205,000	1,210,000	1,205,000

Number of Shareholders	Shareholding		Total Shares held
	From	To	
1	1,280,001	1,285,000	1,280,122
1	1,285,001	1,290,000	1,288,300
1	1,480,001	1,485,000	1,483,991
1	1,650,001	1,655,000	1,652,306
1	1,690,001	1,695,000	1,690,620
1	2,550,001	2,555,000	2,553,784
1	2,635,001	2,640,000	2,635,899
1	2,970,001	2,975,000	2,973,804
1	11,935,001	11,940,000	11,936,420
1	12,500,001	12,505,000	12,500,500
1	13,785,001	13,790,000	13,787,500
1	20,785,001	20,790,000	20,788,998
1	23,195,001	23,200,000	23,195,439
1	35,830,001	35,835,000	35,832,424
1	852,040,001	852,045,000	852,040,531
<b>5,332</b>			<b>1,008,238,648</b>

## Category of Shareholding

AS AT DECEMBER 31, 2017

S.No.	Shareholders' category	Number of Shareholders	Number of Shares	%
1	Directors, Chief Executive Officer, and their spouse and minor children	5	49,623,005	4.92
2	Associated Companies, Undertakings and related parties	1	852,040,531	84.51
3	Executives	2	295	0.00
4	NIT and ICP	2	25,297	0.00
5	Banks, Development Financial Institutions, Non Banking Financial Institutions	20	28,336	0.00
6	Insurance Companies	5	2,637,190	0.26
7	Modarabas and Mutual Funds	19	3,398,981	0.34
8	Share holders holding 10%	-	-	0.00
9	General Public :			
	a. local	5,163	18,648,393	1.85
	b .Foreign	1	196	0.00
10	Others	114	81,836,424	8.12
	<b>Total</b>	<b>5,332</b>	<b>1,008,238,648</b>	<b>100.00</b>



## Information as required under Code of Corporate Governance

AS AT DECEMBER 31, 2017

Shareholders' category	Number of Shares Held	%
<b>i. Associated Companies, Undertakings and Related Parties</b>		
SAMBA Financial Group (SFG)	852,040,531	84.51
<b>ii. Mutual Funds</b>		
CDC - Trustee AKD Opportunity Fund	412,000	0.04
CDC - Trustee National Investment (Unit) Trust	2,973,804	0.29
M/s. Asian Stocks Fund Limited	99	0.00
M/s. Safeway Fund Limited	263	0.00
<b>iii. Directors, CEO and Their Spouse(s) and minor children</b>		
Dr. Shujaat Nadeem	35,832,424	3.55
Mr. Nadeem Babar	12,500,500	1.24
Mr. Shahid Sattar	1,288,300	0.13
Mr. Humayun Murad	1,281	0.00
Mr. Shahbaz Haider Agha	500	0.00
<b>iv. Executives</b>	295	0.00
<b>v. Public Sector Companies and Corporations</b>	2,635,899	0.26
<b>vi. Banks, Development Financial Institutions, Non-Banking Financial Institutions, Insurance Companies, Takaful, Modaraba and Pension Funds</b>	664,974	0.07
<b>vii. NIT &amp; ICP</b>	25,297	0.00
<b>viii. General Public</b>		
a. Local	18,648,393	1.85
b. Foreign	196	0.00
<b>ix. Others</b>	81,213,892	8.06
	<b>1,008,238,648</b>	<b>100.00</b>
<b>x. Shareholders Holding five percent or more Voting Rights in the Listed Company</b>		
SAMBA Financial Group (SFG)	<b>852,040,531</b>	<b>84.51</b>

During the year, no trade in the shares of the Bank was carried out by the Directors, CFO and Company Secretary and their spouses and minor children, except, Mr. Humayun Murad, who acquired 1000 shares which were gifted to him by his wife, after meeting all regulatory and disclosure requirement.

# Samba Bank Limited

## Form of Proxy

15<sup>th</sup> Annual General Meeting

I / We, \_\_\_\_\_ of \_\_\_\_\_ being member(s) of Samba Bank Limited (the Bank) holding \_\_\_\_\_ ordinary shares hereby appoint \_\_\_\_\_ of \_\_\_\_\_ or failing him / her \_\_\_\_\_ of \_\_\_\_\_ who is / are also member(s) of Samba Bank Limited as my / our proxy in my / our absence to attend and vote for me / us and on my / our behalf at the Annual General Meeting of the Bank to be held at 10:00 a.m. on Tuesday, the 27th March, 2018 at Hotel Serena, Islamabad and at any adjournment thereof.

As witness my / our hand / seal this \_\_\_\_\_ day of \_\_\_\_\_ 2018.

Signed by the said \_\_\_\_\_

in the presence of 1. \_\_\_\_\_  
2. \_\_\_\_\_  
\_\_\_\_\_

Folio / CDC Account No.

Please affix here Revenue Stamp of Rs. 5/-

### Important:

1. This Proxy Form, duly completed and signed, must be received at the Registered Office of the Bank, 2nd Floor Building # 13-T, F-7 Markaz, Near to Post Mall, Islamabad, not less than 48 hours before the time of holding the meeting.
2. No person shall act as proxy unless he himself is a member of the Bank, 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 Bank, all such instruments of proxy shall be rendered invalid.

### For CDC Account Holders / Corporate Entities:

#### In addition to the above the following requirements have to be met:

- i) The proxy form shall be witnessed by the persons whose names, addresses and CNIC numbers shall be mentioned on the form.
- ii) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- iii) The proxy shall produce his original CNIC or original passport at the time of the meeting.
- iv) In case of corporate entity, the Board of Directors resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the company.

AFFIX  
CORRECT  
POSTAGE

The Company Secretary

## Samba Bank Limited

2<sup>nd</sup> Floor, Building # 13-T, F-7 Markaz,  
Near Post Mall,  
Islamabad.

## سامبا بینک لمیٹڈ

### پراکسی فارم

پندرہواں سالانہ اجلاس عام

میں / ہم \_\_\_\_\_ کے \_\_\_\_\_ بطور سامبا بینک لمیٹڈ ممبر / ممبران  
عمومی شیئر کیلئے \_\_\_\_\_ کو متعین کرتا ہے / کرتی ہے / کرتے ہیں  
یا \_\_\_\_\_ کو مسترد کرتے ہیں۔

جو کہ / جو بھی سامبا بینک لمیٹڈ کے ممبر ہیں اور بطور میرے / ہمارے پراکسی میں میرے / ہمارے نہ آنے کی وجہ سے شرکت کریں گے اور میرے لیے / ہمارے لیے ووٹ ڈالیں گے  
اور میری / ہماری جانب سے بینک کے سالانہ اجلاس عام میں شرکت کریں گے جو 10 بجے صبح، بروز منگل 27 مارچ 2018 ہوٹل سرینا، اسلام آباد میں منعقد کیا جا رہا ہے اور  
التوا کی صورت میں کہیں بھی منعقد کیا جائے۔

بطور گواہی میں / ہمارے ہاتھ / یہ ممبر \_\_\_\_\_ کے دن \_\_\_\_\_ 2018۔

بھیجنے والے کے دستخط :

ان افراد کی موجودگی میں : 1. \_\_\_\_\_

2. \_\_\_\_\_

فولیو / سی ڈی سی اکاؤنٹ نمبر

برائے مہربانی یہاں 5 روپے والی  
ریونیو مہر لگا سکیں

اہم اطلاع:

- 1- یہ پراکسی فارم، حسب ضابطہ مکمل اور دستخط شدہ اور بینک کے رجسٹرڈ آفس، سیکنڈ فلور، بلڈنگ نمبر 13- ٹی، ایف-7 مرکز، نزد پوسٹ مال، اسلام آباد کم از کم اجلاس سے  
48 گھنٹے پہلے سے وصول کردہ ہو۔
- 2- کوئی بھی شخص تب تک بطور پراکسی کام کر سکتا ہے جب تک کہ وہ بذات خود بینک کا ممبر ہو، علاوہ اُس کے جس کو کارپوریشن نے خود ممبر نہ ہوتے ہوئے بھی مقرر کیا ہو۔
- 3- اگر کسی ممبر نے ایک سے زائد پراکسی مقرر کی ہو یا بینک کے کسی ممبر کی جانب سے ایک سے زائد دستاویز جمع کروائی گئی ہوں، ایسی تمام پراکسی تجاویز نا اہل ہوں گی۔

برائے سی ڈی سی اکاؤنٹ ہولڈرز / کارپوریٹ کے افراد:

اوپر بتائی گئی اضافی تفصیلات کے ساتھ درج ذیل دستاویز بھی ضروری ہیں

- i پراکسی فارم ان افراد سے تصدیق شدہ ہوں جن کے نام، پتے اور کمپیوٹرائزڈ شناختی کارڈ نمبرز فارم پر درج ہوں۔
- ii پراکسی کی یا ہینڈفائل اور کمپیوٹرائزڈ شناختی کارڈ یا پاسپورٹ کی تصدیق شدہ کاپی پراکسی فارم کے ساتھ منسلک کریں۔
- iii اجلاس کے وقت پراکسی کو اپنا اصل کمپیوٹرائزڈ شناختی کارڈ یا اصل پاسپورٹ دکھانا ہوگا۔
- iv کارپوریٹ کے تجویز کردہ ہونے کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد / پاور آف اٹارنی نمونے کے طور پر دی گئی دستخط کے ساتھ (پہلے جمع نہ کروانے کی صورت میں)  
کمپنی کے فراہم کردہ پراکسی فارم کے ساتھ جمع کروانی ہوگی۔

ڈاکی ٹمنٹ  
چسپاں  
گریں

کمپنی سیکریٹری

سامبا بینک لمیٹڈ

سیکنڈ فلور، بلڈنگ نمبر T-13، F-7 مرکز،  
نزد پوسٹ مال،  
اسلام آباد۔

# Samba Bank Limited

## Annual General Meeting

At 10:00 a.m., March 27, 2018

### ADMISSION SLIP

Name \_\_\_\_\_

Folio No. (Non CDC) \_\_\_\_\_ Signature \_\_\_\_\_

CDC A/c. No. \_\_\_\_\_ Signature \_\_\_\_\_

No. of Shares held \_\_\_\_\_

Verified by: FAMCO Associates (Pvt.) Limited

#### Note:

- i) The signature of the shareholder must tally with the specimen signature on the Company's record.
- ii) Shareholders are requested to show the admission slip at the time of entrance in the meeting premises.

**This Admission Slip is Not Transferable**

# سامبا بینک لمیٹڈ

## سالانہ اجلاس عام

27 مارچ، 2018 بوقت صبح 10 بجے

ہوٹل سرینا، اسلام آباد

### داخلہ سلیپ

نام \_\_\_\_\_

فولیو نمبر (Non CDC) \_\_\_\_\_ دستخط \_\_\_\_\_

سی ڈی سی (CDC) اکاؤنٹ نمبر \_\_\_\_\_ دستخط \_\_\_\_\_

موجودہ حصص کی تعداد \_\_\_\_\_

بذریعہ تصدیق: FAMCO ایسوسی ایٹس (پرائیویٹ) لمیٹڈ

نوٹ:

(i) حصص دار کے دستخط لازمی طور پر کمپنی کے ریکارڈ میں موجود دستخط کے نمونے (Specimen Signature) کے مطابق ہونے چاہیے۔

(ii) حصص دار سے درخواست کی جاتی ہے کہ میٹنگ کے احاطے میں داخل ہوتے وقت داخلہ سلیپ دکھائیں۔

یہ داخلہ سلیپ قابل منتقل نہیں ہے



SambaPhone Banking (+92-21) 11 11 SAMBA (72622)

[www.samba.com.pk](http://www.samba.com.pk)

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