



## THE BUILDING BLOCKS OF SUCCESS

MERITOCRACY | EQUAL OPPORTUNITY | INTEGRITY  
RESPECT & DIGNITY | TEAMWORK

think samba

World class banking solutions  
for the most important things in life.



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# 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 |
| Ms. Ranya Nashar         | Non-Executive Director             |
| Mr. Antoine Mojabber     | Non-Executive Director             |
| Mr. Beji Tak-Tak         | Non-Executive Director             |
| Mr. Humayun Murad        | Independent Director               |
| Mr. Nadeem Babar         | Independent Director*              |
| Mr. Shahbaz Haider Agha  | Independent Director               |
| Mr. Arjumand Ahmed Minai | Independent Director               |

## Board Audit Committee

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

## 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. Shahbaz Haider Agha** | Chairman |
| Ms. Ranya Nashar          | Member   |
| Mr. Nadeem Babar***       | Member   |
| Mr. Humayun Murad         | Member   |

## Board IT Committee

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

\* Non-Executive Director w.e.f. Jan' 24, 2019

\*\* Appointed as Chairman of BNRC w.e.f. Feb' 20, 2019

\*\*\* Resigned as Chairman of BNRC w.e.f. Jan' 24, 2019

## 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

Arif Habib Centre Plot No. 23, Ground floor,  
M.T. Khan 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](http://www.samba.com.pk)

## Help Line

(+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

## **Rawalpindi**

Murree Road  
Bahria Town  
Wah Cantt.

## **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

## **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.

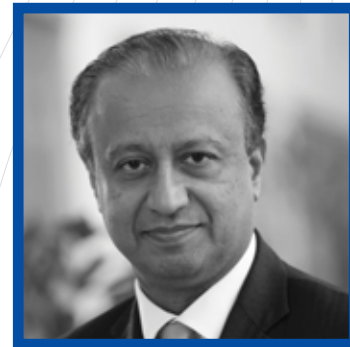
# Board of Directors



Ms. Ranya Nashar



Mr. Shahid Sattar



Dr. Shujaat Nadeem



Mr. Arjumand Ahmed Minai



Mr. Humayun Murad



Mr. Beji Tak-Tak



Mr. Antoine Majobber



Mr. Shahbaz Haider Agha



Mr. Nadeem Babar



## Chairman's Message

I am pleased to report that Samba Bank had another good year. Our key investment areas are growing well and we are encouraged by the results. Of course, we have a long way to go. We are working hard to establish income growth momentum across all our businesses. In this report, we describe our progress in realizing our goals and strategic objectives as we continue to strengthen our business proposition, and get closer to our customers. Our new business initiatives spanning commercial & SME banking, personal & auto loans, and Samba Gold are making positive contribution. Consequently, the bank has posted a record, all-time high, annual profit before tax (PBT) of PKR 1,110Mio which is 19.21% higher than previous year. At close of 2018, the total assets of the bank stood at PKR 122.8Bio; an increase of around 4% over last year.

Our journey towards meeting our strategic objectives rests on a strong foundation of trust that Samba Bank has earned from its customers and other stakeholders. Our confidence, as we introduce high-quality digital strategies in pursuit of a differentiated customer experience, efficiency and quality earnings growth; is supported by the consistent record of accomplishment of Samba Bank that has always acted with responsibility, transparency and integrity. We are working to instill a culture of excellence across our bank and, at the same time, we are continuously investing in our businesses and people to offer high quality and differentiated service to our customers across all the business segments. We offer our staff and colleagues opportunities to learn and progress. We encourage them to improve, innovate, take ownership of their careers and succeed together.

## Corporate and Investment Banking Group

I am pleased to report that the Corporate and Investment Banking Group (CIBG) had an outstanding year, growing its customer base and loan book. The focus remains on improving margin with better cross-sell strategy and focus on deepening relationship with our customers. Multiple new cross sell initiatives were launched during the year including Samba Access (Cash Management System) and Call Deposit Receipts (CDRs). These initiatives stimulated the growth in deposits and a wider offering to our client base.

## Retail Banking Group

In the Retail Banking Group (RBG), we have successfully targeted Priority clients with improved wealth management products and a more focused service offering. As a result, the RBG's deposit book saw healthy growth as well. More than 5,300 new relationships were added which helped the group to increase its Current Account book by 19% at the year-end with incremental deposit of PKR 4.9Bio. Personal Loan product (PIL), which was launched in 2017, was also a major success in 2018. The newly launched PIL portfolio closed over PKR 1Bio with a high quality portfolio. Considering the increased customer base and success of PIL initiative, the Auto Loan product was also launched in 2018. Both these products would help in further strengthening the RBG's product offering to its retail clientele.

## Global Markets

The Global Markets (GM) continued to support customer business groups' liquidity requirements efficiently. During the year, the Pakistani Rupee underwent significant devaluation, core interest rate increased by 425bps and capital markets remained volatile. Global Markets capitalized on this volatility in the markets and delivered strong financial performance. The Margin Trading Product was amongst the new initiatives introduced by the business during the year and has already seen good traction and contribution to the bottom line of the bank

## Commercial Banking Group and SME Banking

The Commercial Banking Group maintained its focus to grow its business and delivered positive results. The Commercial Banking Group was launched in late 2015 and its focus has been to serve commercial and medium-sized corporates.

In 2017, the SME banking proposition was launched to cater for financial needs of small & medium enterprises while complying with all regulatory requirements. Observing great potential in this segment, the Bank has developed a focused strategy to increase its standing in this market.

## Information Technology

Following the successful implementation of Temenos - T24 and allied systems, we have continued to make investments in the technology platform by launching the Samba-Smart Mobile Banking application, providing features beyond traditional functionalities to better respond to customers' needs as they choose to manage their finances in new and different ways. We now have capability to deliver fast-to-market solutions and have a solid foundation for further development of customer experience and improving our solutions. This is an essential tool for the development of our digital services, anticipating the changing needs of customers in an increasingly connected world. The integration of Oracle Financials with core banking system (T-24) was another milestone for the bank.

## Corporate Social Responsibility

We strive to operate as a responsible and sustainable company, collaborating with partners to promote social and economic development. Samba Bank manages business with its stakeholders in a manner that is ethically acceptable and beneficial for all. The bank holds an approved Corporate Social Responsibility (CSR) Policy to cover the core areas of focus on CSR. During 2018, the Bank continued to contribute towards education, health, environment, sports and awareness. Samba Bank in collaboration with World Wildlife Fund sponsored their plantation program named "Rung Do Pakistan", and has donated 10,000 plants that will be planted across Pakistan covering different geographical locations.

## Performance of the Board of Directors

I take this opportunity to recognize the contribution of the Board of Directors to Samba Bank's progress and continued success. During the year, the performance of Board of Directors exhibited high standards of business and professional conduct in managing and supervising the affairs of the Bank. The Board set the Bank's strategic aims and provided the leadership to put them into effect, upholding the vision, mission and core values of the Bank. It also monitored the Bank's financial and operational soundness, governance structure, the effectiveness of internal controls & audit functions and risk management framework.

## Acknowledgement

On behalf of the Board of Directors, it is my pleasure to express my sincere appreciation to our customers and shareholders for their loyalty and continued support, the entire management team at Samba Bank for its continued dedication and service during the year, and to our staff for their wholehearted efforts. The achievements and the solid progress we have made in our journey could not have been realized without their dedication and loyalty. I look forward to a new year of challenges and opportunities, and hope you will join me in taking Samba Bank to even greater heights of success.

Dr. Shujaat Nadeem  
Chairman



## The Executive Team

Top Left to Right

**Humayun M. Bawker**

Chief Credit Officer

**Zeeshan Kayser**

Chief Technology Officer

**Syed Zia ul Husnain Shamsi**

Group Head, Legal Affairs, IRM  
and Company Secretary

**Rashid Jahangir**

Chief Financial Officer

**Abid Husain**

Group Head Operations

**Syed Amir Raza Zaidi**

Group Head Compliance

**Ahmad Tariq Azam**

Group Head, Commercial Banking  
and Administration

**Sitwat Rasool Qadri**

Chief Internal Auditor

Down Left to Right

**Muhammad Arshad Mehmood**

Group Head Human Resources & Training

**Arif Raza**

Group Head Global Market (Treasurer)

**Talal Javed**

Group Head Consumer Banking

**Shahid Sattar**

President & CEO

**Samina Hamid Khan**

Chief Risk Officer

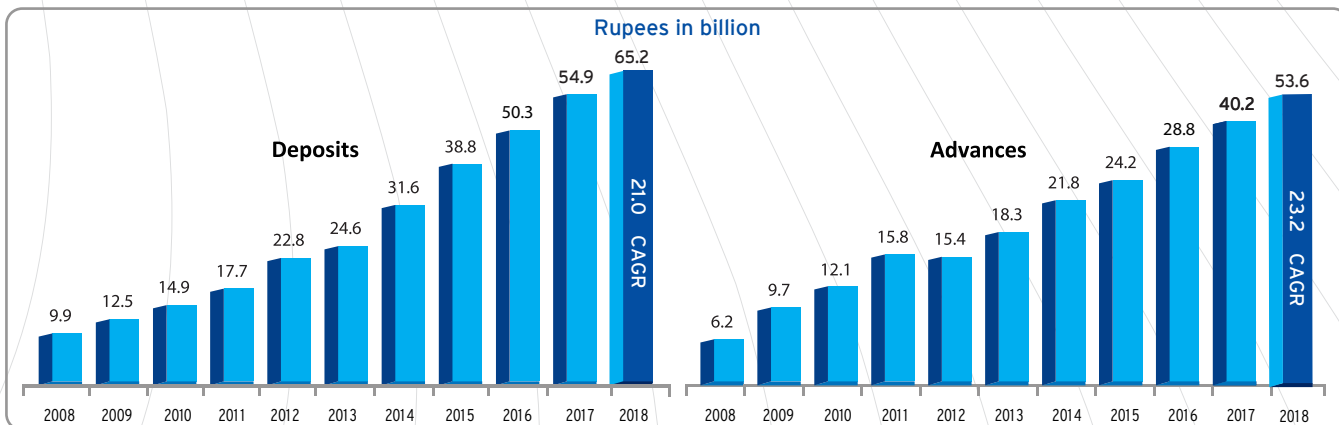
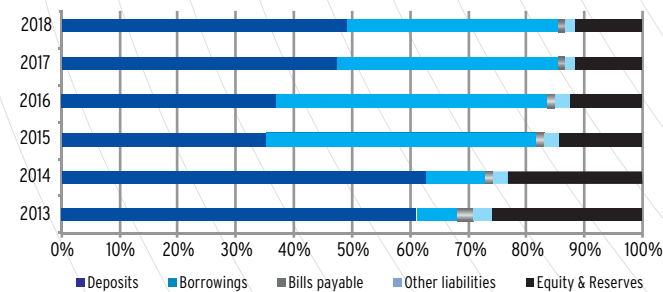
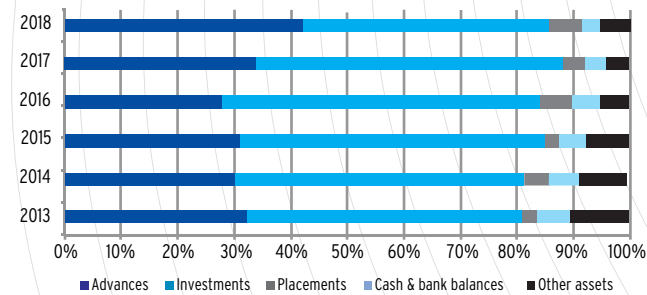
**Syed Ghazanfar Agha**

Group Head, Corporate & Investment Banking



## Performance Highlights

|                                  | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|----------------------------------|------|------|------|------|------|------|
| <b>Assets:</b>                   |      |      |      |      |      |      |
| Advances                         | 46%  | 43%  | 30%  | 28%  | 34%  | 44%  |
| Investments                      | 35%  | 39%  | 56%  | 56%  | 54%  | 39%  |
| Placements                       | 2%   | 4%   | 2%   | 5%   | 4%   | 8%   |
| Cash & bank balances             | 7%   | 5%   | 5%   | 5%   | 3%   | 5%   |
| Other assets                     | 10%  | 9%   | 7%   | 6%   | 5%   | 4%   |
| <b>Liabilities &amp; Equity:</b> |      |      |      |      |      |      |
| Deposits                         | 62%  | 63%  | 48%  | 49%  | 47%  | 53%  |
| Borrowings                       | 7%   | 12%  | 34%  | 35%  | 39%  | 32%  |
| Bills payable                    | 2%   | 1%   | 1%   | 1%   | 1%   | 1%   |
| Other liabilities                | 3%   | 3%   | 2%   | 3%   | 2%   | 3%   |
| Equity & Reserves                | 26%  | 21%  | 15%  | 12%  | 11%  | 11%  |



## Samba Financial Group Awards 2018

### Global Finance

- Best Foreign Exchange Provider in Saudi Arabia (10th year)
- Best Bank for Payments and Collections in the world for the first year and Best Bank for Payments and Collections in the Middle East (4th year in a row)
- Best Bank in Saudi Arabia (13th year in a row)
- Best Online Cash Management in Saudi Arabia
- Best Trade Finance Services in Saudi Arabia
- Best Web Design in Saudi Arabia
- Best Integrated consumer Banking Site in Saudi Arabia
- Best SMS/Text Banking in Saudi Arabia

### Banker Middle East

- Best IT Risk Management KSA
- Best IT Solutions KSA

### The Banker Middle East (Top 100 Middle East Bank Rankings)

- Rank: 6th

### Institute of Public Administration

- Best National Institution for Employment of Saudis Employees (10th year)

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

- World Rank: 124 (119 Last Year) - Middle East Rank: 6th (6th Last Year)

### World Union of Arab Bankers

- Best Arabian Bank for the year 2018.

### The Asian Banker

- Strongest Bank in Saudi Arabia for the year 2018.
- The Best Commercial Bank in Saudi Arabia (The Global Wealth and Society awards)

### MEED

- Best Bank/Financial Institution of the Year in the GCC

**Total Number of Awards & Recognitions: 17**

## 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, 2018.

### Economic Highlights

Pakistan's economy witnessed a decent growth in the last three years supported by the favorable global economic environment, CPEC related investment activity, and expansionary fiscal and monetary policies. However, the momentum was slowed down due to heightened external imbalances. PKR witnessed a 26% devaluation in CY2018. With the objective to curtail domestic demand pressure, the central bank cumulatively raised interest rates by 425bps in CY2018, with majority of increase happening in the latter half of the year.

### Bank's Operating Results and Financial Review

|   |       |       |
|---|-------|-------|
| Net mark-up / return / interest income after provisions | 2,642 | 2,260 |
| Non mark-up / interest income                           | 767   | 715   |
| Non mark-up / interest expenses                         | 2,299 | 2,044 |
| Profit before taxation                                  | 1,110 | 931   |
| Taxation charge   | 427   | 192   |
| Profit after taxation                                   | 683   | 739   |
| Earnings per share - PKR                                | 0.68  | 0.73  |

(Rupees in million)

|   | 2018  | 2017  |
|---|-------|-------|
| Net mark-up / return / interest income after provisions | 2,642 | 2,260 |
| Non mark-up / interest income                           | 767   | 715   |
| Non mark-up / interest expenses                         | 2,299 | 2,044 |
| Profit before taxation                                  | 1,110 | 931   |
| Taxation charge   | 427   | 192   |
| Profit after taxation                                   | 683   | 739   |
| Earnings per share - PKR                                | 0.68  | 0.73  |

In terms of financial performance, 2018 has remained another successful year for the bank. The bank posted a record annual profit before tax (PBT) of PKR 1,110m which is 19.21% higher than previous year. At close of 2018, the total assets of the bank stood at PKR 122.76b with an increase of 4% over last year. Mark-up income of the

bank increased by 4% from last year and closed at PKR 7,556m. The strong topline earnings were backed by healthy increase in earning assets of the bank. Gross Loans & advances portfolio was increased by 33% from last year and closed at PKR 53,592m. Deposits were also increased by 19% from last year. During the year management's focus remained on attracting low and no cost deposits and improved the overall mix. The current account portfolio of the bank increased by 32% during the year. The bank has also managed to book a healthy non mark-up income of PKR 767m which is higher by 7% from last year.

In order to safeguard its assets against credit risk, the Bank has adopted a prudent approach and has charged specific provision of PKR 239m on both subjective and objective basis. In addition, the Bank has also charged a general provision of PKR 33.45m against its performing consumer loans. The Bank also managed to recover PKR 289m against the portfolio classified under non-performing status, demonstrating consistent and effective remedial management.

With the introduction of new consumer products, performing various software upgrades & IT Infrastructure security hardening and launching the Samba-Smart Mobile Banking application, the overall administrative cost of the bank increased by only 12%.

### New developments during the year

With the stabilization of Temenos-T24 and allied systems, SBL achieved another milestone in digital banking by launching the Samba-Smart Mobile Banking application, providing features beyond traditional functionalities and a few firsts for domestic market. Various software upgrades including integration of Oracle Financials with Temenos-T24 and IT Infrastructure security hardening were performed in 2018. Samba Access and integrated Cash Management solution was also introduced to facilitate banking needs of corporate and retail clients. Projects for Digital Account on-boarding and ADC Switch & Cards System replacement through leveraging on new technologies were also initiated during the year.

Considering the increased customer base and success of PIL initiative, the Auto Loan product was also launched in 2018. Both these products would help in further strengthening the Retail Banking Group's product offering to its retail clientele.

### Credit Rating

JCR-VIS, a premier credit rating agency, has reaffirmed SBL's medium to long-term credit rating 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, operational and liquidity risks. These are discussed in more detail in note 42 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 2018, 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:

- The Bank is a subsidiary of SAMBA Financial Group of Saudi Arabia, which holds 84.51% shares of the Bank as at December 31, 2018 (2017: 84.51%);
- 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 except for changes in accounting policies disclosed in Note 5.1 of the annexed 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 0.68 (basic / diluted);
- A statement showing the Bank's shareholding pattern as of December 31, 2018 is annexed;
- The book value of investments of Staff Provident Fund is PKR 238mln as per the audited financial statements for the period ended December 31, 2017;

- There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as of December 31, 2018, 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;
- All the directors of the Bank, have completed their training program as per the requirements of the Code;
- Directors Fee is paid in line with Board & shareholders' approval and the Bank is in the process of finalising a formal policy in this regard in accordance with the Companies Act, 2017 and the Code of Corporate Governance (CCG);
- In line with the requirements of the CCG, the Bank encourages representation of independent and non-executive directors, currently Board of Directors of the Bank comprise of four independent directors, four non-executive directors and one executive director. The Bank has eight males and one female director on its Board which evidence the gender diversity; and
- The Board evaluates its performance by the overall performance of the Bank. The Directors regularly attend the Board meetings and actively participate in the proceedings. The Board ensures that the Bank adopt the best practices of corporate governance in all areas of its operations and has a robust internal control system. The Board is fully cognizant of the Bank's commitment to its sustainability strategy based on social, environmental factors and has issued appropriate policy guidelines to ensure continued performance in these areas.

### Meetings of the Board

Four (4) Board meetings along with Eleven (11) 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 number of meetings held and attended by each director is:

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

### Share Acquisition by Directors and Executives

The Pattern of shareholding and additional information regarding pattern of shareholding is annexed 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. Shahid Sattar, who sold 133,500 shares, 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 2018 which was utilized in form of contribution to some of the well-deserved organizations, engaged in philanthropic, education, health and development activities for the betterment of the Pakistani Society at large. The details of donations / contributions made during the year have been disclosed in Note 27.2 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 financial statements. Details of non-adjusting events after the reporting date have been disclosed in Note 44 of the annexed financial statements.

### Future Outlook

The stabilization measures taken during the last few months have put economy on the track of recovery. Monthly indicators are showing visible signs of deceleration in domestic demand. The current account deficit is narrowing gradually along with increase in financial inflows from friendly countries. Drop in crude oil prices in the last two months is a major positive for the economy as it will lower the import bill in the coming quarters. Low oil prices are not only positive from the external account perspective, but this will also help limit the impact on inflation and interest rates. It is expected that government will capitalize on the opportunity provided by the low oil prices environment to undertake long due key structural reforms. If done successfully, this would result in high & self-sustaining economic growth and durable financial stability.

The economic conditions particularly for the banking industry will remain challenging during 2019 in Pakistan. However, the management's focus shall continue to rightly position itself in the market and will live up to maintain the brand image of SAMBA as a symbol of customer confidence, loyalty and enhanced service quality.

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.

### 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 and Chief Executive Officer

Arjumand Ahmed Minai  
Director

February 20, 2019  
Karachi

2018 مالیاتی کارکردگی کے حوالے سے بینک کیلئے ایک مزید کامیاب سال ثابت ہوا۔ بینک نے اپنی اب تک کی اعلیٰ ترین سطح پر 1,110 ملین روپے کا سالانہ منافع قبل از ٹیکس حاصل کیا جو کہ گزشتہ برس کے مقابل 19.21 فیصدزائد ہے۔ 2018 کے اختتام پر بینک کے کل اثاثہ جات گزشتہ سال کے حجم سے 4 فیصد کے اضافے کے ساتھ 122.76 بلین روپے پر ریکارڈ ہوئے۔ بینک کی مارک اپ آمدنی گزشتہ سال کی نسبت 4 فیصد اضافے کے ساتھ 7,556 ملین روپے پر اختتام پذیر ہوئی۔ اس آمدن کا حصول بینک کے پیداواری اثاثہ جات میں اضافے کے باعث ممکن ہوا۔ مجموعی قرضہ جات گزشتہ سال کے حجم کی نسبت 33 فیصد کے اضافے کے ساتھ 53,592 ملین روپے پر درج ہوئے۔ ڈیپازٹس میں بھی پچھلے سال کی نسبت 19 فیصد کا اضافہ ہوا۔ سال کے دوران بینک کی انتظامیہ کی توجہ کم اور بغیر لاگت کے ڈیپازٹس کے حصول پر مرکوز رہی جس سے مجموعی ترکیب میں بہتری ہوئی۔ بینک کے کرنٹ اکاؤنٹس کی مدد سے اس سال کے دوران 32 فیصد کا اضافہ دیکھا گیا۔ بینک اپنی غیر مارک اپ آمدنی میں بھی 767 ملین روپے کا حجم حاصل کرنے میں کامیاب رہا جو کہ گزشتہ سال کی نسبت 7 فیصدزائد ہے۔

اپنے اثاثہ جات کو کریڈٹ رسک سے محفوظ کرنے کیلئے بینک نے ایک دانشمندانہ حکمت عملی اپنائی جس کی بدولت موضوعی اور معروضی دونوں بنیاد پر 239 ملین روپے کے خصوصی پروویژن کا تعین کیا گیا۔ اس کے علاوہ بینک نے اپنے صارفین کے فعال قرضہ جات کے تناظر میں 33.45 ملین روپے کے عمومی پروویژن کا تعین بھی کیا ہے۔ بینک اپنے غیر فعال قرضوں کی وصولیاتی کے حوالے سے بھی 289 ملین روپے کے حصول میں کامیاب رہا ہے جو کہ اس کی مسلسل تدارکنا انتظامی صلاحیت کا مظہر ہے۔

نئی صارف پراڈکٹس، سافٹ ویئر کی اپ گریڈیشن (تجدید) اور آئی ٹی انفراسٹرکچر کی سیکورٹی میں مضبوطی اور سامبارٹ موبائل بینکنگ اپیلیکیشن کے اجراء کے باوجود بینک کی مجموعی انتظامی لاگت میں صرف 12 فیصد کا اضافہ ہوا۔

### دوران سال نئی پیش رفت

T-24 Temenos اور اس سے متعلقہ نظام میں استحکام کے حصول کے بعد بینک نے 'سامبارٹ موبائل بینکنگ اپیلیکیشن' کے آغاز سے ڈیجیٹل بینکنگ میں ایک نیا سنگ میل عبور کیا ہے جس میں روایتی صلاحیتوں کے علاوہ ایسی خصوصیات بھی مہیا کی گئی ہیں جو اب تک صرف چند اولین ادارے ہی مارکیٹ میں فراہم کر سکتے ہیں۔ سال 2018ء کے دوران بہت سے سافٹ ویئر کی اپ گریڈیشن کی گئی جن میں اوریکل فنانشل کی T-24 Temenos کے ساتھ مربوطیت اور آئی ٹی انفراسٹرکچر کی سیکورٹی کی مضبوطی شامل ہیں۔ اپنے کارپوریٹ اور ریٹیل صارفین کی ضروریات کے مد نظر سامبارٹ ایکسیس (ACCESS) اور کیش میجمنٹ کی مربوط سہولیات کو بھی متعارف کرایا گیا۔ دیگر مزید پراجیکٹس جن میں ڈیجیٹل اکاؤنٹس کی اپنے کاروبار میں شمولیت، اے ڈی سی سوئچ (ADC SWITCH) اور کارڈ سسٹم کی جدید ٹیکنالوجی پر انحصار کے ذریعے تبدیلی کے منصوبوں کو بھی اسی سال کے دوران شروع کیا گیا۔

اپنے صارفین کی تعداد میں اضافہ اور قرضہ جات کے کامیاب اجراء کے پیش نظر کارولون کی پراڈکٹ کا آغاز بھی 2018 میں کیا گیا۔ ان مصنوعات کی بدولت ریٹیل بینکنگ گروپ کے ذریعے اپنے ریٹیل صارفین کو نئی خدمات کی پیش کش میں مزید تقویت ملے گی۔

### کریڈٹ ریٹنگ

جے آ آر وی آ ایس، جو کہ ملک کی ایک معروف کریڈٹ ایجنسی ہے، نے بینک کی درمیانی سے طویل مدت تک کی کریڈٹ ریٹنگ کو ڈبل اے (AA) کی سطح پر اوقلیل مدت کی ریٹنگ کو (A-1) اے ون کی سطح پر برقرار رکھا ہے۔ ان درجہ بندیوں سے متعلقہ آئندہ امکانات میں بھی استحکام کی پیش بینی کی گئی ہے۔ یہ طویل اور قلیل مدتی درجہ بندیاں بینک کے اعلیٰ قرضہ جاتی معیار اور اس کے ساتھ مناسب محافظت کے عوامل اور اپنی مضبوط سیال پذیری (لیکوڈیٹی) کی بدولت اپنی تمام مالیاتی ذمہ داریوں کی وقت پر ادائیگی کی اعلیٰ صلاحیت کی مظہر ہیں۔

### اندرونی انضباط (انٹرنل کنٹرول) کا بیانیہ

بورڈ اندرونی انضباط (انٹرنل کنٹرول) کی قدر پیمائی (جائزہ) سے متعلقہ انتظامیہ کے تجربے، جو اس سالانہ رپورٹ میں شامل ہے، کی بخوشی توثیق کرتا ہے۔

### خدشات کے تدارک کا نظام (رسک مینجمنٹ فریم ورک)

خدشات کے تدارک کا نظام (موڈر رسک مینجمنٹ) ہمارے کاروباری مقاصد کے حصول کا ایک بنیادی جزو ہے۔ لہذا یہ بینک کی پالیسیوں (حکمت عملی) کا قلمی مدعی مطمح نظر ہے۔ رسک مینجمنٹ کے موڈر نظام کو یقینی بنانے کیلئے بورڈ آف ڈائریکٹرز اور بینک کی انتظامیہ نے نہایت مستعدی کا مظاہرہ کرتے ہوئے تمام پالیسیوں، طریقہ کار اور حدود کا تعین کیا ہے۔ چنانچہ بینک کے پاس ایک جامع رسک مینجمنٹ کا نظام موجود ہے جو کہ رسک مینجمنٹ کے اصول، رہنمائی اور انتظامی اسلوب کا تعین کرتا ہے۔ اس نظام کے تحت بہت سی کمیٹیوں کی تشکیل کی گئی

## ڈائریکٹرز کی رپورٹ

بورڈ آف ڈائریکٹرز کی جانب سے ہم سال تختہ 31 دسمبر 2018ء کی سالانہ رپورٹ بشمول پڑتال شدہ مالیاتی گوشوارے (اسٹیٹمنٹس) اور آڈیٹرز رپورٹ پیش کرنے میں بہت مسرت محسوس کر رہے ہیں۔

### معاشی جائزہ

پاکستان کی معیشت میں سازگار عالمی معاشی ماحول، ہی بینک سے متعلقہ سرمایہ کاری اور وسعت پذیر معاشی و ضوابط کی پالیسیوں کی مدد سے گزشتہ تین سال میں نہایت مناسب شرح نمو دیکھی گئی ہے۔ تاہم بیرونی ادائیگی کے عدم توازن میں شدت کے باعث یہ شرح برقرار نہ رہ پائی۔ پاکستانی روپے میں سال 2018 کے دوران 26 فیصد تنزلی دیکھی گئی۔ داخلی طلب کے دباؤ میں کمی کے مقصد کے حصول کی خاطر مرکزی بینک نے شرح سود میں، سال 2018 کے دوران، مجموعی طور پر 4.25 فیصد کا اضافہ کیا۔ اس اضافے کا زیادہ تر حصہ سال کے دوسرے نصف کے دوران کیا گیا۔

### بینک کی کارکردگی کے نتائج اور مالیاتی جائزہ

(تمام رقم ملین روپے میں)

| 2017  | 2018  |
|-------|-------|
| 2,260 | 2,642 |
| 715   | 767   |
| 2,044 | 2,299 |
| 931   | 1,110 |
| 192   | 427   |
| 739   | 683   |
| 0.73  | 0.68  |

خالص مارک اپ / آمدنی / مہیا کیے گئے اخراجات (پروویژن) کے بعد  
 مارک اپ کے سوا آمدنی  
 مارک اپ کے سوا اخراجات  
 منافع قبل از محصولات  
 محصولات (ٹیکسیشن)  
 منافع بعد از محصولات  
 فی حصص (شیر) آمدنی (روپے)

- سی سی جی کی ضروریات کے مطابق بینک آزاد اور غیر انتظامی ڈائریکٹرز کی نمائندگی کی حوصلہ افزائی کرتا ہے۔ اس وقت بینک کے بورڈ آف ڈائریکٹرز میں 4 آزاد ڈائریکٹرز، 4 غیر انتظامی ڈائریکٹرز اور 1 انتظامی ڈائریکٹر شامل ہیں۔ بینک کے آٹھ ڈائریکٹرز مرد اور ایک ڈائریکٹر خاتون ہے جو کہ جنس کے حوالے سے انتظامیہ میں موجود تنوع کو ظاہر کرتا ہے؛ اور
- بورڈ اپنی کارکردگی کو بینک کی مجموعی کارکردگی کے ذریعے جانچتا ہے۔ ڈائریکٹرز بورڈ کے اجلاس میں باقاعدگی سے شریک ہوتے ہیں اور کارروائی میں بھرپور دلچسپی لیتے ہیں۔ بورڈ اس امر کو یقینی بناتا ہے کہ بینک اپنی کارکردگی کے ہر میدان میں کارپوریٹ گورننس کے اعلیٰ ترین اقدار کو ملحوظ خاطر رکھے اور اس کی داخلی/اندرونی نگرانی کا نظام نہایت مضبوط خطوط پر استوار ہو۔ بورڈ بینک کی معاشرتی اور ماحولیاتی عوامل کی بنیاد پر قائم رہنے کی حکمت عملی کی ذمہ داریوں کا مکمل ادراک رکھتا ہے اور اس بارے میں رہنما اصول بھی مرتب کرتا ہے، تاکہ ان تمام معاملات پر عہدہ برائی کے جاری عمل کو یقینی بنایا جاسکے۔

### بورڈ کے اجلاس

اس زیر نظر عرصے میں بورڈ کے چار (4) اجلاس اور اس کے ساتھ بورڈ کی ذیلی کمیٹیوں کے گیارہ (11) اجلاس منعقد ہوئے۔ بورڈ نے ان ڈائریکٹرز کو حاضری سے استثناء دی جنہوں نے اجلاس میں شرکت نہیں کی۔ منعقد شدہ اجلاسوں کی تعداد اور ان میں ہر ڈائریکٹر کی شرکت کچھ اس طرح سے ہے:

| بورڈ کے اجلاس            | آڈٹ کمیٹی کے اجلاس | رسک کمیٹی کے اجلاس | نامزدگی اور معاوضہ کمیٹی کے اجلاس | آئی ٹی کمیٹی کے اجلاس |
|--------------------------|--------------------|--------------------|-----------------------------------|-----------------------|
| منعقد شدہ اجلاس کی تعداد | 4                  | 4                  | 3                                 | -                     |
| اجلاس میں شرکت کی تعداد  | 4                  | -                  | -                                 | -                     |
| ڈاکٹر شجاعت ندیم         | 4                  | -                  | -                                 | -                     |
| محترمہ رعینہ ناشر        | 3                  | -                  | 3                                 | -                     |
| جناب انوژن موجہر         | 4                  | -                  | -                                 | -                     |
| جناب بی بی ٹک ٹک         | 4                  | -                  | 4                                 | -                     |
| جناب ہمایوں مراد         | 4                  | -                  | -                                 | 3                     |
| جناب ندیم باہر           | 4                  | -                  | -                                 | 3                     |
| جناب شہباز حیدر آغا      | 4                  | -                  | 4                                 | -                     |
| جناب ارجمند احمد مینائی  | 4                  | -                  | -                                 | -                     |
| جناب شاہد ستار           | 4                  | -                  | 4                                 | -                     |

### ڈائریکٹرز اور ایگزیکٹوز کے حصص کا حصول

حصص کی ملکیت کی ترتیب اور حصص کی ترتیب سے متعلقہ اضافی معلومات علیحدہ سے منسلک ہیں۔ اس سال کے دوران ڈائریکٹرز، سی ایف او (CFO) اور کمیٹی سیکرٹری اور ان کے شریک حیات اور ان کے نابالغ بچوں کی جانب سے کمپنی کے حصص میں لین دین (تجارت) نہیں کی گئی، ماسوائے جناب شاہد ستار کے 133,500 حصص کے جن کی فروخت تمام قواعد و ضوابط اور تشہیر کی شرائط کی تعمیل کے بعد کی گئی۔

ہے، جو کہ بورڈ آف ڈائریکٹرز اور انتظامیہ کی جانب سے مختلف اقسام کے رسک (خدشات) بشمول قرض (کریڈٹ)، منڈیوں (مارکیٹ)، کارکردگی (آپریٹنگ) اور سیال پذیری (لیکویڈٹی) کے رسک کی مؤثر انداز میں نگرانی کرتی ہیں۔ ان معاملات کو مزید تفصیل سے، مالیاتی گوشواروں (اسٹیٹمنٹس) کے نوٹ نمبر 42 میں واضح کیا گیا ہے۔

رسک مینجمنٹ کے نظام کے تحت بورڈ کی طرف سے منظور شدہ دائرہ کار میں رہتے ہوئے بینک کے تمام تر خدشات (رسک) کا انتظام، خدشے کے عنصر کے مطابق ڈھالے گئے گوشواروں (ریٹرنز) کے فروغ کے مقاصد کو پورا کرتے ہوئے کیا جاتا ہے۔ بینک کا رسک مینجمنٹ کا نظام آزادانہ رسک مینجمنٹ کے طے شدہ اصولوں سے مزین اور نظم و نسق کو متوازن کرنے کیلئے بنایا گیا ہے۔ 2018 کے پورے سال کے دوران بورڈ رسک کمیٹی کے تشکیل کردہ رہنمائی کے اصولوں کی بنیاد پر مجموعی رسک مینجمنٹ کے نظم و ضبط کی بہتری اور عمدگی کیلئے کوشش جاری رہی۔

### کوڈ آف کارپوریٹ گورننس کے تحت بیان/کارپوریٹ اور مالیاتی (فنانشل) رپورٹنگ کا نظام

بورڈ آف ڈائریکٹرز کوڈ آف کارپوریٹ گورننس کے تحت اپنی ذمہ داریوں سے مکمل آگاہ ہیں اور بخوشی بیان و تصدیق کرتے ہیں کہ:

- بینک سعودی عرب کے سامبا فنانشل گروپ کا تحت ادارہ ہے جو کہ بتاریخ 31 دسمبر 2018 بینک کے 84.51 فیصد حصص کا مالک ہے (31 دسمبر 2017: 84.51 فیصد حصص)
- بینک کی جانب سے حسابات کیلئے نہایت مناسب کھاتے بنائے گئے ہیں؛
- بینک کی جانب سے تیار کردہ مالیاتی گوشوارے اس کے معاملات کی واضح تصویر (معتدلاً جائزہ)، اس کی کارکردگی کے نتائج، مجموعی آمدنی، نقد بہاؤ (کیش فلوز) اور سرمایہ (ایکویٹی) کی تبدیلی پیش کرتے ہیں؛
- موزوں حساب داری کی حکمت عملیوں کو کھاتوں کی تیاری کیلئے مسلسل طور پر جاری رکھا گیا ہے ماسوائے حساب داری کی ان پالیسیوں کے جن کا ذکر مالیاتی گوشواروں کے نوٹ نمبر 5.1 میں کیا گیا ہے۔ حساب داری کے اندازے معقول اور محتاط رائے پر استوار کئے جاتے ہیں؛
- انٹرنیشنل اکاؤنٹنگ سٹینڈرڈز کے پاکستان میں اطلاق کی حد تک معاملات کو ان مالیاتی گوشواروں کی تیاری کے دوران مد نظر رکھا گیا ہے۔ تاہم ان سے معمولی صرف نظر، اگر کوئی ہو تو، اس کو نہایت وضاحت کے ساتھ بیان کیا گیا ہے؛
- اندرونی انضباط کا نظام اپنے خود خال میں مضبوط اور مستحکم ہے اور نہایت مستعدی سے نافذ کیا اور جانچا گیا ہے؛
- بینک اپنی کارکردگی جاری رکھنے کی صلاحیت کے حوالے سے شک و شبہ سے بالاتر ہے؛
- کارپوریٹ گورننس کے بہترین ضابطہ عمل، جیسا کہ متعلقہ قواعد میں درج ہیں، سے کوئی قابل ذکر و گردانی نہیں کی گئی؛
- پچھلے 6 سال کی اہم کارکردگی اور مالیاتی مواد (ڈیٹا) کا خلاصہ سالانہ رپورٹ میں شامل ہے؛
- مستقبل کی توسیع میں ایکویٹی میں مضبوط کرنے کی غرض سے بینک نے منقسم (ڈیویڈنڈ) کا اعلان نہیں کیا۔ فی حصص آمدنی اس زیر نظر عرصے میں 0.68 روپے (بیسک/ڈائریکٹرز) رہی؛
- 31 دسمبر 2018ء کو بینک کے حصص یافتگان کی ترتیب پر مشتمل گوشوارہ منسلک ہے؛
- بینک کے سٹاف پروویڈنٹ فنڈ کی مالیت پڑتال شدہ مالیاتی گوشواروں کے مطابق سال مختتمہ 31 دسمبر 2017 کو 238 ملین روپے رہی؛
- پڑتال شدہ مالیاتی گوشواروں کے مطابق سال مختتمہ 31 دسمبر 2018 تک کوئی بھی قانونی ادائیگی، جیکس کی مد میں عائد شدہ (ڈیویڈنڈ) یا کوئی اور خرچ واجب الادا نہیں ماسوائے ان کے جن کی وضاحت مالیاتی گوشواروں میں کردی گئی ہے۔
- کوڈ آف کارپوریٹ گورننس کے تحت بیانیہ منسلک ہے؛
- بینک کے مالیاتی گوشواروں کو بینک کے آڈیٹرز مینسز زے ایف فرگوسن اینڈ کمیٹی چارٹرڈ اکاؤنٹنٹس نے بغیر کسی اعتراض کے آڈٹ کیا ہے؛
- بینک کے تمام ڈائریکٹرز نے اپنے ذمہ داری پر وگرام قانون کے ضوابط/شرائط کے مطابق پورے کئے ہیں؛
- ڈائریکٹرز کے معاوضہ (فیس) کی ادائیگی بورڈ اور حصص یافتگان کی منظوری کے مطابق کی جاتی ہے اور بینک اس بارے میں کمپنیز ایکٹ 2017 اور کوڈ آف کارپوریٹ گورننس (سی سی جی) کارپوریٹ انتظام کا ضابطہ کے مطابق ایک حتمی پالیسی کی تکمیل کے مراحل میں ہے؛

## اظہار تشکر

ہم اپنے صارفین، کاروباری شراکت داران اور حصص یافتگان کے، ان کے اعتماد اور خلوص پر نہایت مشکور ہیں۔ بورڈ آف ڈائریکٹرز اور بینک کی انتظامیہ، بینک دولت پاکستان اور دیگر ضوابطی اداروں کی رہنمائی پر ان کی شکرگزار ہے۔ اس کے علاوہ ہم اپنے بینک کے تمام ملازمین کی تہہ دل سے حوصلہ افزائی کرتے ہیں جن کی لگن، عزم 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

20 فروری 2019

کراچی

ارجمند احمد بیٹانی

ڈائریکٹر

## کارپوریٹ سماجی ذمہ داری

کارپوریٹ سماجی ذمہ داری (سی ایس آر) سے مراد ایسی معاشرتی سرگرمی ہے جو کہ سماجی، ماحولیاتی نظام، جس میں وہ 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 سے متعلقہ سرگرمیوں کیلئے 2018ء میں بجٹ مختص کیا گیا ہے جو، صحیح معنوں میں مستحق اور ایسے اداروں میں تقسیم کیا گیا ہے جو پاکستانی معاشرے کی بہتری کیلئے عمومی طور پر خیراتی، تعلیمی، صحت اور سماجی ترقی سے متعلقہ شعبوں میں کام کرتے ہیں۔ اس سال کے دوران، اس مد میں دیئے جانے والے عطیات/شراکت کی تفصیل ماحولیاتی گوشواروں کے نوٹ نمبر 27.2 میں درج کی گئی ہے۔

## آڈیٹرز

بینک کے بیرونی (ایکسٹرنل) آڈیٹرز میسرز اے ایف فرگوسن اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس نے اہلیت کی بناء پر اپنی دوبارہ تقرری کی پیشکش کی ہے۔ بورڈ آف ڈائریکٹرز، آڈٹ کمیٹی کی تجویز پر میسرز اے ایف فرگوسن اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس (جو پرائس واٹر ہاؤس کوپرز کی ممبر فرم ہے) کو اگلے سال کے تقریر کیلئے تجویز کرتا ہے۔

## میزانیہ (بیلنس شیٹ) کی تاریخ کے بعد کے واقعات

میزانیہ (بیلنس شیٹ) کی تاریخ کے بعد کوئی ایسا قابل ذکر واقعہ رونما نہیں ہوا جس کی بدولت مالیاتی گوشواروں میں مطابقت کی ضرورت ہو۔ رپورٹنگ کی تاریخ کے بعد وقوع پذیر تمام غیر مطابقتی حوالہ جات کو منسلک ماحولیاتی گوشواروں کے نوٹ نمبر 44 میں درج کیا گیا ہے۔

## مستقبل کی پیش بینی

گزشتہ چند ماہ کے دوران اٹھائے گئے مثبت اقدامات کے باعث معیشت بہتری کے سفر پر گامزن ہے۔ ماہانہ اشارے داخلی طلب میں سست روی کے واضح نشان ظاہر کر رہے ہیں۔ دوست ممالک کی طرف سے مالیاتی تعاون میں اضافہ کے باعث کرنٹ اکاؤنٹ کا خسارہ میں بتدریج کمی ہو رہی ہے۔ گزشتہ دو ماہ کے دوران خام تیل کی قیمتوں میں کمی معیشت کے لئے ایک مزید مثبت قدم ہے اور اس کی بدولت آنے والی سہ ماہیوں میں درآمدات کی ادائیگیوں میں کمی ہوگی۔ تیل کی قیمتوں میں کمی کی ناصرف بیرونی ادائیگیوں کے تناظر میں خوش آئند ہے بلکہ اس سے افراط زر اور انٹر سٹ ریٹ (شرح سود) کے اثرات کو محدود کرنے میں بھی مدد ملے گی۔ یہ امر متوقع ہے کہ حکومت تیل کی کم قیمتوں سے حاصل ہونے والے مواقع کا فائدہ اٹھاتے ہوئے ایک مدت سے واجب العمل اہم اصلاحات کا نفاذ کرے گی۔ اگر ایسا ممکن ہو تو اس کے نتیجے میں بلند اور خود کفیل شرح نمو اور پائیدار مالی استحکام حاصل ہو سکے گا۔

سال 2019ء میں پاکستان میں معاشی صورتحال، بالخصوص بینکنگ کی صنعت کے لئے، مشکل اور خدشات سے بھرپور رہنے کی امید ہے۔ تاہم بینک کی انتظامیہ کی توجہ خود کو مارکیٹ میں صحیح جگہ پر رہنے اور سامبا کے تشخص کو اس کی اصل شکل پر بحال کرنا ہے جو کہ صارفین کے اعتماد، خیر خواہی اور بہترین خدمات کے معیار کا مظہر 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 سکیں اور ان سے متصل خدشات کے تدارک کا مناسب انتظام ہو سکے۔ اور اس کے علاوہ، اپنی ڈیپازٹس کی ترکیب میں جاری بہتری کے ذریعہ ان کی لاگت میں کمی لا سکے۔ یہ ہدف اپنے معزز صارفین کو بہترین خدمات مہیا کرنے سے ممکن ہو سکے گا۔

## Six Years' Performance Highlights

|  | Rs. in Millions |                    |                    |               |               |               |
|--|-----------------|--------------------|--------------------|---------------|---------------|---------------|
|  | 2018            | 2017<br>(Restated) | 2016<br>(Restated) | 2015          | 2014          | 2013          |
| <b>Statement of Financial Position</b>                                   |                 |                    |                    |               |               |               |
| <b>Assets</b>  |                 |                    |                    |               |               |               |
| Advances - gross   | 55,892          | 42,503             | 30,988             | 26,260        | 23,916        | 20,561        |
| Investments - gross  | 48,139          | 62,936             | 57,272             | 44,828        | 20,055        | 14,104        |
| Lending to financial institutions  | 9,449           | 5,193              | 5,277              | 2,000         | 1,900         | 791           |
| Cash and balances with treasury and other banks                          | 5,651           | 4,015              | 5,540              | 4,330         | 2,605         | 2,913         |
| Fixed assets   | 1,065           | 1,113              | 1,290              | 1,269         | 759           | 839           |
| Intangible assets  | 121             | 133                | 169                | 54            | 42            | 23            |
| Deferred tax asset - net   | 701             | 437                | 410                | 658           | 1,058         | 1,484         |
| Other assets - gross   | 4,338           | 4,406              | 4,562              | 3,118         | 2,567         | 1,810         |
| <b>Total assets - gross of provisions</b>                                | <b>125,355</b>  | <b>120,736</b>     | <b>105,507</b>     | <b>82,517</b> | <b>52,903</b> | <b>42,525</b> |
| Provision against advances - specific and general                        | (2,300)         | (2,321)            | (2,198)            | (2,073)       | (2,104)       | (2,292)       |
| Provision for diminution in the value of investments                     | (118)           | (18)               | (35)               | (102)         | (102)         | (113)         |
| Provision held against bad and doubtful other assets                     | (173)           | (173)              | (175)              | (176)         | (115)         | (119)         |
| <b>Total assets - net of provisions</b>                                  | <b>122,765</b>  | <b>118,224</b>     | <b>103,100</b>     | <b>80,166</b> | <b>50,581</b> | <b>40,001</b> |
| <b>Liabilities</b>   |                 |                    |                    |               |               |               |
| Customer deposits and other accounts                                     | 65,225          | 54,901             | 50,307             | 38,844        | 31,642        | 24,633        |
| Borrowings   | 39,781          | 46,201             | 35,847             | 27,326        | 5,965         | 2,987         |
| Bills payable  | 877             | 687                | 915                | 492           | 309           | 919           |
| Other liabilities  | 4,098           | 3,726              | 3,711              | 1,660         | 1,411         | 1,331         |
| <b>Total liabilities</b>   | <b>109,981</b>  | <b>105,515</b>     | <b>90,780</b>      | <b>68,322</b> | <b>39,326</b> | <b>29,870</b> |
| <b>Net assets</b>  |                 |                    |                    |               |               |               |
| Share capital  | 10,082          | 10,082             | 10,082             | 10,082        | 10,082        | 8,082         |
| Advance against proposed issue of shares                                 | -               | -                  | -                  | -             | -             | 1,614         |
| Reserves   | 692             | 555                | 408                | 299           | 213           | 167           |
| Unappropriated profit / (accumulated losses)                             | 2,389           | 1,843              | 1,252              | 816           | 472           | 291           |
| <b>Equity</b>  | <b>13,164</b>   | <b>12,481</b>      | <b>11,743</b>      | <b>11,198</b> | <b>10,767</b> | <b>10,154</b> |
| (Deficit)/ surplus on revaluation of assets - net of tax                 | (380)           | 227                | 577                | 647           | 488           | (23)          |
|  | <b>12,784</b>   | <b>12,708</b>      | <b>12,320</b>      | <b>11,844</b> | <b>11,255</b> | <b>10,131</b> |
| <b>Profit &amp; Loss Account</b>   |                 |                    |                    |               |               |               |
| Mark-up / return / interest earned                                       | 7,556           | 7,256              | 5,682              | 5,468         | 4,619         | 3,207         |
| Mark-up / return / interest expensed                                     | (4,847)         | (4,897)            | (3,576)            | (3,326)       | (2,806)       | (1,823)       |
| <b>Net mark-up / interest income</b>                                     | <b>2,708</b>    | <b>2,359</b>       | <b>2,106</b>       | <b>2,143</b>  | <b>1,813</b>  | <b>1,384</b>  |
| Fee, commission, brokerage and Income from dealing in foreign currencies | 503             | 349                | 317                | 201           | 153           | 152           |
| Dividend income and (loss) / gain on sales of securities - net           | 258             | 139                | 739                | 507           | 41            | -             |
| Other income and unrealised (loss) / gain on revaluation of investments  | 5               | 227                | 23                 | 98            | 24            | 8             |
| <b>Non mark-up / interest income</b>                                     | <b>767</b>      | <b>715</b>         | <b>1,079</b>       | <b>805</b>    | <b>217</b>    | <b>160</b>    |
| <b>Revenue</b>   | <b>3,475</b>    | <b>3,074</b>       | <b>3,185</b>       | <b>2,948</b>  | <b>2,030</b>  | <b>1,544</b>  |
| Non mark-up / interest expenses  | (2,297)         | (2,042)            | (1,993)            | (2,111)       | (1,646)       | (1,551)       |
| (Charge) / reversal / recovery of provision / against write-offs         | (68)            | (101)              | (265)              | (22)          | 41            | 88            |
| <b>Profit / (Loss) before taxation</b>                                   | <b>1,110</b>    | <b>931</b>         | <b>926</b>         | <b>815</b>    | <b>425</b>    | <b>81</b>     |
| Taxation   | (427)           | (192)              | (382)              | (385)         | (199)         | 3             |
| <b>Profit / (Loss) after taxation</b>                                    | <b>683</b>      | <b>739</b>         | <b>545</b>         | <b>431</b>    | <b>226</b>    | <b>84</b>     |
| <b>Other Information</b>   |                 |                    |                    |               |               |               |
| Return on equity (RoE)*  | 5.4%            | 5.9%               | 4.4%               | 3.7%          | 2.1%          | 0.9%          |
| Return on assets (RoA)*  | 0.6%            | 0.6%               | 0.6%               | 0.6%          | 0.5%          | 0.2%          |
| Profit before tax to revenue ratio                                       | 31.9%           | 30.3%              | 29.1%              | 27.7%         | 20.9%         | 5.2%          |
| Advances to deposits ratio (ADR)   | 82.2%           | 73.2%              | 57.2%              | 62.3%         | 68.9%         | 74.2%         |
| Efficiency ratio (cost to revenue)                                       | 66.1%           | 66.5%              | 62.6%              | 71.6%         | 81.1%         | 100.4%        |
| Earning Per Share (EPS)  | 0.68            | 0.73               | 0.54               | 0.43          | 0.24          | 0.10          |
| Market value per share - rupees  | 8.04            | 6.96               | 7.26               | 6.00          | 7.00          | 4.72          |
| Number of employees  | 837             | 747                | 680                | 657           | 602           | 614           |
| Number of branches   | 37              | 37                 | 37                 | 34            | 28            | 28            |

\* These ratios are based on average volume of respective years.

## Statement 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 implemented 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 2017 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 20, 2019  
Karachi

## Complaint Handling Mechanism

Samba Bank Limited (SBL) continued to place primary focus on providing its customers with world class banking solutions with the objective of making its customer experience synonymous with "ease and convenience".

As part of this effort, the Bank launched Samba Smart Application in 2018. This is a mobile banking application which allows customers to transfer funds, pay bills and handle many other banking services from the comfort of their mobile phones. Samba Smart Application can be used by both customers and non-customers and also includes a Financial ChatBot which users can interact with to perform account related transactions.

The Bank also connected with Keenu network as part of its efforts to strengthen its digital payments solutions, thus connecting us with its 50+ merchant network.

Samba Bank Limited updated its Financial Consumer Protection Framework in order to build the customer's confidence in our products and services. We aim to treat our customers fairly and equitably without any discrimination in provision of banking services. The framework strives to create awareness about consumer rights and obligations while using the banks product and services.

### Complaint Summary

In 2017, the total complaints received were 1240 where the average resolution time was 4 working days. Encouragingly, the year 2018 saw the Bank's average complaints' resolution turnaround fall to 3 working days with 1632 complaints being logged.

## Independent Auditor's 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 Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of Samba Bank Limited (the Bank) for the year ended December 31, 2018 in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Bank. Our responsibility is to review whether the Statement of Compliance reflects the status of the Bank's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. 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 Regulations.

As a 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 Directors' 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 Regulations require 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 and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. 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 procedures to assess and determine the Bank's process for identification of related parties and that 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 requirements contained in the Regulations as applicable to the Bank for the year ended December 31, 2018.

A. F. Ferguson & Co.  
Chartered Accountants  
Dated: February 28, 2019  
Karachi

## Statement of Compliance with the Code of Corporate Governance For the Year Ended December 31, 2018

Samba Bank Limited (the Bank) has complied with the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) in the following manner:

1. The total number of directors are 9 as per the following:
  - a. Male: 8
  - b. Female: 1
2. The Composition of Board is as follows:

| Category                | Names   |
|-------------------------|---|
| Independent Directors   | Mr. Humayun Murad<br>Mr. Nadeem Babar<br>Mr. Shahbaz Haider Agha<br>Mr. Arjumand Ahmed Minai  |
| Executive Director      | Mr. Shahid Sattar<br>[President and Chief Executive Officer (CEO)]                            |
| Non-Executive Directors | Dr. Shujaat Nadeem (Chairman)<br>Mr. Antoine Mojabber<br>Mr. Beji Tak-Tak<br>Ms. Ranya Nashar |

3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including this Bank (excluding the listed subsidiaries of listed holding companies, where applicable).
4. 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.
5. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Bank. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board / shareholders as empowered by the relevant provisions of the Companies Act, 2017 (the Act) and these Regulations.
7. 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. The Board has complied with the requirements of the Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board.
8. The Board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. The Board has arranged Director's training program for the following:
  - a. Dr. Shujaat Nadeem
  - b. Mr. Antoine Mojabber
  - c. Mr. Beji Tak-Tak
  - d. Ms. Ranya Nashar
  - e. Mr. Humayun Murad
  - f. Mr. Nadeem Babar

- g. Mr. Shahbaz Haider Agha
- h. Mr. Shahid Sattar

10. The Board has approved appointment of Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.
11. CFO and CEO duly endorsed the financial statements before approval of the Board.
12. The Board has formed committees comprising of members given below:
  - a. Audit Committee
    - (i) Mr. Humayun Murad (Chairman)
    - (ii) Ms. Ranya Nashar (Member)
    - (iii) Mr. Arjumand Ahmed Minai (Member)
  - b. Board Nomination and Remuneration Committee
    - (i) Mr. Nadeem Babar (Chairman)
    - (ii) Ms. Ranya Nashar (Member)
    - (iii) Mr. Humayun Murad (Member)
  - c. Board Risk Management Committee
    - (i) Mr. Beji Tak-Tak (Chairman)
    - (ii) Mr. Shahid Sattar (Member)
    - (iii) Mr. Antoine Mojabber (Member)
    - (iv) Mr. Shahbaz Haider Agha (Member)
13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.
14. The frequency of meetings of the aforesaid committees were as per following:
  - a. Audit Committee: 4 meetings were held during the financial year ended December 31, 2018
  - b. Board Nomination and Remuneration Committee: 3 meetings were held during the financial year ended December 31, 2018
  - c. Board Risk Management Committee: 4 meetings were held during the financial year ended December 31, 2018
15. 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.
16. 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 (ICAP) and registered with Audit Oversight Board 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 ICAP.
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. We confirm that all other requirements of the Regulations have been complied with.

Dr. Shujaat Nadeem  
Chairman

Dated: February 20, 2019

# Notice of the Sixteenth Annual General Meeting

Notice is hereby given that the Sixteenth Annual General Meeting of Samba Bank limited ("the Bank") will be held at 10:00 a.m. on Wednesday, the March 27, 2019, at Hotel Serena, Islamabad, to transact the following business:

## Ordinary Business

- To confirm the minutes of the 15th Annual General Meeting held on March 27, 2018.
- To receive, consider and adopt the Audited Annual Accounts of the Bank for the year ended December 31, 2018, together with the Reports of the Directors and Auditors thereon.
- To appoint Auditors' and to fix their remuneration. M/s A. F. Ferguson & Company, Chartered Accountants have offered themselves for a term ending at the conclusion of the next Annual General Meeting. The retiring Auditors, being eligible for reappointment.
- To elect eight Directors of the Bank, as fixed by the Board under the provisions of section 159 of the Companies Act, 2017 for a period of 3 years commencing from March 27, 2019.

The names of the retiring Directors are:

- |                              |                              |
|------------------------------|------------------------------|
| I. Mr. Antoine Mojabber      | II. Mr. Arjumand Ahmed Minai |
| III. Mr. Beji Tak-Tak        | IV. Mr. Humayun Murad        |
| V. Mr. Nadeem Babar          | VI. Ms. Ranya Nashar         |
| VII. Mr. Shahbaz Haider Agha | VIII. Dr. Shujaat Nadeem     |

## Any Other Business

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

March 06, 2019  
Karachi

By Order of the Board

Zia-ul-Husnain Shamsi  
Company Secretary

## Notes:

- Share Transfer Books of the Bank will remain closed from 21-03-2019 to 27-03-2019 (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, upto close of business on 20-03-2019 will be considered in time for the purpose of Annual General Meeting.
- Copies of the minutes of the Annual General Meeting dated March 27, 2018 are available for inspection by Members as required under section 152 of the Companies Act, 2017.
- Any member desirous to contest the Election of Directors shall file the following with the Company Secretary of the Bank not later than fourteen days before the day of the above said meeting;
- His/her intention to offer himself/herself for the election in terms of section 159 (3) of the Companies Act 2017, he/she should confirm that;
  - He/she is not ineligible to become a director of the Bank under any applicable laws and regulations (including Listing Regulations of Pakistan Stock Exchange).
  - Neither he/she nor his/her spouse is engaged in the business of brokerage or is a sponsor, director or officer of a corporate brokerage house.
  - He/she is not serving as a director in more than five listed companies simultaneously. Provided that this limit shall not include the directorships in the listed subsidiaries of a listed holding company.
- Consent to act as director in Form 28 under Section 167 of the Companies Act 2017.
- Affidavits, Annexure and Questionnaire in terms of State Bank of Pakistan's BPRD Circular No. 04 dated April 23, 2007, BPRD Circular No. 05 dated March 12, 2015, and BPRD Circular No. 09 dated October 18, 2018.

A copy of the relevant documents may be downloaded from the websites of the Securities & Exchange Commission of Pakistan and State Bank of Pakistan or may be obtained from the office of the Company Secretary of the Bank.

- A Member entitled to attend and vote at the Annual General Meeting may appoint another Member as his/her proxy to attend and vote for him/her provided that a corporation may appoint as its proxy a person who is not a Member but is duly authorized by the corporation. Proxies must be received at the Registered Office of the Bank not less than 48 hours before the time of the holding of the Annual General Meeting.

- CDC account holders will be required to follow the under mentioned guidelines as laid down in Circular No. 01 dated January 26, 2000, of the Securities and Exchange Commission of Pakistan for attending the meeting.
- CDC shareholders, the account holder or sub-account holder whose registration details are uploaded as per the Central Depository Company of Pakistan Limited Regulations, shall authenticate his/her identity by showing his/her original Computerised National Identity Card (CNIC) or original passport at the time of attending the Annual General Meeting.
- In the case of a corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced at the time of the Annual General Meeting (unless it has been provided earlier), to the Bank along with the proxy form.
- Shareholders are requested to notify any change in their addresses to the Bank's Shares 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 Email/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 (also available on the company's website www.samba.com.pk) and 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 سولہواں اجلاس عام

بذریعہ نوٹس بلا اطلاع دی جاتی ہے کہ سہ ماہی بینک لمیٹڈ ("بینک") کا سولہواں سالانہ اجلاس عام بروز بدھ مورخہ 27 مارچ 2019 کو صبح 10:00 بجے، بمقام ہوٹل سرینا، اسلام آباد میں درج ذیل امور کی انجام دہی کے لیے منعقد ہوگا:

## عمومی امور

- 27 مارچ 2018 کو منعقد ہونے والے پندرہویں سالانہ اجلاس عام کے منٹس کی توثیق کرنا۔
- 31 دسمبر 2018 کو ختم ہونے والے سال کے لیے آڈٹ شدہ سالانہ اکاؤنٹس کے ہمراہ ڈائریکٹرز اور آڈیٹرز رپورٹس کی وصولی اور ان پر غور و خوض اور اختیار کرنا۔
- آڈیٹرز کے تقریر اور ان کے معاوضے کے تعین پر غور و خوض کرنا۔ میسرز اے ایف فریگوسن اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس نے اگلے سالانہ اجلاس عام تک کے لیے اپنی دوبارہ تقرری کے لیے خود کو پیش کیا ہے۔ ریٹائر ہونے والے آڈیٹرز دوبارہ تقرری کے لیے اہل ہیں۔
- کمپنیز ایکٹ، 2017 کے سیکشن 159 کے مطابق 27 مارچ 2019 کو بینک کے آڈیٹرز کیلئے 3 سال کے عرصے کے لیے منتخب کیا جائے گا۔ ریٹائر ہونے والے ڈائریکٹرز کے نام ہیں:

- |                        |                           |
|------------------------|---------------------------|
| 1- جناب انٹیوائن مجبر  | 2- جناب ارجمند احمد منائی |
| 4- جناب ہمایوں مراد    | 5- جناب ندیم بابر         |
| 7- جناب شہباز حیدر آغا | 8- ڈاکٹر شجاعت ندیم       |
| 3- جناب بیجی تک        | 6- محترمہ مدراء فیشر      |

## دیگر امور

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

6 مارچ 2019  
کراچی

## نوٹس:

- بینک کی شیئر ٹرانسفر بکس 21 مارچ 2019 سے 27 مارچ 2019 تک (بشمول دونوں ایام) بند رہیں گے۔ جو ٹرانسفر آرڈرز 20 مارچ 2019 کو کام کے اختتام تک رجسٹر اراکے دفتر، میسرز فیمکو ایسوسی ایٹس (پرائیویٹ) لمیٹڈ، 8-F نزد ہوٹل فاران، نرسری بلاک 6، پی ای سی ایچ ایس، شاہراہ فیصل، کراچی میں وصول ہونگے ان کو سالانہ اجلاس عام کے لیے بروقت تصور کیا جائے گا۔
- کمپنیز ایکٹ 2017 کے سیکشن 152 کے تحت 27 مارچ 2018 کو منعقد ہونے والے سالانہ اجلاس عام کے منٹس کی نقول ممبرز کے جانچ پڑتال کے لیے دستیاب ہیں۔
- ممبر جو ڈائریکٹرز کے انتخاب میں حصہ لینے کا خواہشمند ہے وہ درج ذیل دستاویزات، بینک کے سیکرٹری کی نام اجلاس کے انعقاد سے کم از کم 14 دن قبل ارسال کرے:
  - کمپنیز ایکٹ 2017 کے سیکشن 159(3) کے تحت انتخابات کے لیے خود کو پیش کرنے کا ارادہ رکھتا/رکھتی ہو۔ نیز اس کو تصدیق کرنی لازمی ہوگی کہ:
    - کوئی بھی قابل اطلاق قوانین و ضوابط (بشمول پاکستان اسٹاک ایکسچینج کے لسٹنگ ریگولیشنز) کے تحت وہ بینک ڈائریکٹرنے کا/کی اہل نہیں ہے۔
    - کوئی بھی ممبر یا ان کے/کی شریک حیات برکن کے کاروبار میں سرگرم ہو اور نہ ہی کارپوریٹ برکن ہاؤس میں اسپانسر، ڈائریکٹر یا افسر ہو۔
    - وہ ایک ہی وقت میں پانچ سے زیادہ فہرست شدہ کمپنیز کے ساتھ ڈائریکٹر کے طور پر کام نہ کر رہے ہوں۔ البتہ واضح کی گئی فہرست شدہ کمپنی کے فہرست ڈبلی ایڈریس میں ڈائریکٹر نہیں، اس بات کی تصدیق نہیں ہے۔
  - کمپنیز ایکٹ 2017 کے سیکشن 167 کے تحت 28 مارچ میں ڈائریکٹر کے طور پر کام کرنے پر رضامند ہو۔
  - اسٹیٹ بینک آف پاکستان کے پی آر ڈی سرکل نمبر 4 بتاریخ 23 اپریل 2007، پی پی آر ڈی سرکل نمبر 5 بتاریخ 12 مارچ 2015، اور پی پی آر ڈی سرکل نمبر 9 بتاریخ 18 اکتوبر 2018 کے تحت حلف نامہ منسلک اور سوالنامہ موجود ہو۔
  - متعلقہ دستاویزات کی کاپی، بلیک و ریٹیز اینڈ ایکسیس کنٹریکٹس آف پاکستان یا اسٹیٹ بینک آف پاکستان کی ویب سائٹ سے ڈاؤن لوڈ کی جاسکتی ہے یا پھر بینک کے کینی بیکٹری کے دفتر سے بھی حاصل کی جاسکتی ہے۔
  - ممبر جو اجلاس میں شرکت کرنے اور ووٹ دینے کا اہل ہے وہ اپنے بجائے کسی ایسے دوسرے ممبر کو اجلاس میں شرکت کرنے، بولنے، ووٹ دینے اور مطالبہ کرنے کیلئے اپنا متبادل مقرر کر سکتا ہے جو ممبر نہ ہو مگر باضابطہ طور پر کارپوریٹن کی طرف سے مستند ہو۔ ایسے متبادل کے موخر ہونے کیلئے ضروری ہے کہ ہائے گئے سالانہ اجلاس عام کے انعقاد سے 48 گھنٹے قبل بینک کے رجسٹر ڈ آفس کو متبادل ممبر کے مختار نامے کی دستاویزات موصول ہوں اور وہ نمبر شدہ، دستخط شدہ اور تصدیق شدہ ہوں۔
  - سی ڈی سی اکاؤنٹ ہولڈرز کیلئے ضروری ہے کہ وہ اجلاس میں شرکت کیلئے سیکورٹیز اینڈ ایکسیس کنٹریکٹس

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# Financial Statements

For the year ended December 31, 2018

# Independent Auditor's Report To The Members Of Samba Bank Limited

## Report on the Audit of the Financial Statements

### Opinion

We have audited the annexed financial statements of Samba Bank Limited (the Bank), which comprise the statement of financial position as at December 31, 2018, and the profit and loss account, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, along with unaudited certified returns received from the branches except for 10 branches which have been audited by us and notes to the financial statements, including a summary of significant accounting policies and other explanatory information 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 the audit.

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, the statement of comprehensive income, statement of changes in equity and cash flow statement together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan, and, give the information required by the Banking Companies Ordinance, 1962 and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Bank's affairs as at December 31, 2018 and of the profit and other comprehensive loss, the changes in equity and its cash flows for the year then ended.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the Key Audit Matters:

| S.No. | Key Audit Matters   | How the matter was addressed in our audit  |
|-------|---|--|
| 1     | <p><b>Provision against advances</b><br/>(Refer note 10 to the financial statements)</p> <p>The Bank makes provision against advances on a time based criteria that involves ensuring all non-performing loans and advances are classified in accordance with the ageing criteria specified in the Prudential Regulations (PRs) issued by the State Bank of Pakistan (SBP).</p> <p>In addition to the above time based criteria the PRs require a subjective evaluation of the credit worthiness of borrowers to determine the classification of advances.</p> <p>The PRs also require the creation of general provision for the consumer portfolio.</p> <p>The Bank has recognized a net reversal of provision against advances amounting to Rs. 17.408 million in the profit and loss account in the current year. As at December 31, 2018, the Bank holds a provision of Rs 2,299.525 million against advances.</p> <p>The determination of provision against advances based on the above criteria remains a significant area of judgement and estimation. Because of the significance of the impact of these judgements / estimations and the materiality of advances relative to the overall statement of financial position of the Bank, we</p> | <p>Our audit procedures to verify provision against advances, amongst others, included the following:</p> <p>We reviewed the design and tested the operating effectiveness of key controls established by the Bank to identify loss events and for determining the extent of provisioning required against non-performing loans.</p> <p>The testing of controls included testing of:</p> <ul style="list-style-type: none"> <li>• controls over monitoring of advances with higher risk of default and correct classification of non-performing advances on subjective criteria;</li> <li>• controls over accurate computation and recording of provisions; and</li> <li>• controls over the governance and approval process related to provisions, including continuous reassessment by the management.</li> </ul> <p>In accordance with the regulatory requirement, we sampled and tested at least sixty percent of the total advances portfolio and</p> |

| S.No. | Key Audit Matters  | How the matter was addressed in our audit   |
|-------|--|---|
|       | <p>considered the area of provision against advances as a key audit matter.</p>  | <p>performed the following substantive procedures for sample loan accounts:</p> <ul style="list-style-type: none"> <li>• verified repayments of loan / mark-up installments and checked that non-performing loans have been correctly classified and categorized based on the number of days overdue.</li> <li>• examined watch list accounts and, based on review of the individual facts and circumstances, discussions with management and our assessment of financial conditions of the borrowers, formed a judgement as to whether classification of these accounts as performing was appropriate.</li> </ul> <p>We checked the accuracy of specific provision made against non-performing advances and of general provision made against consumer finance by recomputing the provision amount in accordance with the criteria prescribed under the PRs.</p> |
| 2     | <p><b>Change in format of the financial statements</b><br/>(Refer note 5.1.1 to the financial statements)</p> <p>The State Bank of Pakistan (SBP) has amended the format of annual financial statements of banks. All banks are directed to prepare their annual financial statements on the revised format effective from the accounting year ending December 31, 2018. Accordingly, the Bank has prepared these financial statements on the new format prescribed by the SBP.</p> <p>As part of this transition to the new requirements, the management performed a gap analysis to identify differences between the previous and current format. The adoption of new format required certain recognition requirements, reclassification of comparative information and also introduced additional disclosure requirements.</p> <p>In view of the significant impact of the first time adoption of the revised format on these financial statements, we considered this as a key audit matter.</p> | <p>We reviewed and understood the requirements of the SBP's amended format of annual financial statements for banks. Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>• considered the management's process to identify the changes required in the financial statements to comply with the new format; and</li> <li>• obtained relevant underlying supports relating to changes required in the financial statements consequent to the adoption of the new format to assess their appropriateness and verified them on a test basis.</li> </ul>   |

#### Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **Responsibilities of Management and the Board of Directors for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting and reporting standards as applicable in Pakistan, the requirements of Banking Companies Ordinance, 1962 and the Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

The Board of directors is responsible for overseeing the Bank's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide to the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Bank as required by the Companies Act, 2017 (XIX of 2017) and the returns referred above from the branches have been found adequate for the purpose of our audit;
- b) the statement of financial position, the profit and loss account, the statement of comprehensive income, statement of changes in equity and cash flow statement together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 and the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were in accordance with the objects and powers of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank; and
- d) 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.

2. We confirm that for the purpose of our audit we have covered more than sixty per cent of the total loans and advances of the Bank.

The engagement partner on the audit resulting in this independent auditor's report is Shahbaz Akbar.

A. F. Ferguson & Co.  
Chartered Accountants  
Dated: February 28, 2019  
Karachi

# Statement of Financial Position

AS AT DECEMBER 31, 2018

|   |      | (Rupees in '000)   |                    |                    |
|---|------|--------------------|--------------------|--------------------|
|   | Note | 2018               | 2017<br>(Restated) | 2016<br>(Restated) |
| <b>ASSETS</b>                                       |      |                    |                    |                    |
| Cash and balances with treasury banks               | 6    | 5,154,790          | 3,887,745          | 4,723,664          |
| Balances with other banks                           | 7    | 496,174            | 127,386            | 816,421            |
| Lendings to financial institutions                  | 8    | 9,449,244          | 5,192,950          | 5,277,254          |
| Investments - net                                   | 9    | 48,021,370         | 62,918,102         | 57,237,456         |
| Advances - net                                      | 10   | 53,592,255         | 40,181,773         | 28,789,980         |
| Fixed assets  | 11   | 1,064,563          | 1,113,248          | 1,290,007          |
| Intangible assets                                   | 12   | 120,648            | 133,370            | 168,708            |
| Deferred tax assets - net                           | 13   | 700,767            | 436,816            | 409,641            |
| Other assets - net                                  | 14   | 4,164,776          | 4,232,118          | 4,386,604          |
|   |      | <b>122,764,587</b> | <b>118,223,508</b> | <b>103,099,735</b> |
| <b>LIABILITIES</b>                                  |      |                    |                    |                    |
| Bills payable                                       | 15   | 877,017            | 686,692            | 915,076            |
| Borrowings  | 16   | 39,780,603         | 46,201,468         | 35,847,072         |
| Deposits and other accounts                         | 17   | 65,225,052         | 54,901,464         | 50,306,804         |
| Liabilities against assets subject to finance lease |      | -                  | -                  | -                  |
| Subordinated debt                                   |      | -                  | -                  | -                  |
| Deferred tax liabilities                            |      | -                  | -                  | -                  |
| Other liabilities                                   | 18   | 4,098,160          | 3,725,690          | 3,711,259          |
|   |      | <b>109,980,832</b> | <b>105,515,314</b> | <b>90,780,211</b>  |
| <b>NET ASSETS</b>                                   |      | <b>12,783,755</b>  | <b>12,708,194</b>  | <b>12,319,524</b>  |
| <b>REPRESENTED BY:</b>                              |      |                    |                    |                    |
| Share capital                                       | 19   | 10,082,387         | 10,082,387         | 10,082,387         |
| Reserves  |      | 691,997            | 555,451            | 407,680            |
| (Deficit) / surplus on revaluation of assets        | 20   | (380,015)          | 227,153            | 577,336            |
| Unappropriated profit                               |      | 2,389,386          | 1,843,203          | 1,252,121          |
|   |      | <b>12,783,755</b>  | <b>12,708,194</b>  | <b>12,319,524</b>  |
| <b>CONTINGENCIES AND COMMITMENTS</b>                | 21   |                    |                    |                    |

The annexed notes 1 to 45 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, 2018

|   |      | (Rupees in '000) |                    |
|---|------|------------------|--------------------|
|   | Note | 2018             | 2017<br>(Restated) |
| Mark-up / return / interest earned            | 22   | 7,555,595        | 7,256,121          |
| Mark-up / return / interest expensed          | 23   | 4,847,164        | 4,896,833          |
| Net mark-up / return / interest income        |      | 2,708,431        | 2,359,288          |
| <b>Non mark-up / interest income</b>          |      |                  |                    |
| Fee and commission income                     | 24   | 265,594          | 210,616            |
| Dividend income                               |      | 45,332           | 44,661             |
| Foreign exchange income                       |      | 237,464          | 138,260            |
| Gain on securities                            | 25   | 214,586          | 94,258             |
| Other income                                  | 26   | 3,743            | 227,351            |
| Total non mark-up / interest income           |      | 766,719          | 715,146            |
| Total income                                  |      | 3,475,150        | 3,074,434          |
| <b>Non mark-up / interest expenses</b>        |      |                  |                    |
| Operating expenses                            | 27   | 2,258,765        | 2,023,044          |
| Workers' Welfare Fund                         | 28   | 23,024           | 19,014             |
| Other charges                                 | 29   | 15,278           | 36                 |
| Total non mark-up / interest expenses         |      | 2,297,067        | 2,042,094          |
| Profit before provisions                      |      | 1,178,083        | 1,032,340          |
| Provisions and write offs - net               | 30   | (68,364)         | (101,412)          |
| Extra ordinary / unusual items                |      | -                | -                  |
| <b>Profit before taxation</b>                 |      | 1,109,719        | 930,928            |
| Taxation                                      | 31   | (426,990)        | (192,075)          |
| <b>Profit after taxation</b>                  |      | 682,729          | 738,853            |
| (Rupees)                                      |      |                  |                    |
| <b>Earnings per share - basic and diluted</b> | 32   | 0.68             | 0.73               |

The annexed notes 1 to 45 and Annexures I and II form an integral part of these financial statements.

Chief Financial Officer

President & Chief Executive Officer

Chairman

Director

Director

## Statement of Comprehensive Income

FOR THE YEAR ENDED DECEMBER 31, 2018

(Rupees in '000)

|  | 2018          | 2017           |
|--|---------------|----------------|
| Profit after taxation for the year   | 682,729       | 738,853        |
| Other comprehensive income   | -             | -              |
| Items that may be reclassified to profit and loss account in subsequent periods: |               |                |
| Movement in deficit on revaluation of investments - net of tax                   | (607,168)     | (350,183)      |
| <b>Total comprehensive income for the year</b>                                   | <b>75,561</b> | <b>388,670</b> |

The annexed notes 1 to 45 and Annexures I and II form an integral part of these financial statements.

Chief Financial Officer

President & Chief Executive Officer

Chairman

Director

Director

# Cash Flow Statement

FOR THE YEAR ENDED DECEMBER 31, 2018

|   |      | (Rupees in '000) |                    |
|---|------|------------------|--------------------|
|   | Note | 2018             | 2017<br>(Restated) |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                 |      |                  |                    |
| Profit before taxation  |      | 1,109,719        | 930,928            |
| Less: dividend income   |      | (45,332)         | (44,661)           |
|   |      | 1,064,387        | 886,267            |
| <b>Adjustments:</b>   |      |                  |                    |
| Depreciation  |      | 163,933          | 169,864            |
| Amortisation  |      | 34,020           | 40,528             |
| Provision / (reversal) for diminution in the value of investments           |      | 99,926           | (16,766)           |
| (Reversal) / provision against loans and advances - net                     |      | (17,408)         | 126,887            |
| Bad debts written off directly  |      | 27               | -                  |
| Fixed assets written-off / adjusted   |      | 2,111            | 41,452             |
| (Surplus) / deficit on revaluation of investments held for trading          |      | (1,723)          | 42                 |
| Reversal of provision against off balance sheet obligation and other assets |      | (14,130)         | (9)                |
| Gain on sale of fixed assets - net  |      | (3,591)          | (227,336)          |
|   |      | 263,165          | 134,662            |
|   |      | 1,327,552        | 1,020,929          |
| <b>(Increase) / decrease in operating assets</b>                            |      |                  |                    |
| Lendings to financial institutions  |      | (4,256,294)      | 84,304             |
| Held-for-trading securities   |      | (4,549,508)      | (1,483,174)        |
| Advances  |      | (13,393,101)     | (11,518,680)       |
| Other assets (excluding current and advance taxation)                       |      | (293,520)        | 147,630            |
|   |      | (22,492,423)     | (12,769,920)       |
| <b>Increase / (decrease) in operating liabilities</b>                       |      |                  |                    |
| Bills payable   |      | 190,325          | (228,384)          |
| Borrowings from financial institutions                                      |      | (6,420,865)      | 10,354,396         |
| Deposits and other accounts   |      | 10,323,588       | 4,594,660          |
| Other liabilities   |      | 386,600          | 14,431             |
|   |      | 4,479,648        | 14,735,103         |
|   |      | (16,685,223)     | 2,986,112          |
| Income tax paid   |      | (5,992)          | (23,802)           |
| Net cash flows (used in) / generated from operating activities              |      | (16,691,215)     | 2,962,310          |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                 |      |                  |                    |
| Net investments in available-for-sale securities                            |      | 18,413,932       | (4,719,490)        |
| Dividend income received  |      | 48,182           | 44,636             |
| Investments in fixed assets   |      | (147,296)        | (126,714)          |
| Proceeds from sale of fixed assets  |      | 12,230           | 314,304            |
| Net cash flows generated from / (used in) investing activities              |      | 18,327,048       | (4,487,264)        |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                 |      |                  |                    |
|   |      | -                | -                  |
| <b>Increase / (decrease) in cash and cash equivalents during the year</b>   |      | 1,635,833        | (1,524,954)        |
| Cash and cash equivalents at the beginning of the year                      |      | 4,015,131        | 5,540,085          |
| <b>Cash and cash equivalents at the end of the year</b>                     | 33   | 5,650,964        | 4,015,131          |

The annexed notes 1 to 45 and Annexures I and II form an integral part of these financial statements.

Chief Financial Officer

President & Chief Executive Officer

Chairman

Director

Director

## Statement of Changes in Equity

FOR THE YEAR ENDED DECEMBER 31, 2018

|   | (Rupees in '000)  |                 |                   |   |                       |                   |
|---|-------------------|-----------------|-------------------|---|-----------------------|-------------------|
|   | Share capital     | Capital reserve | Statutory reserve | Surplus / (deficit) on revaluation of investments | Unappropriated profit | Total             |
| Balance as at December 31, 2016<br>(as previously reported)       | 10,082,387        | 20,935          | 386,745           | -   | 1,252,121             | 11,742,188        |
| Reclassification of surplus to equity (note 5.1)                  | -                 | -               | -                 | 577,336   | -                     | 577,336           |
| <b>Balance as at December 31, 2016 (as restated)</b>              | <b>10,082,387</b> | <b>20,935</b>   | <b>386,745</b>    | <b>577,336</b>                                    | <b>1,252,121</b>      | <b>12,319,524</b> |
| <b>Comprehensive income for the year</b>                          |                   |                 |                   |   |                       |                   |
| Profit after taxation for the year ended<br>December 31, 2017     | -                 | -               | -                 | -   | 738,853               | 738,853           |
| <b>Other comprehensive loss</b>                                   |                   |                 |                   |   |                       |                   |
| Movement in deficit on revaluation of<br>investments - net of tax | -                 | -               | -                 | (350,183)   | -                     | (350,183)         |
| Transfer to statutory reserve                                     | -                 | -               | 147,771           | -   | (147,771)             | -                 |
| <b>Balance as at December 31, 2017 (as restated)</b>              | <b>10,082,387</b> | <b>20,935</b>   | <b>534,516</b>    | <b>227,153</b>                                    | <b>1,843,203</b>      | <b>12,708,194</b> |
| <b>Comprehensive income for the year</b>                          |                   |                 |                   |   |                       |                   |
| Profit after taxation for the year ended<br>December 31, 2018     | -                 | -               | -                 | -   | 682,729               | 682,729           |
| <b>Other comprehensive loss</b>                                   |                   |                 |                   |   |                       |                   |
| Movement in deficit on revaluation of<br>investments - net of tax | -                 | -               | -                 | (607,168)   | -                     | (607,168)         |
| Transfer to statutory reserve                                     | -                 | -               | 136,546           | -   | (136,546)             | -                 |
| <b>Balance as at December 31, 2018</b>                            | <b>10,082,387</b> | <b>20,935</b>   | <b>671,062</b>    | <b>(380,015)</b>                                  | <b>2,389,386</b>      | <b>12,783,755</b> |

The annexed notes 1 to 45 and Annexures I and II form an integral part of these financial statements.

Chief Financial Officer

President & Chief Executive Officer

Chairman

Director

Director

# Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2018

## 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 ground Floor, Arif Habib Centre, M.T. Khan 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, 2018 (2017: 84.51%). The Bank operates 37 branches as at December 31, 2018 (2017: 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

- 2.1 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 accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards comprise of:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Act, 2017;
- Provisions of and directives issued under the Banking Companies Ordinance, 1962 and the Companies Act, 2017; and
- Directives issued by the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP).

Whenever the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 or the directives issued by the SBP and the SECP differ with the requirements of IFRS or IFAS the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives, shall prevail.

- 3.2 The SBP vide BSD Circular letter No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, Financial Instruments: Recognition and Measurement and International Accounting Standard 40, Investment Property for banking companies till further instructions. Moreover, according to the notification of the SECP issued vide SRO 411(I)/2008 dated April 28, 2008, International Financial Reporting Standard (IFRS) 7, Financial Instruments: Disclosures has not been made applicable for banks. 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 of various circulars issued by the SBP.

### 3.3 Standards, amendments and interpretations to published approved accounting standards that are effective in the current year

The State Bank of Pakistan (SBP) through its BPRD Circular No. 02 of 2018 dated January 25, 2018 has amended the format of annual financial statements of banks. Accordingly, the Bank has prepared these financial statements on the new format prescribed by the SBP. The details of changes due to adoption of revised format are given in note 5.1.

In addition, there are certain other new standards and interpretations of and amendments to existing accounting standards that have become applicable to the Bank for accounting periods beginning on or after January 1, 2018. These are considered as either not relevant or do not have any significant impact on the Bank's financial statements.

### 3.4 Standards, interpretations and amendments to 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 or interpretation:

| Standard, Interpretations and Amendments                               | Effective date (annual periods) |
|--|---------------------------------|
| - IFRS 15 - Revenue from contracts with customers                      | July 1, 2018                    |
| - IFRS 9 - Financial Instruments: Classification and Measurement       | July 1, 2018                    |
| - IFRS 11 - Joint Venture- (Amendments)                                | January 1, 2019                 |
| - IFRS 16 - Leases   | January 1, 2019                 |
| - IAS 19 - Employee Benefits - (Amendments)                            | January 1, 2019                 |
| - IAS 28 - Investments in Associates and Joint Ventures - (Amendments) | January 1, 2019                 |
| - IFRIC 23 - Uncertainty over Income Tax Treatments                    | January 1, 2019                 |
| - IFRS 3 - Business Combinations - (Amendments)                        | January 1, 2020                 |

IFRS 16 replaces existing guidance on accounting for leases, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases - Incentive and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases.

On adoption of IFRS 16, the Bank shall recognize a 'right of use asset' with a corresponding liability for lease payments. The Bank is in the process of assessing the full impact of this standard.

IFRS 9: 'Financial Instruments' addresses recognition, classification, measurement and derecognition of financial assets and financial liabilities. The standard has also introduced a new impairment model for financial assets which requires recognition of impairment charge based on an 'expected credit losses' (ECL) approach rather than the 'incurred credit losses' approach as currently followed. The ECL has impact on all assets of the Bank which are exposed to credit risk.

The Bank is currently awaiting instructions from the SBP as applicability of IAS 39 was deferred by SBP till further instructions.

The Bank expects that adoption of the remaining interpretations and amendments will not affect its financial statements in the period of initial application.

## 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 accounting and reporting 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 5.4 and 9).
- ii) classification and provisioning against advances (notes 5.5 and 10).
- iii) determination of useful lives and depreciation and amortisation of fixed assets and intangible assets (notes 5.6, 5.7, 11 and 12).
- iv) income taxes (notes 5.9, 13 and 31).
- v) provision against off balance sheet obligations (note 18.1).

## 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, except for change explained in note 5.1.

### 5.1 Change in accounting policies

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

5.1.1 The SBP vide BPRD Circular No. 02 of 2018 dated January 25, 2018 has amended the format of annual financial statements of banks. All banks are directed to prepare their annual financial statements on the revised format effective from the accounting year ending December 31, 2018. Accordingly, the Bank has prepared these financial statements on the new format prescribed by the State Bank of Pakistan. The adoption of new format required remeasurement and reclassification of comparative information and accordingly a third statement of financial position as at the beginning of the preceding period (i.e. December 31, 2016) has been presented in accordance with the requirements of International Accounting Standard 1 - Presentation of Financial Statements. The adoption of the revised format has resulted in the following significant changes:

- Acceptances amounting to Rs 1,384.38 million (2017: Rs 1,072.46 million, 2016: Rs 1,685.24 million) which were previously shown as part of contingencies and commitments are now recognised on balance sheet both as assets and liabilities. They are included in Other Assets (note 14) and Other Liabilities (note 18);
- Deficit on revaluation of assets amounting to Rs 380.02 million as at December 31, 2018 (2017: surplus of Rs 227.15 million, 2016: surplus of Rs 577.34 million) were previously shown below equity as required by the repealed Companies Ordinance, 1984 and has now been included as part of equity (note 20);
- Intangibles (note 12) amounting to Rs 120.65 million (2017: Rs 133.37 million, 2016: Rs 168.71 million) which were previously shown as part of fixed assets (note 11) are now shown separately on the statement of financial position; and
- Certain reclassifications have been made in the statement of financial position and profit and loss account which are summarised in the note 43.1 to the financial statements.

### 5.2 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.

### 5.3 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.

**5.4 Investments**

**5.4.1 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.

**5.4.2 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.

**5.4.3 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.

**5.4.4 Subsequent measurement**

Subsequent to initial recognition investments are valued as follows:

**(a) Held-for-trading**

Investments classified as held-for-trading are subsequently measured at fair value. Any unrealised surplus / deficit arising on revaluation is taken to the profit and loss account.

**(b) Available-for-sale**

Quoted securities classified as available-for-sale are subsequently measured at fair value. Any unrealised surplus / deficit arising on revaluation is recorded in the surplus / deficit on revaluation of securities account shown as part of equity in the statement of financial position and is taken to the profit and loss account either when realised upon disposal or when the investment is considered to be impaired.

Unquoted equity securities are carried at the lower of cost and break-up value. The break-up value is calculated with reference to the net assets of the investee company as per its latest available audited financial statements. Other unquoted securities are valued at cost less impairment, if any.

### (c) Held-to-maturity

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

## 5.4.5 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 of. 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 in the statement of financial position 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.

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

## 5.5 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.

## 5.6 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 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 statement of financial position 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) 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.

### **5.7 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 12 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 of. The residual value, useful life and amortisation method are reviewed and adjusted, if appropriate, at each statement of financial position 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.

### **5.8 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.

### **5.9 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 statement of financial position 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.

#### **5.10 Provisions**

Provision for claims under guarantees 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 statement of financial position date and are adjusted to reflect the current best estimate.

#### **5.11 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.

#### **5.12 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.

#### **5.13 Proposed dividend and transfers between reserves**

Dividends and appropriations to reserves, except appropriations which are required by law, made subsequent to the statement of financial position 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.

#### **5.14 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.

## 5.15 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.

## 5.16 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. The segment reported below are consistent to that reported to the President and Chief Executive Officer of the Bank.

### (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.

**5.17 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.

**5.20 Acceptances**

Acceptances comprise undertakings by the Bank to pay bill of exchange drawn on customers. Acceptances are recognised as financial liability in the statement of financial position with a contractual right of reimbursement from the customer as a financial asset. Therefore, commitments in respect of acceptances have been accounted for as financial assets and financial liabilities.

## 6. CASH AND BALANCES WITH TREASURY BANKS

|   |      | (Rupees in '000) |           |
|---|------|------------------|-----------|
|   | Note | 2018             | 2017      |
| <b>In hand</b>  |      |                  |           |
| Local currency  |      | 446,171          | 476,923   |
| Foreign currencies  |      | 307,479          | 248,455   |
|   |      | 753,650          | 725,378   |
| <b>With State Bank of Pakistan in</b>                           |      |                  |           |
| Local currency current account                                  | 6.1  | 2,901,468        | 2,045,675 |
| Foreign currency current account (cash reserve account)         |      | 371,317          | 276,926   |
| Foreign currency deposit account (USD settlement account)       |      | 5,204            | 5,116     |
| Foreign currency deposit account (special cash reserve account) | 6.2  | 1,113,950        | 830,669   |
|   |      | 4,391,939        | 3,158,386 |
| <b>With National Bank of Pakistan in</b>                        |      |                  |           |
| Local currency current account                                  |      | 8,957            | 3,822     |
| <b>National Prize Bonds</b>                                     |      |                  |           |
|   |      | 244              | 159       |
|   |      | 5,154,790        | 3,887,745 |

- 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 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 rate of 1.35% (2017: 0.37%) per annum.

## 7. BALANCES WITH OTHER BANKS

|                         |      | (Rupees in '000) |         |
|-------------------------|------|------------------|---------|
|                         | Note | 2018             | 2017    |
| <b>In Pakistan</b>      |      |                  |         |
| In current account      |      | 42,327           | 3,802   |
| In deposit account      | 7.1  | 15               | 15      |
| <b>Outside Pakistan</b> |      |                  |         |
| In current account      | 7.2  | 453,832          | 123,569 |
|                         |      | 496,174          | 127,386 |

- 7.1 These carry mark-up at the rate of 8% (2017: 4%) per annum.
- 7.2 The above amount includes balance with SAMBA Financial Group (a related party) amounting Rs. 17.434 million (2017: Rs. 12.964 million).

## 8. LENDINGS TO FINANCIAL INSTITUTIONS

|  |      | (Rupees in '000) |           |
|--|------|------------------|-----------|
|  | Note | 2018             | 2017      |
| Call / clean money lendings                                    |      | -                | 4,500,000 |
| Repurchase agreement lendings (Reverse Repo)                   | 8.2  | 9,449,244        | 692,950   |
|  |      | 9,449,244        | 5,192,950 |
| Less: provision held against Lending to Financial Institutions |      | -                | -         |
| Lending to Financial Institutions - net of provision           |      | 9,449,244        | 5,192,950 |
| <b>8.1 Particulars of lending</b>                              |      |                  |           |
| In local currency  |      | 9,449,244        | 5,192,950 |

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

(Rupees in '000)

| Particulars               | 2018             |                             |                  | 2017           |                             |                |
|---------------------------|------------------|-----------------------------|------------------|----------------|-----------------------------|----------------|
|                           | Held by bank     | Further given as collateral | Total            | Held by bank   | Further given as collateral | Total          |
| Market Treasury Bills     | 450,000          | -                           | 450,000          | 700,000        | -                           | 700,000        |
| Pakistan Investment Bonds | 4,000,000        | 5,000,000                   | 9,000,000        | -              | -                           | -              |
| <b>Total</b>              | <b>4,450,000</b> | <b>5,000,000</b>            | <b>9,450,000</b> | <b>700,000</b> | <b>-</b>                    | <b>700,000</b> |

8.2.1 These represent short-term lendings to financial institutions against investment securities. These carry mark-up ranging from 8.50% to 10.30% (2017: 6.00%) per annum and will mature latest by January 02, 2019 (2017: January 02, 2018).

8.2.2 The market value of securities held as collateral against repurchase agreement lendings amounted to Rs. 8,701.78 million (2017: Rs. 692.60 million).

## 9. INVESTMENTS - NET

(Rupees in '000)

|                                       | 2018                  |                          |                     |                   | 2017                  |                          |                     |                   |
|---------------------------------------|-----------------------|--------------------------|---------------------|-------------------|-----------------------|--------------------------|---------------------|-------------------|
|                                       | Cost / Amortised cost | Provision for diminution | Surplus / (Deficit) | Carrying Value    | Cost / Amortised cost | Provision for diminution | Surplus / (Deficit) | Carrying Value    |
| <b>9.1 Investments by type</b>        |                       |                          |                     |                   |                       |                          |                     |                   |
| <b>Held for trading securities</b>    |                       |                          |                     |                   |                       |                          |                     |                   |
| Federal Government Securities         | 6,044,128             | -                        | 1,723               | 6,045,851         | 1,494,662             | -                        | (42)                | 1,494,620         |
| <b>Available for sale securities</b>  |                       |                          |                     |                   |                       |                          |                     |                   |
| Federal Government Securities         | 34,518,518            | -                        | (508,329)           | 34,010,189        | 53,972,479            | -                        | 433,306             | 54,405,785        |
| Shares                                | 1,075,942             | (117,846)                | (94,852)            | 863,244           | 970,212               | (17,920)                 | (89,614)            | 862,678           |
| Non Government Debt Securities        | 2,164,982             | -                        | 18,543              | 2,183,525         | 1,173,947             | -                        | 5,775               | 1,179,722         |
|                                       | 37,759,442            | (117,846)                | (584,638)           | 37,056,958        | 56,116,638            | (17,920)                 | 349,467             | 56,448,185        |
| <b>Held to maturity securities</b>    |                       |                          |                     |                   |                       |                          |                     |                   |
| Federal Government Securities         | 4,918,561             | -                        | -                   | 4,918,561         | 4,975,297             | -                        | -                   | 4,975,297         |
| <b>Total Investments</b>              | <b>48,722,131</b>     | <b>(117,846)</b>         | <b>(582,915)</b>    | <b>48,021,370</b> | <b>62,586,597</b>     | <b>(17,920)</b>          | <b>349,425</b>      | <b>62,918,102</b> |
| <b>9.2 Investments by segment</b>     |                       |                          |                     |                   |                       |                          |                     |                   |
| <b>Federal Government Securities:</b> |                       |                          |                     |                   |                       |                          |                     |                   |
| Market Treasury Bills                 | 26,669,922            | -                        | 1,900               | 26,671,822        | 15,656,805            | -                        | (250)               | 15,656,555        |
| Pakistan Investment Bonds             | 18,811,285            | -                        | (508,506)           | 18,302,779        | 44,785,633            | -                        | 433,514             | 45,219,147        |
|                                       | 45,481,207            | -                        | (506,606)           | 44,974,601        | 60,442,438            | -                        | 433,264             | 60,875,702        |
| <b>Shares:</b>                        |                       |                          |                     |                   |                       |                          |                     |                   |
| Listed                                | 1,055,442             | (107,346)                | (94,852)            | 853,244           | 949,712               | (7,420)                  | (89,614)            | 852,678           |
| Unlisted                              | 20,500                | (10,500)                 | -                   | 10,000            | 20,500                | (10,500)                 | -                   | 10,000            |
|                                       | 1,075,942             | (117,846)                | (94,852)            | 863,244           | 970,212               | (17,920)                 | (89,614)            | 862,678           |
| <b>Non Government Debt Securities</b> |                       |                          |                     |                   |                       |                          |                     |                   |
| Listed                                | 1,669,004             | -                        | (13,005)            | 1,655,999         | 1,123,857             | -                        | 5,806               | 1,129,663         |
| Unlisted                              | 495,978               | -                        | 31,548              | 527,526           | 50,090                | -                        | (31)                | 50,059            |
|                                       | 2,164,982             | -                        | 18,543              | 2,183,525         | 1,173,947             | -                        | 5,775               | 1,179,722         |
| <b>Total Investments</b>              | <b>48,722,131</b>     | <b>(117,846)</b>         | <b>(582,915)</b>    | <b>48,021,370</b> | <b>62,586,597</b>     | <b>(17,920)</b>          | <b>349,425</b>      | <b>62,918,102</b> |

### 9.2.1 Investments given as collateral

(Rupees in '000)

|   | 2018              | 2017              |
|---|-------------------|-------------------|
| Market Treasury Bill  | 15,335,698        | 5,647,000         |
| Pakistan Investment Bonds                                   | 8,562,578         | 32,745,228        |
|   | <u>23,898,276</u> | <u>38,392,228</u> |
| <b>9.3 Provision for diminution in value of investments</b> |                   |                   |
| <b>9.3.1 Opening balance</b>                                | 17,920            | 34,686            |
| Charge / reversals  |                   |                   |
| Charge for the year   | 100,060           | -                 |
| Reversals for the year                                      | -                 | -                 |
| Reversal on disposals                                       | (134)             | (16,766)          |
|   | <u>99,926</u>     | <u>(16,766)</u>   |
| Closing balance   | <u>117,846</u>    | <u>17,920</u>     |

9.3.2 No provision was booked against investment in debt securities as at December 31, 2018 (2017: Nil).

### 9.4 Quality of available for sale securities

Details regarding quality of Available for Sale (AFS) securities are as follows:

(Rupees in '000)

|  | 2018              | 2017              |
|--|-------------------|-------------------|
|  | Cost              |                   |
| <b>Federal Government Securities - Government guaranteed</b> |                   |                   |
| Market Treasury Bills  | 20,625,794        | 14,162,143        |
| Pakistan Investment Bonds                                    | 13,892,724        | 39,810,336        |
|  | <u>34,518,518</u> | <u>53,972,479</u> |
| <b>Shares</b>  |                   |                   |
| <b>Listed Companies - sector wise exposure</b>               |                   |                   |
| Cable & Electrical Goods                                     | 56,589            | 92,007            |
| Cement   | 35,486            | 60,939            |
| Chemical   | 4,128             | 4,261             |
| Commercial Banks   | 271,203           | 154,600           |
| Engineering  | -                 | 87,154            |
| Fertilizer   | -                 | 112,923           |
| Food & Personal Care Products                                | -                 | 17,368            |
| Glass & Ceramics   | 49,628            | -                 |
| Investment Banks   | 285               | 285               |
| Modarabas  | 104               | 104               |
| Oil & Gas Exploration Companies                              | 62,711            | -                 |
| Oil & Gas Marketing Companies                                | 129,949           | 24,297            |
| Power Generation & Distribution                              | 304,767           | 282,794           |
| Real Estate Investment Trust                                 | 82,894            | 66,246            |
| Textile Composite  | 57,686            | 46,722            |
| Transport  | 12                | 12                |
|  | <u>1,055,442</u>  | <u>949,712</u>    |

|                                      | (Rupees in '000) |               | (Rupees)                |        |
|--------------------------------------|------------------|---------------|-------------------------|--------|
|                                      | 2018             | 2017          | 2018                    | 2017   |
|                                      | Cost             |               | Breakup value per share |        |
| <b>Unlisted Companies</b>            |                  |               |                         |        |
| Crescent Industrial Chemical Limited | 10,000           | 10,000        | (0.54)                  | (0.13) |
| Pak Asian Fund                       | 10,000           | 10,000        | 16.84                   | 16.84  |
| Union Communication Private Limited  | 500              | 500           | 6.86                    | 6.86   |
|                                      | <u>20,500</u>    | <u>20,500</u> |                         |        |

|   | (Rupees in '000) |                  |
|---|------------------|------------------|
|   | 2018             | 2017             |
| <b>Non Government Debt Securities</b>                         | Cost             |                  |
| <b>Listed</b>   |                  |                  |
| Categorised based on long term rating by Credit Rating Agency |                  |                  |
| - AAA   | 1,246,895        | 750,000          |
| - AA+, AA, AA-  | 247,109          | 148,857          |
| - A+, A, A-   | 175,000          | 225,000          |
|   | <u>1,669,004</u> | <u>1,123,857</u> |
| <b>Unlisted</b>   |                  |                  |
| Categorised based on long term rating by Credit Rating Agency |                  |                  |
| - AA+, AA, AA-  | 495,978          | 50,090           |
|   | <u>495,978</u>   | <u>50,090</u>    |

9.4.1 The Bank has nil investment in foreign securities under Available for Sale category as at December 31, 2018 (December 31, 2017: nil).

9.5 Particulars relating to Held to Maturity securities are as follows:

|  | (Rupees in '000) |                  |
|--|------------------|------------------|
|  | 2018             | 2017             |
| <b>Federal Government Securities - Government guaranteed</b> | Cost             |                  |
| Pakistan Investment Bonds                                    | <u>4,918,561</u> | <u>4,975,297</u> |

9.5.1 The market value of securities classified as held to maturity as at December 31, 2018 amounted to Rs. 4,447 million (December 31, 2017: Rs. 5,184 million).

9.5.2 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  | Performing |            | Non Performing |             | Total       |             |
|---|------------|------------|----------------|-------------|-------------|-------------|
|   | 2018       | 2017       | 2018           | 2017        | 2018        | 2017        |
| Loans, cash credits, running finances, etc. | 52,801,469 | 39,205,123 | 2,376,735      | 2,320,254   | 55,178,204  | 41,525,377  |
| Islamic financing and related assets        | -          | -          | -              | -           | -           | -           |
| Bills discounted and purchased              | 698,082    | 961,689    | 15,494         | 15,494      | 713,576     | 977,183     |
| Advances - gross                            | 53,499,551 | 40,166,812 | 2,392,229      | 2,335,748   | 55,891,780  | 42,502,560  |
| Provision against advances                  |            |            |                |             |             |             |
| - Specific                                  | -          | -          | (2,249,583)    | (2,303,292) | (2,249,583) | (2,303,292) |
| - General                                   | (49,942)   | (17,495)   | -              | -           | (49,942)    | (17,495)    |
|   | (49,942)   | (17,495)   | (2,249,583)    | (2,303,292) | (2,299,525) | (2,320,787) |
| Advances - net of provision                 | 53,449,609 | 40,149,317 | 142,646        | 32,456      | 53,592,255  | 40,181,773  |

10.1 Includes net investment in finance lease as disclosed below:

(Rupees in '000)

|   | 2018                    |   |                 |         | 2017                    |   |                 |         |
|---|-------------------------|---|-----------------|---------|-------------------------|---|-----------------|---------|
|   | Not later than one year | Later than one and less than five years | Over five years | Total   | Not later than one year | Later than one and less than five years | Over five years | Total   |
| Lease rentals receivable                | 199,225                 | -                                       | -               | 199,225 | 279,498                 | -                                       | -               | 279,498 |
| Residual value                          | 35,647                  | -                                       | -               | 35,647  | 35,808                  | -                                       | -               | 35,808  |
| Minimum lease payments                  | 234,872                 | -                                       | -               | 234,872 | 315,306                 | -                                       | -               | 315,306 |
| Financial charges for future periods    | (1,292)                 | -                                       | -               | (1,292) | (1,292)                 | -                                       | -               | (1,292) |
| Present value of minimum lease payments | 233,580                 | -                                       | -               | 233,580 | 314,014                 | -                                       | -               | 314,014 |

10.2 Particulars of advances - gross

(Rupees in '000)

|                       | 2018       | 2017       |
|-----------------------|------------|------------|
| In local currency     | 52,574,145 | 40,215,043 |
| In foreign currencies | 3,317,635  | 2,287,517  |
|                       | 55,891,780 | 42,502,560 |

10.3 Advances include Rs. 2,392 million (2017 Rs. 2,336 million) which have been placed under non-performing status as detailed below:

(Rupees in '000)

| Category of Classification | 2018                 |           | 2017                 |           |
|----------------------------|----------------------|-----------|----------------------|-----------|
|                            | Non Performing Loans | Provision | Non Performing Loans | Provision |
| Domestic                   |                      |           |                      |           |
| Substandard                | 219,399              | 108,541   | 604                  | 151       |
| Doubtful                   | -                    | -         | -                    | -         |
| Loss                       | 2,172,830            | 2,141,042 | 2,335,144            | 2,303,141 |
|                            | 2,392,229            | 2,249,583 | 2,335,748            | 2,303,292 |

10.3.1 The Bank has not extended any loans or advances overseas.

#### 10.4 Particulars of provision against advances

|                     |      | (Rupees in '000) |         |           |           |           |           |
|---------------------|------|------------------|---------|-----------|-----------|-----------|-----------|
|                     | Note | 2018             |         |           | 2017      |           |           |
|                     |      | Specific         | General | Total     | Specific  | General   | Total     |
| Opening balance     |      | 2,303,292        | 17,495  | 2,320,787 | 2,092,064 | 105,908   | 2,197,972 |
| Charge for the year |      | 238,972          | 32,447  | 271,419   | 246,582   | 16,162    | 262,744   |
| Reversals           |      | (288,827)        | -       | (288,827) | (31,282)  | (104,575) | (135,857) |
|                     |      | (49,855)         | 32,447  | (17,408)  | 215,300   | (88,413)  | 126,887   |
| Amounts written off | 10.5 | (3,854)          | -       | (3,854)   | (4,072)   | -         | (4,072)   |
| Closing balance     |      | 2,249,583        | 49,942  | 2,299,525 | 2,303,292 | 17,495    | 2,320,787 |

#### 10.4.1 Particulars of provisions against advances

|                       |  | (Rupees in '000) |         |           |           |         |           |
|-----------------------|--|------------------|---------|-----------|-----------|---------|-----------|
|                       |  | 2018             |         |           | 2017      |         |           |
|                       |  | Specific         | General | Total     | Specific  | General | Total     |
| In local currency     |  | 2,249,583        | 49,942  | 2,299,525 | 2,303,292 | 17,495  | 2,320,787 |
| In foreign currencies |  | -                | -       | -         | -         | -       | -         |
|                       |  | 2,249,583        | 49,942  | 2,299,525 | 2,303,292 | 17,495  | 2,320,787 |

10.4.2 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.

10.4.3 General provision as at December 31, 2018 includes provision of Rs. 49,942 million (2017: Rs. 17,495 million) held against consumer finance portfolio as required by the Prudential Regulations issued by the State Bank of Pakistan.

#### 10.5 Particulars of write offs

|   |      | (Rupees in '000) |  |       |  |
|---|------|------------------|--|-------|--|
|   | Note | 2018             |  | 2017  |  |
|   |      |                  |  |       |  |
| 10.5.1 Against provisions                   | 10.4 | 3,854            |  | 4,072 |  |
| Directly charged to profit and loss account |      | 27               |  | -     |  |
|   |      | 3,881            |  | 4,072 |  |
| 10.5.2 Write offs of Rs. 500,000 and above  | 10.6 |                  |  |       |  |
| - Domestic                                  |      | 2,628            |  | 626   |  |
| - Overseas                                  |      | -                |  | -     |  |
| Write offs of below Rs. 500,000             |      | 1,226            |  | 3,446 |  |
|   |      | 3,854            |  | 4,072 |  |

#### 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, 2018 is given in Annexure-I 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.

11. FIXED ASSETS

(Rupees in '000)

|                                      | Note | 2018             |  | 2017<br>(Restated) |  |
|--------------------------------------|------|------------------|--|--------------------|--|
|                                      |      |                  |  |                    |  |
| Capital work-in-progress             | 11.1 | 60,620           |  | 11,970             |  |
| Property and equipment               | 11.2 | 1,003,943        |  | 1,101,278          |  |
|                                      |      | <u>1,064,563</u> |  | <u>1,113,248</u>   |  |
| <b>11.1 Capital work-in-progress</b> |      |                  |  |                    |  |
| Civil works                          |      | 27,155           |  | 4,890              |  |
| Equipment                            |      | 2,609            |  | 1,204              |  |
| Advances to suppliers                |      | 30,856           |  | 11,066             |  |
|                                      |      | <u>60,620</u>    |  | <u>17,160</u>      |  |

(Rupees in '000)

11.2 Property and equipment

|                                   | 2018           |                           |                        |   |               |                  |
|-----------------------------------|----------------|---------------------------|------------------------|---|---------------|------------------|
|                                   | Freehold land  | Building on Freehold land | Furniture and fixtures | Electrical, office and computer equipment | Vehicles      | Total            |
| <b>At January 1, 2018</b>         |                |                           |                        |   |               |                  |
| Cost                              | 502,240        | 174,517                   | 611,686                | 750,624                                   | 44,348        | 2,083,415        |
| Accumulated depreciation          | -              | (84,731)                  | (359,484)              | (515,838)                                 | (22,084)      | (982,137)        |
| Net book value                    | <u>502,240</u> | <u>89,786</u>             | <u>252,202</u>         | <u>234,786</u>                            | <u>22,264</u> | <u>1,101,278</u> |
| <b>Year ended December 2018</b>   |                |                           |                        |   |               |                  |
| Opening net book value            | 502,240        | 89,786                    | 252,202                | 234,786                                   | 22,264        | 1,101,278        |
| Additions                         | -              | -                         | 33,884                 | 26,314                                    | 17,150        | 77,348           |
| Disposals / write-offs            | -              | -                         | (2,149)                | (8)                                       | (8,593)       | (10,750)         |
| Depreciation charge               | -              | (7,575)                   | (59,508)               | (91,837)                                  | (5,013)       | (163,933)        |
| Other adjustments / transfers     | -              | (1,281)                   | 1,281                  | -   | -             | -                |
| Closing net book value            | <u>502,240</u> | <u>80,930</u>             | <u>225,710</u>         | <u>169,255</u>                            | <u>25,808</u> | <u>1,003,943</u> |
| <b>At December 31, 2018</b>       |                |                           |                        |   |               |                  |
| Cost                              | 502,240        | 173,236                   | 629,538                | 776,714                                   | 39,466        | 2,121,194        |
| Accumulated depreciation          | -              | (92,306)                  | (403,828)              | (607,459)                                 | (13,658)      | (1,117,251)      |
| Net book value                    | <u>502,240</u> | <u>80,930</u>             | <u>225,710</u>         | <u>169,255</u>                            | <u>25,808</u> | <u>1,003,943</u> |
| Rate of depreciation (percentage) | -              | 5                         | 5 / 10 / 20            | 20 / 33 / 50                              | 20            |                  |

(Rupees in '000)

|                                   | 2017           |                           |                        |   |               |                  |
|-----------------------------------|----------------|---------------------------|------------------------|---|---------------|------------------|
|                                   | Freehold land  | Building on Freehold land | Furniture and fixtures | Electrical, office and computer equipment | Vehicles      | Total            |
| <b>At January 1, 2017</b>         |                |                           |                        |   |               |                  |
| Cost                              | 375,180        | 139,799                   | 591,607                | 664,775                                   | 44,800        | 1,816,161        |
| Accumulated depreciation          | -              | (77,327)                  | (323,033)              | (462,218)                                 | (17,652)      | (880,230)        |
| Net book value                    | <u>375,180</u> | <u>62,472</u>             | <u>268,574</u>         | <u>202,557</u>                            | <u>27,148</u> | <u>935,931</u>   |
| <b>Year ended December 2017</b>   |                |                           |                        |   |               |                  |
| Opening net book value            | 375,180        | 62,472                    | 268,574                | 202,557                                   | 27,148        | 935,931          |
| Additions                         | 119,060        | 20,746                    | 44,322                 | 131,823                                   | 86            | 316,037          |
| Disposals / write-offs            | -              | -                         | (2,451)                | (164)                                     | (183)         | (2,798)          |
| Depreciation charge               | -              | (7,404)                   | (58,243)               | (99,430)                                  | (4,787)       | (169,864)        |
| Other adjustments / transfers     | 8,000          | 13,972                    | -                      | -   | -             | 21,972           |
| Closing net book value            | <u>502,240</u> | <u>89,786</u>             | <u>252,202</u>         | <u>234,786</u>                            | <u>22,264</u> | <u>1,101,278</u> |
| <b>At December 31, 2017</b>       |                |                           |                        |   |               |                  |
| Cost                              | 502,240        | 174,517                   | 611,686                | 750,624                                   | 44,348        | 2,083,415        |
| Accumulated depreciation          | -              | (84,731)                  | (359,484)              | (515,838)                                 | (22,084)      | (982,137)        |
| Net book value                    | <u>502,240</u> | <u>89,786</u>             | <u>252,202</u>         | <u>234,786</u>                            | <u>22,264</u> | <u>1,101,278</u> |
| Rate of depreciation (percentage) | -              | 5                         | 5 / 10 / 20            | 20 / 33 / 50                              | 20            |                  |

11.2.1 The Bank does not hold any asset under finance lease as at December 31, 2018 (2017: Nil).

### 11.3 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 the chief executive officer, 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.

|      |   | (Rupees in '000) |         |
|------|---|------------------|---------|
|      |   | 2018             | 2017    |
| 11.4 | The gross carrying amount (cost) of fully depreciated assets that are still in use: |                  |         |
|      | Building on Freehold land   | 32,428           | 32,428  |
|      | Electrical, office and computer equipment   | 428,138          | 339,832 |
|      | Furniture and fixture   | 215,156          | 166,211 |
|      |   | 675,723          | 538,471 |

|             |  | (Rupees in '000) |                    |
|-------------|--|------------------|--------------------|
|             |  | 2018             | 2017<br>(Restated) |
| <b>12.</b>  | <b>INTANGIBLE ASSETS</b>   |                  |                    |
|             | Capital work-in-progress   | 13,343           | 5,190              |
|             | Intangible Assets  | 107,305          | 128,180            |
|             |  | 120,648          | 133,370            |
| <b>12.1</b> | <b>Capital work-in-progress</b>  |                  |                    |
|             | Advances to suppliers  | 13,343           | 5,190              |
| <b>12.2</b> | <b>Intangible Assets</b>   |                  |                    |
|             | <b>At January 1</b>  |                  |                    |
|             | Cost   | 243,329          | 110,310            |
|             | Accumulated amortisation and impairment  | (115,149)        | (75,280)           |
|             | Net book value   | 128,180          | 35,030             |
|             | <b>Year ended December 31</b>  |                  |                    |
|             | Opening net book value   | 128,180          | 35,030             |
|             | Additions:   |                  |                    |
|             | - directly purchased   | 13,145           | 133,678            |
|             | Amortisation charge  | (34,020)         | (40,528)           |
|             | Write offs   | -                | -                  |
|             | Closing net book value   | 107,305          | 128,180            |
|             | <b>At December 31</b>  |                  |                    |
|             | Cost   | 256,474          | 243,329            |
|             | Accumulated amortisation and impairment  | (149,169)        | (115,149)          |
|             | Net book value   | 107,305          | 128,180            |
|             | Rate of amortisation (percentage)  | 20 / 14.28       | 20 / 14.28         |
|             | Useful life  | 5 / 7            | 5 / 7              |
| <b>12.3</b> | Intangible assets include licensing cost of Bank's core banking system having a carrying value of Rs. 70.547 million (2017: Rs. 84.657 million). The remaining amortisation period of this asset is 5 years (2017: 6 years). |                  |                    |
| <b>12.4</b> | The gross carrying amount (cost) of fully amortised assets that are still in use:  |                  |                    |
|             | Intangible   | 73,471           | 45,198             |

13. DEFERRED TAX ASSETS - NET

(Rupees in '000)

| <b>2018</b>  |                                       |                   |                      |
|--|---------------------------------------|-------------------|----------------------|
| At January 1, 2018                                   | Recognised in profit and loss account | Recognised in OCI | At December 31, 2018 |
| Deductible temporary differences on:                 |                                       |                   |                      |
| - Deficit on revaluation of investments              | -                                     | 326,937           | 204,623              |
| - Accelerated tax depreciation                       | 40,341                                | -                 | 27,601               |
| - Provision against advances, off balance sheet etc. | (37,843)                              | -                 | 545,107              |
| - Minimum tax  | (92,005)                              | -                 | -                    |
| 539,901  | (89,507)                              | 326,937           | 777,331              |
| Taxable temporary differences on:                    |                                       |                   |                      |
| - Net investment in finance lease                    | 26,521                                | -                 | (76,564)             |
| 436,816  | (62,986)                              | 326,937           | 700,767              |

(Rupees in '000)

| <b>2017</b>  |                                       |                   |                      |
|--|---------------------------------------|-------------------|----------------------|
| At January 1, 2017                                   | Recognised in profit and loss account | Recognised in OCI | At December 31, 2017 |
| Deductible temporary differences on:                 |                                       |                   |                      |
| - Tax losses carried forward                         | (252,952)                             | -                 | -                    |
| - Provision against advances, off balance sheet etc. | 11,412                                | -                 | 582,950              |
| - Minimum tax  | 92,005                                | -                 | 92,005               |
| 824,490  | (149,535)                             | -                 | 674,955              |
| Taxable temporary differences on:                    |                                       |                   |                      |
| - Surplus on revaluation of investments              | -                                     | 188,559           | (122,314)            |
| - Accelerated tax depreciation                       | (9,286)                               | -                 | (12,740)             |
| - Net investment in finance lease                    | (2,563)                               | -                 | (103,085)            |
| (414,849)  | (11,849)                              | 188,559           | (238,139)            |
| 409,641  | (161,384)                             | 188,559           | 436,816              |

14. OTHER ASSETS - NET

(Rupees in '000)

|   |             | <b>2018</b>      | <b>2017</b><br>(Restated) |
|---|-------------|------------------|---------------------------|
|   | <b>Note</b> |                  |                           |
| Income / mark-up accrued in local currency                |             | 1,523,068        | 1,722,708                 |
| Income / mark-up accrued in foreign currencies            |             | 72,969           | 34,410                    |
| Advances, deposits, advance rent and other prepayments    |             | 213,865          | 161,168                   |
| Advance taxation (payments less provisions)               |             | 74,874           | 432,886                   |
| Mark to market gain on forward foreign exchange contracts |             | 858,235          | 708,419                   |
| Acceptances   | 18          | 1,384,384        | 1,072,461                 |
| Others  | 14.1        | 210,847          | 273,532                   |
|   |             | <u>4,338,242</u> | <u>4,405,584</u>          |
| Less: provision held against other assets                 | 14.2        | (173,466)        | (173,466)                 |
| Other assets (net of provision)                           |             | <u>4,164,776</u> | <u>4,232,118</u>          |

14.1 This includes:

- (a) An amount of Rs. 32.389 million (2017: Rs. 32.389 million) receivable from InterAsia Leasing Limited.
- (b) An amount of Rs. 1.065 million (2017: Rs. 3.177 million) receivable from Samba Financial Group - a related party.

14.2 Provision held against other assets

(Rupees in '000)

|   | Note | 2018              | 2017              |
|---|------|-------------------|-------------------|
| Fee, commission and other receivables                         |      | 80,535            | 80,535            |
| Fraud losses  |      | 92,931            | 92,931            |
|   |      | <u>173,466</u>    | <u>173,466</u>    |
| <b>14.2.1 Movement in provision held against other assets</b> |      |                   |                   |
| Opening balance   |      | 173,466           | 173,466           |
| Charge for the year   |      | -                 | -                 |
| Closing balance   |      | <u>173,466</u>    | <u>173,466</u>    |
| <b>15 BILLS PAYABLE</b>                                       |      |                   |                   |
| In Pakistan   |      | <u>877,017</u>    | <u>686,692</u>    |
| <b>16 BORROWINGS</b>  |      |                   |                   |
| <b>Secured</b>  |      |                   |                   |
| Borrowings from the State Bank of Pakistan                    |      |                   |                   |
| Under export refinance scheme                                 | 16.1 | 2,875,000         | 2,625,000         |
| Under long term financing facilities                          | 16.2 | 1,111,696         | 473,055           |
|   |      | <u>3,986,696</u>  | <u>3,098,055</u>  |
| Bai muajjal borrowing   | 16.3 | 8,457,762         | 10,055,213        |
| Repurchase agreement borrowings                               | 16.4 | 20,325,109        | 28,045,894        |
|   |      | <u>32,769,567</u> | <u>41,199,162</u> |
| <b>Unsecured</b>  |      |                   |                   |
| Call borrowings   | 16.5 | 4,000,000         | 4,979,970         |
| Bai muajjal borrowing   | 16.3 | 2,988,700         | -                 |
| Bankers Equity Limited (under liquidation)                    | 16.6 | 22,336            | 22,336            |
|   |      | <u>7,011,036</u>  | <u>5,002,306</u>  |
|   |      | <u>39,780,603</u> | <u>46,201,468</u> |

- 16.1 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 the 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 the SBP. This facility is secured against demand promissory note executed in favor of the SBP. These borrowings carry mark-up at the rate ranging from 1.0% to 2.0% (2017: 2.0%) per annum, and have maturity period of upto six months from deal date (2017: six months).
- 16.2 These represent borrowing from the SBP to provide refinance to customers and carries mark-up at the rate of 2.0% to 3.5% (2017: 2.0%) per annum and will mature latest by August 6, 2028 (2017: December 26, 2027).
- 16.3 This represents funds borrowed against government securities and carries mark-up at the rate ranging from 6.04% to 10.05% (2017: 5.73% to 5.75%) per annum and will mature latest by March 07, 2019 (2017: January 19, 2018).
- 16.4 This represents funds borrowed from interbank market against government securities and carries mark-up at the rate ranging from 8.45% to 10.40% (2017: ranging from 5.85% to 5.90%) per annum and will mature by January 04, 2019 (2017: January 12, 2018).
- 16.5 This represents funds borrowed from interbank market. These carry mark-up at the rate 10.00% (2017: 5.80% to 5.85%) per annum and will mature latest by January 02, 2019 (2017: January 18, 2018).
- 16.6 This represents amount payable to Bankers Equity Limited (under liquidation) on account of counter receivable from InterAsia Leasing Limited (note 14.1) and carries no mark-up.

16.7 Particulars of borrowings with respect to currencies

(Rupees in '000)

|                       | 2018              | 2017              |
|-----------------------|-------------------|-------------------|
| In local currency     | 39,780,603        | 46,201,468        |
| In foreign currencies | -                 | -                 |
|                       | <u>39,780,603</u> | <u>46,201,468</u> |

17 DEPOSITS AND OTHER ACCOUNTS

(Rupees in '000)

|                               | 2018              |                       |                   | 2017              |                       |                   |
|-------------------------------|-------------------|-----------------------|-------------------|-------------------|-----------------------|-------------------|
|                               | In Local Currency | In Foreign currencies | Total             | In Local Currency | In Foreign currencies | Total             |
| <b>Customers</b>              |                   |                       |                   |                   |                       |                   |
| Current deposits              | 12,770,433        | 3,511,613             | 16,282,046        | 9,463,513         | 2,787,710             | 12,251,223        |
| Savings deposits              | 15,134,845        | 2,109,414             | 17,244,259        | 15,721,143        | 1,829,212             | 17,550,355        |
| Term deposits                 | 25,509,201        | 1,712,335             | 27,221,536        | 20,658,123        | 969,720               | 21,627,843        |
| Others                        | 282,499           | -                     | 282,499           | 205,140           | -                     | 205,140           |
|                               | <u>53,696,978</u> | <u>7,333,362</u>      | <u>61,030,340</u> | <u>46,047,919</u> | <u>5,586,642</u>      | <u>51,634,561</u> |
| <b>Financial Institutions</b> |                   |                       |                   |                   |                       |                   |
| Current deposits              | 293,869           | -                     | 293,869           | 195,696           | -                     | 195,696           |
| Savings deposits              | 1,865,078         | -                     | 1,865,078         | 1,083,300         | -                     | 1,083,300         |
| Term deposits                 | 1,943,000         | -                     | 1,943,000         | 1,753,000         | -                     | 1,753,000         |
| Others (Note 17.1.1)          | 92,765            | -                     | 92,765            | 234,907           | -                     | 234,907           |
|                               | <u>4,194,712</u>  | <u>-</u>              | <u>4,194,712</u>  | <u>3,266,903</u>  | <u>-</u>              | <u>3,266,903</u>  |
|                               | <u>57,891,690</u> | <u>7,333,362</u>      | <u>65,225,052</u> | <u>49,314,822</u> | <u>5,586,642</u>      | <u>54,901,464</u> |

17.1 Composition of deposits

(Rupees in '000)

|                                       | Note   | 2018              | 2017              |
|---------------------------------------|--------|-------------------|-------------------|
|                                       |        |                   |                   |
| - Individuals                         |        | 19,911,324        | 18,743,201        |
| - Government (Federal and Provincial) |        | 10,368,263        | 2,827,563         |
| - Public sector entities              |        | 232,519           | 3,883,479         |
| - Banking companies                   | 17.1   | 92,765            | 234,907           |
| - Non-banking financial institutions  |        | 4,101,947         | 3,031,996         |
| - Private sector                      |        | 30,518,234        | 26,180,318        |
|                                       | 17.1.2 | <u>65,225,052</u> | <u>54,901,464</u> |

17.1.1 This includes deposits amounting to Rs. 92.74 million (2017: Rs. 234.88 million) from Samba Financial Group - a related party.

17.1.2 This includes eligible deposits to be covered under insurance arrangements amounting to Rs. 15,112 million (2017: Rs. 9,983 million).

**18 OTHER LIABILITIES**

|   |                  | (Rupees in '000)   |  |
|---|------------------|--------------------|--|
| Note  | 2018             | 2017<br>(Restated) |  |
| Mark-up / return / interest payable                       |                  |                    |  |
| - in local currency                                       | 1,039,338        | 971,956            |  |
| - in foreign currencies                                   | 9,496            | 7,861              |  |
| Accrued expenses  | 486,435          | 539,868            |  |
| Acceptances   | 1,384,384        | 1,072,461          |  |
| Unclaimed dividends                                       | 3,429            | 4,255              |  |
| Mark to market loss on forward foreign exchange contracts | 763,999          | 706,312            |  |
| Provision against off-balance sheet obligations           | 172,746          | 186,876            |  |
| Security deposits against lease                           | 34,997           | 35,158             |  |
| Others  | 203,336          | 200,943            |  |
|   | <u>4,098,160</u> | <u>3,725,690</u>   |  |

**18.1 Provision against off-balance sheet obligations**

|                     |                | (Rupees in '000) |  |
|---------------------|----------------|------------------|--|
| Note                | 2018           | 2017             |  |
| Opening balance     | 186,876        | 186,876          |  |
| Charge for the year | -              | -                |  |
| Reversals           | (14,130)       | -                |  |
| Closing balance     | <u>172,746</u> | <u>186,876</u>   |  |

**18.1.1 This includes:**

- a) A provision of Rs. 71.134 million (2017: 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 (2017: Rs. 71.134 million) was made by the amalgamated entity, in respect of this matter, which is being maintained.
- b) A 50% provision is maintained amounting to Rs. 52.762 million (2017: 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 (2017: Rs. 52.762 million) is being maintained.
- c) A provision of Rs. 48 million (2017: Rs. 48 million) 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.

## 19. SHARE CAPITAL

### 19.1 Authorised capital

| (Number of Shares) |               |                                | (Rupees in '000) |            |
|--------------------|---------------|--------------------------------|------------------|------------|
| 2018               | 2017          |                                | 2018             | 2017       |
| 1,500,000,000      | 1,500,000,000 | Ordinary shares of Rs. 10 each | 15,000,000       | 15,000,000 |

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

| (Number of Shares) |               |  | (Rupees in '000) |            |
|--------------------|---------------|--|------------------|------------|
| 2018               | 2017          |  | 2018             | 2017       |
| 883,317,458        | 883,317,458   | Ordinary shares                          | 8,833,175        | 8,833,175  |
| 124,921,190        | 124,921,190   | Fully paid in cash                       | 1,249,212        | 1,249,212  |
| 1,008,238,648      | 1,008,238,648 | Issued for consideration other than cash | 10,082,387       | 10,082,387 |

#### 19.2.1 Shares held by related parties of the Bank

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

Mr. Humayun Murad  
 Mr. Nadeem Babar  
 Mr. Shahbaz Haider Agha  
 Dr. Shujaat Nadeem  
 Mr. Arjumand Ahmed Minai  
 Mr. Shahid Sattar

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

SAMBA Financial Group (SFG)

| (Number of Shares) |             |
|--------------------|-------------|
| 2018               | 2017        |
| 1,281              | 1,281       |
| 12,500,500         | 12,500,500  |
| 500                | 500         |
| 35,832,424         | 35,832,424  |
| 500                | -           |
| 1,154,800          | 1,288,300   |
| 49,490,005         | 49,623,005  |
| 852,040,531        | 852,040,531 |
| 901,530,536        | 901,663,536 |

## 20 (DEFICIT) / SURPLUS ON REVALUATION OF ASSETS

##### (Deficit) / surplus on revaluation of

- Available for sale securities

##### Deferred tax on (deficit) / surplus on revaluation of:

- Available for sale securities

|      | (Rupees in '000) |           |
|------|------------------|-----------|
| Note | 2018             | 2017      |
| 9.1  | (584,638)        | 349,467   |
| 13   | 204,623          | (122,314) |
|      | (380,015)        | 227,153   |

**21. CONTINGENCIES AND COMMITMENTS**

(Rupees in '000)

|  | Note   | 2018               | 2017<br>(Restated) |
|--|--------|--------------------|--------------------|
| - Guarantees   | 21.1   | 5,265,382          | 3,905,702          |
| - Commitments  | 21.2   | 54,645,121         | 76,068,264         |
| - Other contingent liabilities   | 21.3   | 1,168,543          | 1,145,766          |
|  |        | <b>61,079,046</b>  | <b>81,119,732</b>  |
| <b>21.1 Guarantees</b>   |        |                    |                    |
| Financial guarantees   |        | 17,772             | -                  |
| Performance guarantees   |        | 4,116,102          | 3,229,935          |
| Other guarantees   |        | 1,131,508          | 675,767            |
|  |        | <b>5,265,382</b>   | <b>3,905,702</b>   |
| <b>21.2 Commitments</b>  |        |                    |                    |
| <b>Documentary credits and short-term trade-related transactions</b>               |        |                    |                    |
| - letters of credit  |        | 5,553,494          | 4,681,621          |
| <b>Commitments in respect of:</b>  |        |                    |                    |
| - forward foreign exchange contracts   | 21.2.1 | 40,336,037         | 69,222,818         |
| - forward government securities transactions                                       | 21.2.2 | 6,043,511          | 301,458            |
| - operating leases   | 21.2.3 | 2,462,369          | 1,691,555          |
|  |        | <b>48,841,917</b>  | <b>71,215,831</b>  |
| <b>Commitments for acquisition of:</b>   |        |                    |                    |
| - operating fixed assets   |        | 8,842              | 15,718             |
| - intangible assets  |        | 27,195             | 29,638             |
|  |        | <b>36,037</b>      | <b>45,356</b>      |
| <b>Other commitments</b>   | 21.2.4 | 213,673            | 125,456            |
|  |        | <b>54,645,121</b>  | <b>76,068,264</b>  |
| <b>21.2.1 Commitments in respect of forward foreign exchange contracts</b>         |        |                    |                    |
| Purchase   |        | 21,127,740         | 35,488,350         |
| Sale   |        | 19,208,297         | 33,734,468         |
|  |        | <b>40,336,037</b>  | <b>69,222,818</b>  |
| <b>21.2.2 Commitments in respect of forward government securities transactions</b> |        |                    |                    |
| Purchase   |        | -                  | 301,458            |
| Sale   |        | (6,043,511)        | -                  |
|  |        | <b>(6,043,511)</b> | <b>301,458</b>     |
| <b>21.2.3 Commitments in respect of operating leases</b>                           |        |                    |                    |
| Not later than one year  |        | 270,693            | 180,174            |
| Later than one year and not later than five years                                  |        | 1,134,776          | 785,697            |
| Later than five years  |        | 1,056,900          | 725,684            |
|  |        | <b>2,462,369</b>   | <b>1,691,555</b>   |

These comprise of commitments in respect of leased premises that are under Bank's use. The amount of commitment has been worked out based on standard rental arrangements between the Bank and the lessors, taking into account the terms of these arrangements.

#### 21.2.4 Other commitments

(Rupees in '000)

|  | 2018    | 2017    |
|--|---------|---------|
| Claims against the Bank not acknowledged as debt | 213,673 | 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.

(Rupees in '000)

|                                   | 2018      | 2017      |
|-----------------------------------|-----------|-----------|
| 21.3 Other contingent liabilities | 1,168,543 | 1,145,766 |

21.3.1 The income tax department has raised a demand of Rs. 426.787 million (2017: 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 (2017: 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 (2017: 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. Tax authorities have also issued order under Sindh Sales Tax on Services Act, 2011 for the year 2012 to 2017 thereby creating arbitrary aggregate demand of Rs. 22.777 million.

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. 1,168.543 million (2017: Rs. 1,145.766 million) raised by the income tax authorities.

(Rupees in '000)

|  | Note | (Rupees in '000) |                  |
|--|------|------------------|------------------|
|  |      | 2018             | 2017             |
| <b>22 MARK-UP / RETURN / INTEREST EARNED</b>                     |      |                  |                  |
| On:  |      |                  |                  |
| (a) Loans and advances   |      | 3,814,977        | 2,074,648        |
| (b) Investments  |      | 3,225,724        | 4,977,879        |
| (c) Lendings to financial institutions                           |      | 502,885          | 202,438          |
| (d) Balances with banks  |      | 12,009           | 1,156            |
|  |      | <u>7,555,595</u> | <u>7,256,121</u> |
| <b>23 MARK-UP / RETURN / INTEREST EXPENSED</b>                   |      |                  |                  |
| Deposits   |      | 2,748,881        | 2,277,310        |
| Borrowings   |      | 2,032,251        | 2,559,547        |
| Cost of foreign currency swaps against foreign currency deposits |      | 66,032           | 59,976           |
|  |      | <u>4,847,164</u> | <u>4,896,833</u> |
| <b>24 FEE AND COMMISSION INCOME</b>                              |      |                  |                  |
| Branch banking customer fees                                     |      | 34,939           | 26,393           |
| Consumer finance related fees                                    |      | 17,357           | 5,315            |
| Credit related fees  |      | 29,672           | 20,960           |
| Investment banking fees  |      | 1,000            | 500              |
| Commission on trade  |      | 65,452           | 45,463           |
| Commission on guarantees   |      | 36,259           | 32,585           |
| Commission on cash management                                    |      | 5,333            | 3,199            |
| Commission on remittances including home remittances             |      | 34,337           | 23,293           |
| Commission on bancassurance                                      |      | 37,561           | 43,131           |
| Others   |      | 3,684            | 9,777            |
|  |      | <u>265,594</u>   | <u>210,616</u>   |
| <b>25 GAIN / (LOSS) ON SECURITIES</b>                            |      |                  |                  |
| Realised   | 25.1 | 212,863          | 94,300           |
| Unrealised - held for trading                                    | 9.1  | 1,723            | (42)             |
|  |      | <u>214,586</u>   | <u>94,258</u>    |
| <b>25.1 Realised gain on:</b>                                    |      |                  |                  |
| Federal Government Securities                                    |      | 180,338          | 7,934            |
| Shares   |      | 32,525           | 86,366           |
|  |      | <u>212,863</u>   | <u>94,300</u>    |
| <b>26 OTHER INCOME</b>   |      |                  |                  |
| Gain on sale of fixed assets - net                               |      | 3,591            | 227,336          |
| Others   |      | 152              | 15               |
|  |      | <u>3,743</u>     | <u>227,351</u>   |

**27 OPERATING EXPENSES**

(Rupees in '000)

|   | Note | 2018             | 2017             |
|---|------|------------------|------------------|
| <b>Total compensation expense</b>                                       |      | 1,255,145        | 1,114,475        |
| <b>Property expense</b>   |      |                  |                  |
| Rent and taxes  |      | 244,712          | 233,730          |
| Insurance   |      | 1,262            | 1,031            |
| Utilities cost  |      | 62,414           | 61,910           |
| Security (including guards)   |      | 42,021           | 30,479           |
| Repair and maintenance (including janitorial charges)                   |      | 20,722           | 18,847           |
| Depreciation  |      | 7,575            | 7,404            |
|   |      | 378,706          | 353,401          |
| <b>Information technology expenses</b>                                  |      |                  |                  |
| Software maintenance  |      | 40,243           | 40,626           |
| Hardware maintenance  |      | 10,889           | 16,608           |
| Depreciation  |      | 56,034           | 63,628           |
| Amortisation  |      | 34,020           | 40,528           |
| Network charges   |      | 52,859           | 51,971           |
| Insurance   |      | 833              | 430              |
|   |      | 194,878          | 213,791          |
| <b>Other operating expenses</b>   |      |                  |                  |
| Directors' fees and allowances  |      | 13,382           | 9,256            |
| Legal and professional charges  |      | 10,224           | 18,797           |
| Outsourced services costs   | 27.1 | 19,095           | 14,226           |
| Travelling, conveyance and official entertainment                       |      | 68,461           | 51,486           |
| Charges paid to Central Depository Company of Pakistan Limited and NIFT |      | 12,138           | 6,204            |
| Depreciation  |      | 100,324          | 98,832           |
| Training and development  |      | 4,505            | 4,435            |
| Postage and courier charges   |      | 7,893            | 6,846            |
| Communication   |      | 9,548            | 11,710           |
| Stationery and printing   |      | 29,515           | 16,978           |
| Repair and maintenance  |      | 35,162           | 31,838           |
| Insurance   |      | 22,802           | 11,891           |
| Marketing, advertisement and publicity                                  |      | 23,152           | 10,018           |
| Group shared service cost   |      | -                | (12,607)         |
| Fee commission and brokerage paid                                       |      | 27,091           | 32,327           |
| Donations   | 27.2 | 7,459            | 4,300            |
| Auditors remuneration   | 27.3 | 11,162           | 11,226           |
| Others  |      | 28,123           | 13,614           |
|   |      | 430,036          | 341,377          |
|   |      | <b>2,258,765</b> | <b>2,023,044</b> |

27.1 This represents cost of material outsourcing arrangement with Euronet Pakistan (Private) Limited, amounting to Rs. 19.095 million (2017: Rs. 14.226 million). Material outsourcing arrangement shall have the same meaning as specified in Annexure-I of BPRD Circular No. 06 of 2017. This arrangement has been entered into for providing services related to hosting of ATM Switch and Card Management System.

27.2 Donations made during the year were as follows:

|                                      | (Rupees in '000) |              |
|--------------------------------------|------------------|--------------|
|                                      | 2018             | 2017         |
| Daimer Bhasha & Mohmand Dams Fund    | 1,500            | -            |
| Indus hospital                       | 1,417            | 1,540        |
| Idara-e-taleem-o-agahi               | 1,400            | 1,000        |
| The citizens foundation              | 840              | 390          |
| Sharmeen khan memorial foundation    | 527              | -            |
| Pakistan red crescent society        | 500              | -            |
| Kiran foundation                     | 500              | 850          |
| World wide fund for nature, Pakistan | 375              | 300          |
| Karachi Down Syndrome Program        | 100              | -            |
| Special Olympics Pakistan            | 300              | -            |
| Children first the society           | -                | 220          |
|                                      | <b>7,459</b>     | <b>4,300</b> |

27.2.1 Directors, Sponsor shareholders or Key Management Personnel or their spouse do not have any interest in any of the Donees.

27.3 Auditors' remuneration

|  | (Rupees in '000) |               |
|--|------------------|---------------|
|  | 2018             | 2017          |
| Statutory audit fee                                      | 2,346            | 2,182         |
| Fee for annual group reporting                           | 939              | 894           |
| Fee for review of the the half year financial statements | 505              | 481           |
| Special certifications and others                        | 6,376            | 6,743         |
| Out-of-pocket expenses                                   | 996              | 926           |
|  | <b>11,162</b>    | <b>11,226</b> |

28 WORKERS' WELFARE FUND

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.

29 OTHER CHARGES

|   | Note | (Rupees in '000) |      |
|---|------|------------------|------|
|   |      | 2018             | 2017 |
| Penalties imposed by the State Bank of Pakistan |      | 15,278           | 36   |

30 PROVISIONS AND WRITE OFFS - NET

|   | Note  | (Rupees in '000) |                  |
|---|-------|------------------|------------------|
|   |       | 2018             | 2017             |
| (Provision) / reversal for diminution in the value of investments | 9.3.1 | (99,926)         | 16,766           |
| Reversal / (provision) against loans and advances - net           | 10.4  | 17,408           | (126,887)        |
| Fixed assets written off  |       | (2,111)          | (2,241)          |
| Reversal of provision against bad and doubtful other assets - net |       | -                | 9                |
| Reversal of off balance sheet obligation                          | 18.1  | 14,130           | -                |
| Bad debts written off directly                                    | 10.5  | (27)             | -                |
| Recoveries against debts written off                              |       | 2,162            | 10,941           |
|   |       | <b>(68,364)</b>  | <b>(101,412)</b> |

|  |   | (Number)         |                  |
|--|---|------------------|------------------|
|  |   | 2018             | 2017             |
| <b>31 TAXATION</b>   |   |                  |                  |
|  | Current   | (358,178)        | (136,306)        |
|  | Prior years   | (5,826)          | 105,615          |
|  | Deferred  | (62,986)         | (161,384)        |
|  |   | <u>(426,990)</u> | <u>(192,075)</u> |
| <b>31.1 Relationship between tax expense and accounting profit</b> |   |                  |                  |
|  | Profit before taxation  | <u>1,109,719</u> | <u>930,928</u>   |
|  | Effects of:   |                  |                  |
|  | - Tax calculated at the applicable rate of 35% (2017: 35%)                  | 388,402          | 325,825          |
|  | - Prior year charge   | 5,826            | (105,615)        |
|  | - Permanent differences   | 5,405            | -                |
|  | - Others including super tax at the rate of 4% (2017: 4%) of taxable profit | 27,357           | (28,135)         |
|  | Tax charge for the year   | <u>426,990</u>   | <u>192,075</u>   |

|  |  | (Rupees in '000)     |                      |
|--|--|----------------------|----------------------|
|  |  | 2018                 | 2017                 |
| <b>32 EARNINGS PER SHARE - BASIC AND DILUTED</b> |  |                      |                      |
|  | Profit for the year                        | <u>682,729</u>       | <u>738,853</u>       |
|  | Weighted average number of ordinary shares | <u>1,008,238,648</u> | <u>1,008,238,648</u> |
|  | Basic earnings per share                   | <u>0.68</u>          | <u>0.73</u>          |

|  |   | (Rupees in '000)     |                      |
|--|---|----------------------|----------------------|
|  |   | 2018                 | 2017                 |
| <b>32.1 Diluted Earnings Per Share</b> |   |                      |                      |
|  | Profit for the year   | <u>682,729</u>       | <u>738,853</u>       |
|  | Weighted average number of ordinary shares (adjusted for the effects of all dilutive potential ordinary shares) | <u>1,008,238,648</u> | <u>1,008,238,648</u> |
|  | Diluted earnings per share  | <u>0.68</u>          | <u>0.73</u>          |

|                                     |                                       | (Rupees in '000) |                  |
|-------------------------------------|---------------------------------------|------------------|------------------|
|                                     |                                       | 2018             | 2017             |
| <b>33 CASH AND CASH EQUIVALENTS</b> |                                       |                  |                  |
|                                     | Cash and balances with treasury banks | 5,154,790        | 3,887,745        |
|                                     | Balances with other banks             | 496,174          | 127,386          |
|                                     |                                       | <u>5,650,964</u> | <u>4,015,131</u> |

Note

6

7

|                          |  | (Number)   |            |
|--------------------------|--|------------|------------|
|                          |  | 2018       | 2017       |
| <b>34 STAFF STRENGTH</b> |  |            |            |
|                          | Permanent  | 543        | 500        |
|                          | On Bank contract                                 | 176        | 1          |
|                          | Bank's own staff strength at the end of the year | <u>719</u> | <u>501</u> |

- 34.1 In addition to the above, 118 (2017: 246) employees of outsourcing services companies were assigned to the Bank as at the end of the year to perform services other than guarding and janitorial services.

### 35 DEFINED CONTRIBUTION PLAN

The Bank operates a contributory provident fund plan for 514 employees (2017: 471 employees). Both employer and employees contribute 8.33% (2017: 8.33%) of the basic salaries to the fund every month. The expense charged in respect of this benefit is disclosed in note 27 to these financial statements.

### 36 COMPENSATION OF DIRECTORS AND EXECUTIVES

(Rupees in '000)

|   | 2018                                  |               |                | 2017                                  |              |                |
|---|---------------------------------------|---------------|----------------|---------------------------------------|--------------|----------------|
|   | President and Chief Executive Officer | Directors     | Executives     | President and Chief Executive Officer | Directors    | Executives     |
| Fees                                      | -                                     | 11,397        | -              | -                                     | 8,931        | -              |
| Managerial remuneration                   | 26,619                                | -             | 222,332        | 24,387                                | -            | 191,527        |
| Contribution to defined contribution plan | 2,217                                 | -             | 18,167         | 2,031                                 | -            | 15,280         |
| Rent and house maintenance                | 11,978                                | -             | 100,049        | 10,974                                | -            | 86,187         |
| Utilities                                 | 2,662                                 | -             | 22,233         | 2,439                                 | -            | 19,153         |
| Medical                                   | 2,662                                 | -             | 22,233         | 2,439                                 | -            | 19,153         |
| Vehicle allowance                         | -                                     | -             | 59,995         | -                                     | -            | 52,596         |
| Bonus                                     | 43,000                                | -             | 87,840         | 39,000                                | -            | 68,300         |
| Conveyance                                | -                                     | -             | 23             | -                                     | -            | 22             |
| Other allowances                          | 2,218                                 | -             | -              | 2,032                                 | -            | -              |
|   | <u>91,357</u>                         | <u>11,397</u> | <u>532,872</u> | <u>83,302</u>                         | <u>8,931</u> | <u>452,217</u> |
| Number of persons                         | <u>1</u>                              | <u>4</u>      | <u>94</u>      | <u>1</u>                              | <u>4</u>     | <u>80</u>      |

- 36.1 The Chief Executive Officer is provided with the use of Bank maintained car.
- 36.2 Executives include employees, other than the Chief Executive Officer and Directors, whose basic salary exceeds twelve hundred thousand rupees in a financial year.

### 37 FAIR VALUE MEASUREMENTS

The fair value of quoted securities other than those classified as held to maturity, is based on quoted market price. Quoted securities classified as held to maturity are carried at amortised cost. The fair value of unquoted equity securities, is determined on the basis of the break-up value of these investments as per their latest available audited financial statements.

The fair value of unquoted debt and equity securities, fixed term loans, other assets, other liabilities, fixed term deposits and borrowings cannot be calculated with sufficient reliability due to the absence of a current and active market for these assets and liabilities and reliable data regarding market rates for similar instruments.

#### 37.1 Fair value of financial assets

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using input for the assets or liabilities that are not based on observable market data (i.e. unobservable inputs).

The table below analyses financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

|   |   | (Rupees in '000) |            |         |            |
|---|---|------------------|------------|---------|------------|
|   |   | 2018             |            |         |            |
|   |   | Level 1          | Level 2    | Level 3 | Total      |
| <b>On balance sheet financial instruments</b>                           |   |                  |            |         |            |
| <b>Financial assets - measured at fair value</b>                        |   |                  |            |         |            |
| Investments   |   |                  |            |         |            |
|   | Federal Government Securities               | -                | 40,056,040 | -       | 40,056,040 |
|   | Shares                                      | 853,244          | -          | -       | 853,244    |
|   | Non-Government Debt Securities              | -                | 2,183,525  | -       | 2,183,525  |
| <b>Financial assets - disclosed but not measured at fair value</b>      |   |                  |            |         |            |
|   | Investments - Federal Government Securities | -                | 4,447,416  | -       | 4,447,416  |
| <b>Off-balance sheet financial instruments - measured at fair value</b> |   |                  |            |         |            |
|   | Forward purchase of foreign exchange        | -                | 21,127,740 | -       | 21,127,740 |
|   | Forward sale of foreign exchange            | -                | 19,208,297 | -       | 19,208,297 |
|   | Forward sale of government securities       | -                | 6,043,511  | -       | 6,043,511  |

|   |   | (Rupees in '000) |            |         |            |
|---|---|------------------|------------|---------|------------|
|   |   | 2017             |            |         |            |
|   |   | Level 1          | Level 2    | Level 3 | Total      |
| <b>On balance sheet financial instruments</b>                           |   |                  |            |         |            |
| <b>Financial assets - measured at fair value</b>                        |   |                  |            |         |            |
| Investments   |   |                  |            |         |            |
|   | Federal Government Securities               | -                | 55,900,405 | -       | 55,900,405 |
|   | Shares                                      | 852,678          | -          | -       | 852,678    |
|   | Non-Government Debt Securities              | -                | 1,179,722  | -       | 1,179,722  |
| <b>Financial assets - disclosed but not measured at fair value</b>      |   |                  |            |         |            |
|   | Investments - Federal Government Securities | -                | 5,183,574  | -       | 5,183,574  |
| <b>Off-balance sheet financial instruments - measured at fair value</b> |   |                  |            |         |            |
|   | Forward purchase of foreign exchange        | -                | 35,488,350 | -       | 35,488,350 |
|   | Forward sale of foreign exchange            | -                | 33,734,468 | -       | 33,734,468 |
|   | Forward purchase of government securities   | -                | 301,458    | -       | 301,458    |

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.
- (b) **Financial instruments in level 2**  
Financial instruments included in level 2 comprises of Market Treasury Bills, Pakistan Investment Bonds, Term finance certificates and Corporate Sukuks.
- (c) **Financial instruments in level 3**  
Currently, no financial instruments 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 Market 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 sukuku 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 the State Bank of Pakistan.  |

**38 SEGMENT INFORMATION**

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

| Particulars                            | (Rupees in '000)  |                   |                   |                    |                   |                    |
|--|-------------------|-------------------|-------------------|--------------------|-------------------|--------------------|
|  | 2018              |                   |                   |                    |                   |                    |
|  | Corporate Banking | Global Markets    | Retail Banking    | Commercial Banking | Senoff            | Total              |
| <b>Profit and loss account</b>         |                   |                   |                   |                    |                   |                    |
| Net mark-up / return / interest income | 2,134,868         | 1,662,815         | (2,116,845)       | 1,001,118          | 26,475            | 2,708,431          |
| Inter segment revenue - net            | (1,554,226)       | (1,411,417)       | 2,964,922         | (689,126)          | 689,847           | -                  |
| Non mark-up / return / interest income | 111,990           | 530,628           | 143,486           | 111,506            | (130,891)         | 766,719            |
| Total income                           | 692,632           | 782,026           | 991,563           | 423,498            | 585,431           | 3,475,150          |
| Segment direct expenses                | (124,496)         | (117,935)         | (949,287)         | (92,124)           | (1,013,225)       | (2,297,067)        |
| Inter segment expense allocation       | (246,089)         | (104,456)         | (523,118)         | (139,562)          | 1,013,225         | -                  |
| Total expenses                         | (370,585)         | (222,391)         | (1,472,405)       | (231,686)          | -                 | (2,297,067)        |
| Provisions                             | 199,649           | (99,926)          | (32,447)          | (62,990)           | (72,650)          | (68,364)           |
| Profit before tax                      | 521,696           | 459,709           | (513,289)         | 128,822            | 512,781           | 1,109,719          |
| <b>Balance Sheet</b>                   |                   |                   |                   |                    |                   |                    |
| Cash and bank balances                 | -                 | 4,811,896         | 839,068           | -                  | -                 | 5,650,964          |
| Investments - net                      | -                 | 48,021,370        | -                 | -                  | -                 | 48,021,370         |
| Net inter segment lending              | -                 | -                 | 47,663,897        | -                  | 10,711,292        | 58,375,189         |
| Lendings to financial institutions     | -                 | 9,449,244         | -                 | -                  | -                 | 9,449,244          |
| Advances - performing - net            | 33,707,299        | 1,163,180         | 1,805,858         | 16,052,297         | 720,975           | 53,449,609         |
| Advances - non-performing - net        | 225,858           | -                 | 24,279            | 62,990             | (170,481)         | 142,646            |
| Others                                 | 1,752,180         | 1,425,989         | 2,632             | 327,826            | 2,542,127         | 6,050,754          |
| <b>Total Assets</b>                    | <b>35,685,337</b> | <b>64,871,679</b> | <b>50,335,734</b> | <b>16,443,113</b>  | <b>13,803,913</b> | <b>181,139,776</b> |
| Borrowings                             | 3,425,195         | 35,771,572        | -                 | 561,500            | 22,336            | 39,780,603         |
| Deposits and other accounts            | 8,823,351         | 148,724           | 49,048,376        | 7,204,601          | -                 | 65,225,052         |
| Net inter segment borrowing            | 22,226,786        | 27,560,864        | -                 | 8,587,539          | -                 | 58,375,189         |
| Others                                 | 1,210,003         | 1,390,519         | 1,287,357         | 89,473             | 997,825           | 4,975,177          |
| <b>Total liabilities</b>               | <b>35,685,335</b> | <b>64,871,679</b> | <b>50,335,733</b> | <b>16,443,113</b>  | <b>1,020,161</b>  | <b>168,356,021</b> |
| Equity                                 | -                 | -                 | -                 | -                  | 12,783,755        | 12,783,755         |
| <b>Total equity and liabilities</b>    | <b>35,685,335</b> | <b>64,871,679</b> | <b>50,335,733</b> | <b>16,443,113</b>  | <b>13,803,916</b> | <b>181,139,776</b> |
| Contingencies and commitments          | 7,500,030         | 46,379,548        | 3,240,030         | 2,487,638          | 1,471,800         | 61,079,046         |

(Rupees in '000)

| Particulars                            | 2017              |                   |                   |                    |                   | (Restated)         |
|--|-------------------|-------------------|-------------------|--------------------|-------------------|--------------------|
|  | Corporate Banking | Global Markets    | Retail Banking    | Commercial Banking | Senoff            | Total              |
| <b>Profit and loss account</b>         |                   |                   |                   |                    |                   |                    |
| Net mark-up / return / interest income | 1,058,713         | 2,547,664         | (1,736,322)       | 448,602            | 40,631            | 2,359,288          |
| Inter segment revenue - net            | (746,916)         | (1,893,322)       | 2,344,302         | (296,271)          | 592,207           | -                  |
| Non mark-up / return / interest income | 83,018            | 295,471           | 126,832           | 73,455             | 136,370           | 715,146            |
| Total income                           | 394,815           | 949,813           | 734,812           | 225,786            | 769,208           | 3,074,434          |
| Segment direct expenses                | (123,760)         | (106,101)         | (859,808)         | (52,558)           | (899,867)         | (2,042,094)        |
| Inter segment expense allocation       | (218,613)         | (83,493)          | (486,437)         | (111,324)          | 899,867           | -                  |
| Total expenses                         | (342,373)         | (189,594)         | (1,346,245)       | (163,882)          | -                 | (2,042,094)        |
| Provisions                             | (349,356)         | 16,766            | (16,508)          | -                  | 247,686           | (101,412)          |
| Profit before tax                      | (296,914)         | 776,985           | (627,941)         | 61,904             | 1,016,894         | 930,928            |
| <b>Balance Sheet</b>                   |                   |                   |                   |                    |                   |                    |
| Cash and bank balances                 | -                 | 2,953,794         | 1,061,337         | -                  | -                 | 4,015,131          |
| Investments - net                      | -                 | 62,918,102        | -                 | -                  | -                 | 62,918,102         |
| Net inter segment lending              | -                 | -                 | 43,966,231        | -                  | 10,752,685        | 54,718,916         |
| Lendings to financial institutions     | -                 | 5,192,950         | -                 | -                  | -                 | 5,192,950          |
| Advances - performing - net            | 29,075,466        | -                 | 775,764           | 9,554,803          | 743,284           | 40,149,317         |
| Advances - non-performing - net        | 10,706            | -                 | 21,750            | -                  | -                 | 32,456             |
| Others                                 | 781,599           | 2,030,780         | 467,476           | 512,536            | 2,123,161         | 5,915,552          |
| <b>Total Assets</b>                    | <b>29,867,771</b> | <b>73,095,626</b> | <b>46,292,558</b> | <b>10,067,339</b>  | <b>13,619,130</b> | <b>172,942,424</b> |
| Borrowings                             | 2,660,055         | 43,081,076        | -                 | 438,000            | 22,337            | 46,201,468         |
| Deposits and other accounts            | 7,795,924         | 259,907           | 45,317,578        | 1,528,055          | -                 | 54,901,464         |
| Net inter segment borrowing            | 18,674,074        | 28,333,404        | -                 | 7,711,438          | -                 | 54,718,916         |
| Others                                 | 737,717           | 1,421,238         | 974,980           | 389,847            | 888,600           | 4,412,382          |
| <b>Total liabilities</b>               | <b>29,867,770</b> | <b>73,095,625</b> | <b>46,292,558</b> | <b>10,067,340</b>  | <b>910,937</b>    | <b>160,234,230</b> |
| Equity                                 | -                 | -                 | -                 | -                  | 12,708,194        | 12,708,194         |
| <b>Total equity and liabilities</b>    | <b>29,867,770</b> | <b>73,095,625</b> | <b>46,292,558</b> | <b>10,067,340</b>  | <b>13,619,131</b> | <b>172,942,424</b> |
| <b>Contingencies and commitments</b>   | <b>5,252,878</b>  | <b>69,524,276</b> | <b>2,435,847</b>  | <b>2,536,605</b>   | <b>1,370,126</b>  | <b>81,119,732</b>  |

### 38.2 Segment details with respect to geographical locations

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

### 39 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       | 2018                   | 2017      | 2018                         |                           |                | 2017                  |                           |                |
|----------------|------------------------|-----------|------------------------------|---------------------------|----------------|-----------------------|---------------------------|----------------|
|                | Number of IPS Accounts |           | Securities Held (Face Value) |                           |                | Market Treasury Bills | Pakistan Investment Bonds | Total          |
|                |                        |           | Market Treasury Bills        | Pakistan Investment Bonds | Total          |                       |                           |                |
| Employee Funds | 21                     | 16        | 143,000                      | 169,200                   | 312,200        | 159,200               | -                         | 159,200        |
| Others         | 30                     | 26        | 219,100                      | 36,600                    | 255,700        | 26,600                | 59,700                    | 86,300         |
|                | <b>51</b>              | <b>42</b> | <b>362,100</b>               | <b>205,800</b>            | <b>567,900</b> | <b>185,800</b>        | <b>59,700</b>             | <b>245,500</b> |

#### 40. RELATED PARTY TRANSACTIONS

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

The Bank enters into transactions with related parties in the ordinary course of business and on substantially the same terms as for comparable transactions with person of similar standing. Contributions to and accruals in respect of staff retirement benefits and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to the executives / officers is determined in accordance with the terms of their appointment.

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 35 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.

##### 40.1 Details of transactions with related parties are given below:

| (Rupees in '000)                 |                |           |                          |                       |  |
|----------------------------------|----------------|-----------|--------------------------|-----------------------|--|
| 2018                             |                |           |                          |                       |  |
|                                  | Parent Company | Directors | Key management personnel | Other related parties |  |
| <b>Balances with other banks</b> |                |           |                          |                       |  |
| In current accounts              | 17,434         | -         | -                        | -                     |  |
| <b>Advances</b>                  |                |           |                          |                       |  |
| Opening balance                  | -              | -         | 151,147                  | -                     |  |
| Addition during the year         | -              | -         | 24,172                   | -                     |  |
| Repaid during the year           | -              | -         | (28,909)                 | -                     |  |
| Closing balance                  | -              | -         | 146,410                  | -                     |  |
| <b>Other Assets</b>              |                |           |                          |                       |  |
| Other receivable                 | 1,065          | -         | -                        | -                     |  |

| (Rupees in '000)                 |                |           |                          |                       |  |
|----------------------------------|----------------|-----------|--------------------------|-----------------------|--|
| 2017                             |                |           |                          |                       |  |
|                                  | Parent Company | Directors | Key management personnel | Other related parties |  |
| <b>Balances with other banks</b> |                |           |                          |                       |  |
| In current accounts              | 12,964         | -         | -                        | -                     |  |
| <b>Advances</b>                  |                |           |                          |                       |  |
| Opening balance                  | -              | -         | 143,964                  | -                     |  |
| Addition during the year         | -              | -         | 28,847                   | -                     |  |
| Repaid during the year           | -              | -         | (21,664)                 | -                     |  |
| Closing balance                  | -              | -         | 151,147                  | -                     |  |
| <b>Other Assets</b>              |                |           |                          |                       |  |
| Other receivable                 | 3,177          | -         | -                        | -                     |  |

(Rupees in '000)

|  | 2018           |           |                          |                       |
|--|----------------|-----------|--------------------------|-----------------------|
|  | Parent Company | Directors | Key management personnel | Other related parties |
| <b>Deposits and other accounts</b>         |                |           |                          |                       |
| Opening balance                            | -              | 15,434    | 22,440                   | 50,455                |
| Received during the year                   | -              | 78,847    | 404,885                  | 310,296               |
| Withdrawn during the year                  | -              | (63,163)  | (409,677)                | (298,786)             |
| Closing balance                            | -              | 31,118    | 17,648                   | 61,965                |
| Vostro balances of Samba Financial Group   | 92,742         | -         | -                        | -                     |
| <b>Contingencies and Commitments</b>       |                |           |                          |                       |
| Other contingencies                        | 66,631         | -         | -                        | -                     |
| <b>Income</b>                              |                |           |                          |                       |
| Mark-up / return / interest earned         | -              | -         | 7,428                    | -                     |
| Gain on sale of fixed assets - Annexure II | -              | -         | 5                        | -                     |
| <b>Expense</b>                             |                |           |                          |                       |
| Mark-up / return / interest paid           | -              | 237       | 625                      | 2,148                 |
| Insurance premium paid                     | -              | -         | 1,249                    | -                     |
| Insurance claims settled                   | -              | -         | 262                      | -                     |

(Rupees in '000)

|  | 2017           |           |                          | (Restated)            |
|--|----------------|-----------|--------------------------|-----------------------|
|  | Parent Company | Directors | Key management personnel | Other related parties |
| <b>Deposits and other accounts</b>         |                |           |                          |                       |
| Opening balance                            | -              | 28,987    | 27,556                   | 27,581                |
| Received during the year                   | -              | 123,858   | 358,100                  | 243,725               |
| Withdrawn during the year                  | -              | (137,411) | (363,216)                | (220,851)             |
| Closing balance                            | -              | 15,434    | 22,440                   | 50,455                |
| Vostro balances of Samba Financial Group   | 234,884        | -         | -                        | -                     |
| <b>Contingencies and Commitments</b>       |                |           |                          |                       |
| Other contingencies                        | 123,664        | -         | -                        | -                     |
| <b>Income</b>                              |                |           |                          |                       |
| Mark-up / return / interest earned         | -              | -         | 7,084                    | -                     |
| Gain on sale of fixed assets - Annexure II | -              | -         | -                        | -                     |
| <b>Expense</b>                             |                |           |                          |                       |
| Mark-up / return / interest paid           | -              | 113       | 501                      | 823                   |
| Insurance premium paid                     | -              | -         | 1,232                    | -                     |
| Insurance claims settled                   | -              | -         | 784                      | -                     |

## 40.2 Forex transactions during the year - Samba Financial Group

(Currency in '000)

| 2018     |                    |           |         |         |
|----------|--------------------|-----------|---------|---------|
| CURRENCY | READY / SPOT / TOM |           | FORWARD |         |
|          | BUY                | SELL      | BUY     | SELL    |
| AED      | 4,407              | 2,755     | -       | -       |
| EUR      | 17,250             | 15,410    | 1,600   | 8,960   |
| GBP      | 9,503              | 39,080    | 28,916  | 6,590   |
| JPY      | 367,220            | 16,299    | 143,312 | 103,913 |
| SAR      | 299,832            | 675       | -       | -       |
| USD      | 114,107            | 116,018   | 18,705  | 40,200  |
| PKR      | -                  | 5,360,318 | -       | -       |

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

(Currency in '000)

| 2018     |                    |      |         |       |
|----------|--------------------|------|---------|-------|
| CURRENCY | READY / SPOT / TOM |      | FORWARD |       |
|          | BUY                | SELL | BUY     | SELL  |
| EUR      | -                  | -    | 500     | 100   |
| GBP      | -                  | -    | 1,900   | 200   |
| JPY      | -                  | -    | 39,647  | -     |
| USD      | -                  | -    | 367     | 3,410 |

## 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 |

**41 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS**

| Particulars                                   | (Rupees in '000)  |                   |
|---|-------------------|-------------------|
|   | 2018              | 2017              |
|   | <b>Amount</b>     |                   |
| <b>Minimum Capital Requirement (MCR):</b>     |                   |                   |
| Paid-up capital (net of losses)               | 10,082,387        | 10,082,387        |
| <b>Capital Adequacy Ratio (CAR):</b>          |                   |                   |
| Eligible Common Equity Tier 1 (CET 1) Capital | 12,663,107        | 12,274,067        |
| Eligible Additional Tier 1 (ADT 1) Capital    | -                 | -                 |
| Total Eligible Tier 1 Capital                 | 12,663,107        | 12,274,067        |
| Eligible Tier 2 Capital                       | 49,942            | 219,661           |
| Total Eligible Capital (Tier 1 + Tier 2)      | 12,713,049        | 12,493,728        |
| <b>Risk Weighted Assets (RWAs):</b>           |                   |                   |
| Credit Risk                                   | 57,494,392        | 48,202,997        |
| Market Risk                                   | 3,784,082         | 10,082,763        |
| Operational Risk                              | 5,482,732         | 5,019,888         |
| <b>Total</b>                                  | <b>66,761,206</b> | <b>63,305,648</b> |
| Common Equity Tier 1 Capital Adequacy ratio   | 18.97%            | 19.39%            |
| <b>Tier 1 Capital Adequacy Ratio</b>          | <b>18.97%</b>     | <b>19.39%</b>     |
| <b>Total Capital Adequacy Ratio</b>           | <b>19.04%</b>     | <b>19.74%</b>     |

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 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, 2018 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 11.90% of their risk weighted exposure. The Bank's CAR as at December 31, 2018 is 19.04% (2017: 19.74%) 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 equity securities. 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 Bank has taken into account credit risk, market risk, liquidity risk and operational risk when planning its assets.

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

| Particulars                             | (Rupees in '000) |              |
|---|------------------|--------------|
|   | 2018             | 2017         |
|   | Amount           |              |
| <b>Leverage Ratio (LR):</b>             |                  |              |
| Eligible Tier-1 Capital                 | 12,663,107       | 12,274,067   |
| Total Exposures                         | 119,449,382      | 125,555,664  |
| Leverage Ratio                          | <u>10.60%</u>    | <u>9.78%</u> |
| <b>Liquidity Coverage Ratio (LCR):</b>  |                  |              |
| Total High Quality Liquid Assets        | 20,748,795       | 27,963,934   |
| Total Net Cash Outflow                  | 6,730,607        | 10,617,941   |
| Liquidity Coverage Ratio                | <u>308%</u>      | <u>263%</u>  |
| <b>Net Stable Funding Ratio (NSFR):</b> |                  |              |
| Total Available Stable Funding          | 87,875,142       | 44,206,819   |
| Total Required Stable Funding           | 44,518,447       | 9,683,347    |
| Net Stable Funding Ratio                | <u>197%</u>      | <u>457%</u>  |

41.1 Full disclosure is available at <https://www.samba.com.pk/overviews/financial-reports>.

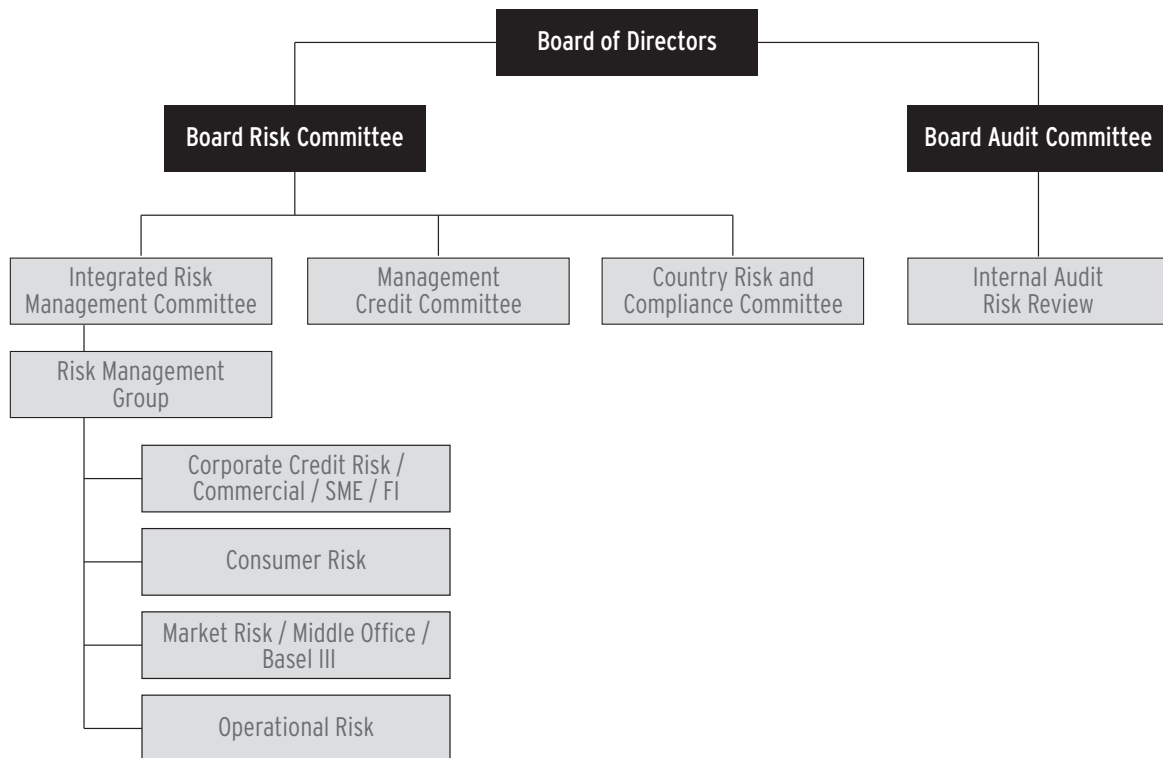
## 42. RISK MANAGEMENT

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.



## 42.1 Credit Risk

Credit risk is the risk of loss as a result of failure by a client or counterparty to meet its contractual obligations. In the existing operations of the Bank, this risk is inherent in loans, commitments to lend and contingent liabilities (such as letters of credit / guarantees), in certain traded products and lending transactions.

The Bank seeks to manage its credit risk exposure by ensuring that its customers meet the minimum credit standards as per the approved Credit Policy and procedures and through diversification of lending activities ensuring that there is no undue concentration of risks with individuals, or within groups of customers in specific locations or businesses.

Taking credit risk is central to the business therefore the Bank continually and constantly assesses and monitors these exposures. The inherent nature of the retail business warrants management of a large customer base with diversified product portfolios. Hence, a system driven environment supplemented by human decision making and judgment, especially in unstructured markets is regarded as the best tool to managing risk at large. Credit decisions are taken using a product program approach which includes local environment knowledge, market competition and current best practices.

The corporate, commercial and SME portfolio is monitored through the Integrated Risk Management Committee (IRMC) which includes senior members of the Risk Management Group. As far as Credit Risk Management is concerned, IRMC's responsibilities include:

- Oversee the Risk Management functions and ensure appropriate supervision and governance.
- Approval of risk rating methodologies and changes therein.
- Developing and maintaining highest standards of credit quality.
- Managing and ensuring that the overall credit risk exposures of the bank do not breach the pre-defined limits.
- Frequent reviewing, monitoring and evaluating the quality of credit portfolio.

The loans portfolio, which includes loans to individuals, corporate customers and commercial loans are significantly collateralized by mortgage / hypothecation charges on fixed and current assets including property land, plant and equipment.

Loans and advances are classified as non-performing in accordance with the time based criteria specified in the Prudential Regulations alongwith subjective judgmental criteria also applicable for early classification if needed. Provision is made against loans and advances in accordance with the Bank's policies and guidelines provided by the State Bank of Pakistan (SBP).

The Board Risk Committee (BRC) also regularly monitors the overall Risk Portfolio of the Bank including Credit, Market and Operational Risk.

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.

Particulars of Bank's significant on-balance sheet and off-balance sheet credit risk in various sectors are analysed as follows:

#### 42.1.1 Lendings to financial institutions

(Rupees in '000)

| Credit risk by public / private sector | Gross lendings |           | Non-performing lendings |      | Provision held |      |
|--|----------------|-----------|-------------------------|------|----------------|------|
|  | 2018           | 2017      | 2018                    | 2017 | 2018           | 2017 |
| Public / Government                    | 449,244        | 692,950   | -                       | -    | -              | -    |
| Private                                | 9,000,000      | 4,500,000 | -                       | -    | -              | -    |
|  | 9,449,244      | 5,192,950 | -                       | -    | -              | -    |

#### 42.1.2 Investment in debt securities

(Rupees in '000)

| Credit risk by industry sector                             | Gross investments |            | Non-performing investments |      | Provision held |      |
|--|-------------------|------------|----------------------------|------|----------------|------|
|  | 2018              | 2017       | 2018                       | 2017 | 2018           | 2017 |
| Chemical and pharmaceuticals                               | 175,000           | 225,000    | -                          | -    | -              | -    |
| Financial  | 1,239,982         | 198,947    | -                          | -    | -              | -    |
| Investment in Pakistan Investment Bonds and Treasury Bills | 45,481,207        | 60,442,438 | -                          | -    | -              | -    |
| Oil marketing and refinery                                 | 750,000           | 750,000    | -                          | -    | -              | -    |
|  | 47,646,189        | 61,616,385 | -                          | -    | -              | -    |

(Rupees in '000)

| Credit risk by public / private sector | Gross investments |            | Non-performing investments |      | Provision held |      |
|--|-------------------|------------|----------------------------|------|----------------|------|
|  | 2018              | 2017       | 2018                       | 2017 | 2018           | 2017 |
| Public / Government                    | 45,481,207        | 60,442,438 | -                          | -    | -              | -    |
| Private                                | 2,164,982         | 1,173,947  | -                          | -    | -              | -    |
|  | 47,646,189        | 61,616,385 | -                          | -    | -              | -    |

#### 42.1.3 Advances

(Rupees in '000)

| Credit risk by industry sector             | Gross advances |            | Non-performing advances |           | Provision held |           |
|--|----------------|------------|-------------------------|-----------|----------------|-----------|
|  | 2018           | 2017       | 2018                    | 2017      | 2018           | 2017      |
| Agriculture, forestry, hunting and fishing | 100,000        | 137,500    | -                       | -         | -              | -         |
| Textile                                    | 9,133,953      | 7,395,423  | 523,224                 | 186,815   | 412,797        | 183,888   |
| Chemical and pharmaceuticals               | 4,163,547      | 2,236,473  | 672                     | 672       | 569            | 569       |
| Cement                                     | 1,423,919      | 649,824    | -                       | -         | -              | -         |
| Sugar                                      | 4,098,518      | 3,996,662  | 18,591                  | 218,240   | 18,591         | 218,240   |
| Footwear and leather garments              | 2,706          | 527,766    | 2,706                   | 2,706     | 1,806          | 1,806     |
| Automobile and transportation equipment    | 520,015        | -          | -                       | -         | -              | -         |
| Electronics and electrical appliances      | 97,419         | 38,500     | 38,500                  | 38,500    | 38,280         | 38,280    |
| Construction                               | 56,455         | 1,131,434  | -                       | -         | -              | -         |
| Power (electricity), gas, water, sanitary  | 3,916,087      | 3,403,470  | 591,383                 | 591,383   | 591,383        | 591,383   |
| Wholesale and retail trade                 | 1,725          | 1,725      | 1,725                   | 1,725     | 1,725          | 1,725     |
| Exports / Imports                          | 10,024         | 10,024     | 10,024                  | 10,024    | 10,024         | 10,024    |
| Transport, storage and communication       | 3,079,029      | 3,081,040  | 7,373                   | 7,373     | 7,373          | 7,373     |
| Financial                                  | 1,150,907      | 829        | 829                     | 829       | 566            | 566       |
| Manufacturing                              | 17,012,585     | 11,000,338 | 584,388                 | 664,488   | 582,096        | 662,196   |
| Paper and allied                           | 162,206        | 130,935    | 1,452                   | 1,452     | 1,452          | 1,452     |
| Oil marketing and refinery                 | 2,865,679      | 2,278,669  | -                       | -         | -              | -         |
| Services                                   | 2,011,348      | 1,293,069  | 73                      | 73        | 33             | 33        |
| Individuals                                | 3,078,997      | 2,026,839  | 500,071                 | 498,973   | 527,749        | 496,905   |
| Others                                     | 3,006,661      | 3,162,040  | 111,218                 | 112,495   | 105,081        | 106,347   |
|  | 55,891,780     | 42,502,560 | 2,392,229               | 2,335,748 | 2,299,525      | 2,320,787 |

(Rupees in '000)

| Credit risk by public / private sector | Gross advances |            | Non-performing advances |           | Provision held |           |
|--|----------------|------------|-------------------------|-----------|----------------|-----------|
|  | 2018           | 2017       | 2018                    | 2017      | 2018           | 2017      |
| Public / Government                    | 2,865,679      | 2,728,669  | -                       | -         | -              | -         |
| Private                                | 53,026,101     | 39,773,891 | 2,392,229               | 2,335,748 | 2,299,525      | 2,320,787 |
|  | 55,891,780     | 42,502,560 | 2,392,229               | 2,335,748 | 2,299,525      | 2,320,787 |

#### 42.1.4 Contingencies and Commitments

(Rupees in '000)

| Credit risk by industry sector                | 2018                                     | 2017       |
|---|--|------------|
|   | Chemical, lubricants and pharmaceuticals | 294,992    |
| Agriculture, forestry, hunting and fishing    | 305,640                                  | 357,305    |
| Textile                                       | 1,435,599                                | 1,014,289  |
| Cement  | 296,543                                  | 113,695    |
| Sugar   | 3,366                                    | 244,704    |
| Footwear and leather garments                 | -  | 41,699     |
| Automobile and transportation equipment       | 638,631                                  | 253,053    |
| Construction                                  | 1,463,006                                | 1,473,147  |
| Wholesale and retail trade                    | 27,229                                   | 15,000     |
| Financial                                     | 47,658,294                               | 69,714,696 |
| Insurance                                     | 694,310                                  | 552,086    |
| Electronics and electrical appliances         | 869,263                                  | 476,900    |
| Power (electricity), gas, water and sanitary  | 1,243,800                                | 1,224,228  |
| Individuals                                   | -  | 35,333     |
| Manufacturing                                 | 792,822                                  | 128,972    |
| Transport, storage and communication          | 95,035                                   | 18,189     |
| Services                                      | 341,082                                  | 133,962    |
| Paper and allied                              | -  | 37,034     |
| Oil Marketing and Refinery                    | 1,153,196                                | 158,159    |
| Others  | 3,766,238                                | 4,437,198  |
|   | 61,079,046                               | 81,119,732 |
| <b>Credit risk by public / private sector</b> |  |            |
| Public / Government                           | 1,719,890                                | 597,222    |
| Private                                       | 59,359,156                               | 80,522,510 |
|   | 61,079,046                               | 81,119,732 |

#### 42.1.5 Concentration of Advances

42.1.5.1 The Bank's top 10 exposures on the basis of total (funded and non-funded exposures), aggregated to Rs. 14,290.46 million (2017: Rs. 12,345.90 million) and are as following:

(Rupees in '000)

|                | 2018       | 2017       |
|----------------|------------|------------|
| Funded         | 9,327,960  | 7,997,482  |
| Non Funded     | 4,962,501  | 4,348,420  |
| Total Exposure | 14,290,461 | 12,345,902 |

42.1.5.2 The sanctioned limits against these top 10 exposures aggregated to Rs. 16,685.39 million (2017: Rs. 17,261.13 million).

42.1.5.3 The exposure as disclosed above is performing and thereby no provision has been maintained.

42.1.5.4 For the purpose of this note, exposure means outstanding funded facilities, utilised non-funded facilities and trade acceptances as at the reporting date.

#### 42.1.6 Advances - Province / Region-wise Disbursement & Utilization

(Rupees in '000)

| Province / region              | 2018              |                   |                   |                    |                |                  |
|--------------------------------|-------------------|-------------------|-------------------|--------------------|----------------|------------------|
|                                | Disbursements     | Utilization       |                   |                    |                |                  |
|                                |                   | Punjab            | Sindh             | KPK including FATA | Balochistan    | Islamabad        |
| Punjab                         | 52,961,889        | 51,512,093        | 194,124           | -                  | -              | 1,255,672        |
| Sindh                          | 36,761,403        | 8,548,048         | 26,816,216        | 684,926            | 708,491        | 3,617            |
| KPK including FATA             | 12,037            | -                 | -                 | 12,037             | -              | -                |
| Balochistan                    | -                 | -                 | -                 | -                  | -              | -                |
| Islamabad                      | 257,414           | -                 | 48,296            | -                  | -              | 209,118          |
| AJK including Gilgit-Baltistan | -                 | -                 | -                 | -                  | -              | -                |
| <b>Total</b>                   | <b>89,992,743</b> | <b>60,060,141</b> | <b>27,058,636</b> | <b>696,963</b>     | <b>708,491</b> | <b>1,468,407</b> |

(Rupees in '000)

| Province / region              | 2017              |                   |                   |                    |                  |                  |
|--------------------------------|-------------------|-------------------|-------------------|--------------------|------------------|------------------|
|                                | Disbursements     | Utilization       |                   |                    |                  |                  |
|                                |                   | Punjab            | Sindh             | KPK including FATA | Balochistan      | Islamabad        |
| Punjab                         | 38,559,873        | 35,406,068        | -                 | -                  | -                | 3,153,805        |
| Sindh                          | 36,583,729        | 5,173,831         | 25,908,100        | 824,553            | 4,666,799        | 9,516            |
| KPK including FATA             | -                 | -                 | -                 | -                  | -                | -                |
| Balochistan                    | -                 | -                 | -                 | -                  | -                | -                |
| Islamabad                      | 109,119           | -                 | -                 | -                  | -                | 109,119          |
| AJK including Gilgit-Baltistan | -                 | -                 | -                 | -                  | -                | -                |
| <b>Total</b>                   | <b>75,252,721</b> | <b>40,579,899</b> | <b>25,908,100</b> | <b>824,553</b>     | <b>4,666,799</b> | <b>3,272,440</b> |

Disbursements mean the amounts disbursed by banks either in Pak Rupee or in foreign currencies against loans.

“Disbursements of province / region wise” refers to the place from where the funds are being issued by scheduled banks to the borrowers.

“Utilization of province / region wise” refers to the place where the funds are being utilized by borrower.

#### 42.2 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, resulting in a loss to earnings and capital.

##### 42.2.1 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.

#### Banking Book

- Securities holding intention is for long term.
- Sale before maturity is permitted.
- Positions are Marked-to-market (MTM) periodically.

### 42.2.2 Market Risk Management

#### 42.2.3 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:

#### 42.2.4 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

#### 42.2.5 Structure and Organisation of the market risk management



#### 42.2.6 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 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.

#### 42.2.7 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.

#### 42.2.8 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.



#### 42.2.9 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

#### 42.2.10 Balance sheet split by trading and banking books

(Rupees in '000)

|                                       | 2018              |                   |                    | 2017              |                   |                    |
|---------------------------------------|-------------------|-------------------|--------------------|-------------------|-------------------|--------------------|
|                                       | Banking book      | Trading book      | Total              | Banking book      | Trading book      | Total              |
| Cash and balances with treasury banks | 5,154,790         | -                 | 5,154,790          | 3,887,745         | -                 | 3,887,745          |
| Balances with other banks             | 496,174           | -                 | 496,174            | 127,386           | -                 | 127,386            |
| Lendings to financial institutions    | 9,449,244         | -                 | 9,449,244          | 5,192,950         | -                 | 5,192,950          |
| Investments - net                     | 7,112,086         | 40,909,284        | 48,021,370         | 6,155,019         | 56,763,083        | 62,918,102         |
| Advances - net                        | 53,592,255        | -                 | 53,592,255         | 40,181,773        | -                 | 40,181,773         |
| Fixed assets                          | 1,064,563         | -                 | 1,064,563          | 1,113,248         | -                 | 1,113,248          |
| Intangible assets                     | 120,648           | -                 | 120,648            | 133,370           | -                 | 133,370            |
| Deferred tax assets - net             | 700,767           | -                 | 700,767            | 436,816           | -                 | 436,816            |
| Other assets - net                    | 4,164,776         | -                 | 4,164,776          | 4,232,118         | -                 | 4,232,118          |
|                                       | <u>81,855,303</u> | <u>40,909,284</u> | <u>122,764,587</u> | <u>61,460,425</u> | <u>56,763,083</u> | <u>118,223,508</u> |

#### 42.2.11 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 currencies 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.

(Rupees in '000)

|                              | 2018               |                      |                         |                               |
|------------------------------|--------------------|----------------------|-------------------------|-------------------------------|
|                              | Assets             | Liabilities          | Off-balance sheet items | Net foreign currency exposure |
| Pakistan Rupee               | 117,046,609        | (102,557,919)        | (1,919,329)             | 12,569,361                    |
| United States Dollar         | 5,384,210          | (6,921,588)          | 1,585,254               | 47,876                        |
| Great Britain Pound Sterling | 153,423            | (404,652)            | 300,724                 | 49,495                        |
| Euro                         | 77,678             | (43,151)             | (15,884)                | 18,643                        |
| Japanese Yen                 | -                  | (48,101)             | 49,979                  | 1,878                         |
| Other currencies             | 102,667            | (5,421)              | (744)                   | 96,502                        |
|                              | <u>122,764,587</u> | <u>(109,980,832)</u> | <u>-</u>                | <u>12,783,755</u>             |

(Rupees in '000)

|                              | 2017        |               |                         |                               |
|------------------------------|-------------|---------------|-------------------------|-------------------------------|
|                              | Assets      | Liabilities   | Off-balance sheet items | Net foreign currency exposure |
| Pakistan Rupee               | 114,410,961 | (99,878,917)  | (1,773,851)             | 12,758,193                    |
| United States Dollar         | 3,661,999   | (5,348,244)   | 1,622,220               | (64,025)                      |
| Great Britain Pound Sterling | 107,315     | (225,749)     | 126,677                 | 8,243                         |
| Euro                         | 24,615      | (62,073)      | 39,676                  | 2,218                         |
| Japanese Yen                 | 3,342       | -             | -                       | 3,342                         |
| Other currencies             | 15,276      | (331)         | (14,722)                | 223                           |
|                              | 118,223,508 | (105,515,314) | -                       | 12,708,194                    |

(Rupees in '000)

|   | 2018         |              | 2017         |              |
|---|--------------|--------------|--------------|--------------|
|   | Banking Book | Trading Book | Banking Book | Trading Book |
| Impact of -1% change in foreign exchange rates on |              |              |              |              |
| - Profit and loss account                         | (3,197)      | -            | (640)        | -            |
| - Other comprehensive income                      | -            | -            | -            | -            |

#### 42.2.12 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). The AFS portfolio is maintained with a medium-term view of capital gains and dividend income.

(Rupees in '000)

|  | 2018         |              | 2017         |              |
|--|--------------|--------------|--------------|--------------|
|  | Banking Book | Trading Book | Banking Book | Trading Book |
| Impact of -5% change in equity prices on |              |              |              |              |
| - Profit and loss account                | -            | -            | -            | -            |
| - Other comprehensive income             | -            | (42,662)     | -            | (42,634)     |

#### 42.2.13 Yield / Interest Rate Risk in the Banking Book (IRRBB)-Basel II Specific

Interest Rate Risk (Banking Book) is the current or prospective risk to the earnings arising from the impact of adverse movements in interest rates on mismatches in asset-liability structure. It arises when:

- there is a mismatch in the maturity and re-pricing of assets and liabilities and off-balance sheet short and long term positions (re-pricing risk),
- Following three shocks have been designed to assess the impact of an interest rate change.
  - Impact of Decrease in Interest Rate on Net Interest Income (NII)
  - Impact of Parallel Shift in the Yield Curve on the Market Value of Equity (MVE)
  - Impact of Movement in the Slope of Yield Curve on the Market Value of Equity (MVE)

(Rupees in '000)

|   | 2018         |              | 2017         |              |
|---|--------------|--------------|--------------|--------------|
|   | Banking Book | Trading Book | Banking Book | Trading Book |
| Impact of -1% change in interest rates on |              |              |              |              |
| - Profit and loss account                 | (378,839)    | (451,109)    | (1,268,777)  | (579,560)    |
| - Other comprehensive income              | -            | -            | -            | -            |

#### 42.2.14 Mismatch of Interest Rate Sensitive Assets and Liabilities

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

(Rupees in '000)

| 2018  |                   |                                       |                    |                     |                         |                   |                   |                   |                    |                |  |
|---|-------------------|---------------------------------------|--------------------|---------------------|-------------------------|-------------------|-------------------|-------------------|--------------------|----------------|--|
| Effective yield/<br>interest rate %                           | Total             | Exposed to yield / interest rate risk |                    |                     |                         |                   |                   |                   |                    |                | Non-interest bearing financial instruments |
|   |                   | 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>On-balance sheet financial instruments</b>                 |                   |                                       |                    |                     |                         |                   |                   |                   |                    |                |  |
| <b>Assets</b>   |                   |                                       |                    |                     |                         |                   |                   |                   |                    |                |  |
| Cash and balances with treasury banks                         | 5,154,790         | -                                     | -                  | 1,113,950           | -                       | -                 | -                 | -                 | -                  | -              | 4,040,840                                  |
| Balances with other banks                                     | 496,174           | -                                     | -                  | -                   | -                       | -                 | -                 | -                 | -                  | -              | 496,174                                    |
| Lending to financial institutions                             | 7.59% 9,449,244   | 9,449,244                             | -                  | -                   | -                       | -                 | -                 | -                 | -                  | -              | -  |
| Investments - net   | 7.12% 48,021,370  | 11,611,169                            | 20,216,764         | 4,531,380           | 496,613                 | 5,930,974         | 1,181,786         | 1,066,849         | 2,122,592          | -              | 863,243                                    |
| Advances - net  | 8.35% 53,592,255  | 8,485,355                             | 30,101,633         | 6,822,484           | 4,474,678               | 325,673           | 423,221           | 1,407,497         | 1,409,068          | -              | 142,646                                    |
| Other assets - net  | 4,164,776         | -                                     | -                  | -                   | -                       | -                 | -                 | -                 | -                  | -              | 4,164,776                                  |
|   | 120,878,609       | 29,545,768                            | 50,318,397         | 12,467,814          | 4,971,291               | 6,256,647         | 1,605,007         | 2,474,346         | 3,531,660          | -              | 9,707,679                                  |
| <b>Liabilities</b>  |                   |                                       |                    |                     |                         |                   |                   |                   |                    |                |  |
| Bills payable   | 877,017           | -                                     | -                  | -                   | -                       | -                 | -                 | -                 | -                  | -              | 877,017                                    |
| Borrowings  | 6.23% 39,780,603  | 32,882,871                            | 4,365,200          | 1,368,500           | 30,000                  | -                 | 15,893            | 102,037           | 993,766            | -              | 22,336                                     |
| Deposits and other accounts                                   | 6.18% 65,225,052  | 6,719,480                             | 9,924,086          | 25,860,466          | 5,450,177               | 143,776           | 135,946           | 39,942            | -                  | -              | 16,951,179                                 |
| Liabilities against assets subject to finance lease           | -                 | -                                     | -                  | -                   | -                       | -                 | -                 | -                 | -                  | -              | -  |
| Subordinated debt   | -                 | -                                     | -                  | -                   | -                       | -                 | -                 | -                 | -                  | -              | -  |
| Other liabilities   | 4,098,160         | -                                     | -                  | -                   | -                       | -                 | -                 | -                 | -                  | -              | 4,098,160                                  |
|   | 109,980,832       | 39,602,351                            | 14,289,286         | 27,228,966          | 5,480,177               | 143,776           | 151,839           | 141,979           | 993,766            | -              | 21,948,692                                 |
| <b>On-balance sheet gap</b>                                   | <b>10,897,777</b> | <b>(10,056,583)</b>                   | <b>36,029,111</b>  | <b>(14,761,152)</b> | <b>(508,886)</b>        | <b>6,112,871</b>  | <b>1,453,168</b>  | <b>2,332,367</b>  | <b>2,537,894</b>   | <b>-</b>       | <b>(12,241,013)</b>                        |
| <b>Off-balance sheet financial instruments</b>                |                   |                                       |                    |                     |                         |                   |                   |                   |                    |                |  |
| Documentary credits and short-term trade-related transactions | 5,553,494         | 2,318,289                             | 2,925,081          | 310,124             | -                       | -                 | -                 | -                 | -                  | -              | -  |
| Commitments in respect of:                                    |                   |                                       |                    |                     |                         |                   |                   |                   |                    |                |  |
| - forward foreign exchange contracts                          | 40,336,037        | 16,491,863                            | 16,866,422         | 6,977,752           | -                       | -                 | -                 | -                 | -                  | -              | -  |
| - forward government securities transactions                  | 6,043,511         | 6,043,511                             | -                  | -                   | -                       | -                 | -                 | -                 | -                  | -              | -  |
| <b>Off-balance sheet gap</b>                                  | <b>46,379,548</b> | <b>22,535,374</b>                     | <b>16,866,422</b>  | <b>6,977,752</b>    | <b>-</b>                | <b>-</b>          | <b>-</b>          | <b>-</b>          | <b>-</b>           | <b>-</b>       | <b>-</b>                                   |
| <b>Total Yield / Interest Risk Sensitivity Gap</b>            |                   | <b>24,853,663</b>                     | <b>19,791,503</b>  | <b>7,287,876</b>    | <b>-</b>                | <b>-</b>          | <b>-</b>          | <b>-</b>          | <b>-</b>           | <b>-</b>       | <b>-</b>                                   |
| <b>Cumulative Yield / Interest Risk Sensitivity Gap</b>       |                   | <b>14,797,080</b>                     | <b>55,820,614</b>  | <b>(7,473,276)</b>  | <b>(508,886)</b>        | <b>6,112,871</b>  | <b>1,453,168</b>  | <b>2,332,367</b>  | <b>2,537,894</b>   | <b>-</b>       | <b>(12,241,013)</b>                        |

(Rupees in '000)

2017

## On-balance sheet financial instruments

## Assets

## Cash and balances with

treasury banks

Balances with other banks

Lending to financial institutions

Investments - net

Advances - net

Other assets - net

## Liabilities

Bills payable

Borrowings

Deposits and other accounts

Liabilities against assets subject to finance lease

Subordinated debt

Other liabilities

## On-balance sheet gap

## Off-balance sheet financial instruments

Documentary credits and short-term

trade-related transactions

Commitments in respect of:

- forward foreign exchange contracts

- forward government securities transactions

## Off-balance sheet gap

## Total Yield/Interest Risk Sensitivity Gap

## Cumulative Yield/Interest Risk Sensitivity Gap

| Effective yield/<br>interest<br>rate<br>% | Total       | Exposed to yield / interest rate risk |                       |                       |                               |                      |                      |                      |                       |                   | Non-interest<br>bearing<br>financial<br>instruments |
|---|-------------|---------------------------------------|-----------------------|-----------------------|-------------------------------|----------------------|----------------------|----------------------|-----------------------|-------------------|---|
|   |             | Upto one<br>month                     | Over 1 to<br>3 months | Over 3 to<br>6 months | Over 6<br>months to<br>1 year | Over 1 to 2<br>years | Over 2 to<br>3 years | Over 3 to<br>5 years | Over 5 to<br>10 years | Above<br>10 years |   |
|   | 3,887,745   | -                                     | -                     | 830,669               | -                             | -                    | -                    | -                    | -                     | -                 | 3,057,076   |
|   | 127,386     | -                                     | -                     | -                     | -                             | -                    | -                    | -                    | -                     | -                 | 127,386   |
| 5.99%                                     | 5,192,950   | 5,192,950                             | -                     | -                     | -                             | -                    | -                    | -                    | -                     | -                 | -   |
| 6.98%                                     | 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   |
| 6.77%                                     | 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  |
|   | 4,232,118   | -                                     | -                     | -                     | -                             | -                    | -                    | -                    | -                     | -                 | 4,232,118   |
|   | 116,540,074 | 39,912,856                            | 14,057,022            | 7,111,344             | 8,315,175                     | 11,884,706           | 11,298,759           | 11,699,992           | 3,943,959             | -                 | 8,316,261   |
|   | 686,692     | -                                     | -                     | -                     | -                             | -                    | -                    | -                    | -                     | -                 | 686,692   |
| 5.69%                                     | 46,201,468  | 43,081,077                            | 1,787,000             | 838,000               | -                             | -                    | -                    | 88,213               | 384,842               | -                 | 22,336  |
| 5.39%                                     | 54,901,464  | 3,262,591                             | 5,791,175             | 25,158,576            | 7,545,017                     | 4,198                | 236,846              | 16,095               | -                     | -                 | 12,886,966  |
|   | -           | -                                     | -                     | -                     | -                             | -                    | -                    | -                    | -                     | -                 | -   |
|   | -           | -                                     | -                     | -                     | -                             | -                    | -                    | -                    | -                     | -                 | -   |
|   | 3,725,690   | -                                     | -                     | -                     | -                             | -                    | -                    | -                    | -                     | -                 | 3,725,690   |
|   | 105,515,314 | 46,343,668                            | 7,578,175             | 25,996,576            | 7,545,017                     | 4,198                | 236,846              | 104,308              | 384,842               | -                 | 17,321,684  |
|   | 11,024,760  | (6,430,812)                           | 6,478,847             | (18,885,232)          | 770,158                       | 11,880,508           | 11,061,913           | 11,595,684           | 3,559,117             | -                 | (9,005,423)   |
|   | 4,681,621   | 1,954,328                             | 2,465,857             | 261,436               | -                             | -                    | -                    | -                    | -                     | -                 | -   |
|   | 69,222,819  | 30,821,685                            | 30,814,960            | 7,586,174             | -                             | -                    | -                    | -                    | -                     | -                 | -   |
|   | 301,458     | 301,458                               | -                     | -                     | -                             | -                    | -                    | -                    | -                     | -                 | -   |
|   | 69,524,276  | 31,123,142                            | 30,814,960            | 7,586,174             | -                             | -                    | -                    | -                    | -                     | -                 | -   |
|   |             | 33,077,471                            | 33,280,817            | 7,847,610             | -                             | -                    | -                    | -                    | -                     | -                 | -   |
|   |             | 26,646,658                            | 39,759,664            | (11,037,622)          | 770,158                       | 11,880,508           | 11,061,913           | 11,595,684           | 3,559,117             | -                 | (9,005,423)   |

### 42.3 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 as defined under the Operational Risk Framework, which is aligned to international best practices. The Bank is using Key Risk Indicators, Risk & Control Self - Assessment, capturing Operational incidents and conducting Quality Assurance Reviews as tools for identification, monitoring, measuring and management of operational risk. Key Risk Indicators and operational loss incidents are captured in the Operational Risk System.

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 Chief Risk Officer, the Operational Risk Head and risk management committees.

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. The main activities of ORMD include:

- Operational Risk Management
- Business Continuity Planning
- Fraud Risk Management
- Information Security
- Quality Assurance Reviews
- Whistle Blowing Unit

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.

Information and Cyber Security in all aspects remains a critical area of importance. To strengthen the Information Security-IS controls for Bank's information assets, the Bank has reviewed and updated the Information Security Policy & Framework, Procedures, Guidelines and System's Hardening standards based on latest ISO 27001 standard, PCI standards and regulatory requirements. The Bank is PCI DSS compliant and conducts robust Penetration Testing and Vulnerability Scanning. All Applications and any technology enhancement is reviewed by IS through a detailed Information Security Risk Assessment process. The Bank's staff are also regularly trained on Information and Cyber Security aspects aside from monthly information security awareness email messages.

Business Continuity Management Program is aligned with international best practices and regulatory guidelines, reviewed and tested to ensure the readiness and effectiveness of alternate sites arrangements during uncertain situations. BCM awareness training sessions are also conducted for respective designated staff members to ensure that they are aware of their roles and responsibilities in any disaster situation.

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 operational risk, fraud risk and whistle blow awareness and trainings are being undertaken through regular communications and training workshops.

### 42.4 Liquidity Risk

Liquidity Risk is the potential for loss to an institution arising from either its inability to meet its obligations or to fund increase in assets as they fall due without incurring unacceptable cost or losses.

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-months 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

42.4.1 Maturities of assets and liabilities - based on contractual maturity of the assets and liabilities of the Bank

(Rupees in '000)

|   |             | 2018         |                  |                   |                         |                    |                    |                    |                    |                         |                   |                   |                   |              |
|---|-------------|--------------|------------------|-------------------|-------------------------|--------------------|--------------------|--------------------|--------------------|-------------------------|-------------------|-------------------|-------------------|--------------|
|   |             | Upto 1 day   | Over 1 to 7 days | Over 7 to 14 days | Over 14 days to 1 month | Over 1 to 2 months | Over 2 to 3 months | Over 3 to 6 months | Over 6 to 9 months | Over 9 months to 1 year | Over 1 to 2 years | Over 2 to 3 years | Over 3 to 5 years | Over 5 years |
| <b>Assets</b>                                       |             |              |                  |                   |                         |                    |                    |                    |                    |                         |                   |                   |                   |              |
| Cash and balances with treasury banks               | 5,154,790   | -            | -                | -                 | -                       | -                  | -                  | -                  | -                  | -                       | -                 | -                 | -                 | -            |
| Balances with other banks                           | 496,174     | -            | -                | -                 | -                       | -                  | -                  | -                  | -                  | -                       | -                 | -                 | -                 | -            |
| Lending to financial institutions                   | 9,449,244   | -            | -                | -                 | -                       | -                  | -                  | -                  | -                  | -                       | -                 | -                 | -                 | -            |
| Investments - net                                   | 48,021,370  | -            | 10,860,289       | -                 | -                       | 15,811,534         | -                  | -                  | 496,613            | 863,243                 | 5,930,974         | 1,425,337         | 1,994,479         | 10,638,901   |
| Advances - net                                      | 53,592,255  | 21,892,861   | 3,540,184        | 550,665           | 2,074,426               | 2,209,596          | 3,446,041          | 6,822,485          | 517,925            | 2,721,831               | 890,969           | 1,256,971         | 4,669,589         | 2,998,712    |
| Fixed assets  | 1,064,563   | -            | -                | -                 | 507                     | -                  | 586                | 2,405              | -                  | 8,625                   | 73,767            | 67,193            | 259,845           | 651,635      |
| Intangible assets                                   | 120,648     | -            | -                | -                 | 58                      | -                  | 66                 | 273                | -                  | 978                     | 8,360             | 7,615             | 29,448            | 73,850       |
| Deferred tax assets - net                           | 700,767     | -            | -                | -                 | -                       | -                  | -                  | -                  | -                  | 219,385                 | 74,381            | 59,505            | 93,757            | 253,739      |
| Other assets - net                                  | 4,164,776   | -            | -                | -                 | 2,971,769               | -                  | 64,341             | 98,608             | -                  | 88,578                  | 27,795            | 25,557            | 888,128           | -            |
|   | 122,764,587 | 36,993,069   | 14,400,473       | 550,665           | 5,046,760               | 18,021,130         | 3,511,034          | 6,923,771          | 1,014,538          | 3,902,640               | 7,006,246         | 2,842,178         | 7,935,246         | 14,616,837   |
| <b>Liabilities</b>                                  |             |              |                  |                   |                         |                    |                    |                    |                    |                         |                   |                   |                   |              |
| Bills payable                                       | 877,017     | 877,017      | -                | -                 | -                       | -                  | -                  | -                  | -                  | -                       | -                 | -                 | -                 | -            |
| Borrowings  | 39,780,603  | 16,462,669   | 7,862,440        | 8,557,762         | -                       | 400,000            | 3,965,200          | 1,368,500          | 30,000             | -                       | -                 | 15,893            | 124,373           | 993,766      |
| Deposits and other accounts                         | 65,225,052  | 36,227,367   | 920,041          | 4,972,589         | 660,000                 | 6,725,708          | 3,198,378          | 6,751,128          | 3,872,662          | 1,577,515               | 143,776           | 135,946           | 39,942            | -            |
| Liabilities against assets subject to finance lease | -           | -            | -                | -                 | -                       | -                  | -                  | -                  | -                  | -                       | -                 | -                 | -                 | -            |
| Subordinated debt                                   | -           | -            | -                | -                 | -                       | -                  | -                  | -                  | -                  | -                       | -                 | -                 | -                 | -            |
| Deferred tax liabilities                            | -           | -            | -                | -                 | -                       | -                  | -                  | -                  | -                  | -                       | -                 | -                 | -                 | -            |
| Other liabilities                                   | 4,098,160   | -            | -                | 1,511,009         | -                       | -                  | 1,925,277          | 210,715            | -                  | 115,843                 | 2,245             | 2,130             | 330,941           | -            |
|   | 109,980,832 | 53,567,053   | 8,782,481        | 660,000           | 15,041,360              | 7,125,708          | 9,088,855          | 8,330,343          | 3,902,662          | 1,693,358               | 146,021           | 153,969           | 495,256           | 993,766      |
| <b>Net assets</b>                                   | 12,783,755  | (16,573,984) | 5,617,992        | (9,994,600)       | (9,994,600)             | 10,895,422         | (5,577,821)        | (1,406,572)        | (2,888,124)        | 2,209,282               | 6,860,225         | 2,688,209         | 7,439,990         | 13,623,071   |
| Share capital                                       | 10,082,387  |              |                  |                   |                         |                    |                    |                    |                    |                         |                   |                   |                   |              |
| Reserves  | 691,997     |              |                  |                   |                         |                    |                    |                    |                    |                         |                   |                   |                   |              |
| Unappropriated profit                               | 2,389,386   |              |                  |                   |                         |                    |                    |                    |                    |                         |                   |                   |                   |              |
| Deficit on revaluation of assets                    | (380,015)   |              |                  |                   |                         |                    |                    |                    |                    |                         |                   |                   |                   |              |
|   | 12,783,755  |              |                  |                   |                         |                    |                    |                    |                    |                         |                   |                   |                   |              |



#### 42.4.2 Maturities of assets and liabilities - based on expected maturities of the assets and liabilities of the Bank

(Rupees in '000)

| 2018  |                |                    |                    |                         |                   |                   |                   |                    |                |         |
|---|----------------|--------------------|--------------------|-------------------------|-------------------|-------------------|-------------------|--------------------|----------------|---------|
| 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               | 5,154,790      | 2,015,523          | 905,930            | 562,186                 | 395,119           | 321,820           | 321,475           | 632,737            | -              | -       |
| Balances with other banks                           | 496,174        | 496,174            | -                  | -                       | -                 | -                 | -                 | -                  | -              | -       |
| Lending to financial institutions                   | 9,449,244      | 9,449,244          | -                  | -                       | -                 | -                 | -                 | -                  | -              | -       |
| Investments - net                                   | 48,021,370     | 10,860,289         | 15,811,534         | -                       | 1,359,857         | 5,930,974         | 1,425,337         | 1,994,479          | 10,638,900     | -       |
| Advances - net                                      | 53,592,255     | 14,235,130         | 10,560,538         | 10,842,153              | 8,138,192         | 890,969           | 1,256,971         | 4,669,589          | 2,998,713      | -       |
| Fixed assets  | 1,064,563      | 507                | 586                | 2,405                   | 8,625             | 73,767            | 67,193            | 259,845            | 76,339         | 575,295 |
| Intangible assets                                   | 120,648        | 58                 | 66                 | 273                     | 978               | 8,360             | 7,615             | 29,448             | 8,652          | 65,198  |
| Deferred tax assets - net                           | 700,767        | -                  | -                  | -                       | 219,385           | 74,381            | 59,505            | 93,756             | 253,740        | -       |
| Other assets - net                                  | 4,164,776      | 2,971,769          | 64,341             | 98,608                  | 88,578            | 27,795            | 25,557            | 888,128            | -              | -       |
|   | 122,764,587    | 40,028,694         | 27,342,995         | 11,505,625              | 10,210,734        | 7,328,066         | 3,163,653         | 8,567,982          | 13,976,344     | 640,493 |
| <b>Liabilities</b>                                  |                |                    |                    |                         |                   |                   |                   |                    |                |         |
| Bills payable                                       | 877,017        | 877,017            | -                  | -                       | -                 | -                 | -                 | -                  | -              | -       |
| Borrowings  | 39,780,603     | 32,882,871         | 4,365,200          | 1,368,500               | 30,000            | -                 | 15,893            | 124,374            | 993,765        | -       |
| Deposits and other accounts                         | 65,225,052     | 14,061,411         | 14,733,114         | 10,288,629              | 7,577,244         | 4,705,024         | 4,697,193         | 9,162,437          | -              | -       |
| Liabilities against assets subject to finance lease | -              | -                  | -                  | -                       | -                 | -                 | -                 | -                  | -              | -       |
| Subordinated debt                                   | -              | -                  | -                  | -                       | -                 | -                 | -                 | -                  | -              | -       |
| Deferred tax liabilities                            | -              | -                  | -                  | -                       | -                 | -                 | -                 | -                  | -              | -       |
| Other liabilities                                   | 4,098,160      | 1,511,009          | 1,925,277          | 210,715                 | 115,843           | 2,245             | 2,130             | 330,941            | -              | -       |
|   | 109,980,832    | 49,332,308         | 21,023,591         | 11,867,844              | 7,723,087         | 4,707,269         | 4,715,216         | 9,617,752          | 993,765        | -       |
| <b>Net assets</b>                                   | 12,783,755     | (9,303,614)        | 6,319,404          | (362,219)               | 2,487,647         | 2,620,797         | (1,551,563)       | (1,049,770)        | 12,982,579     | 640,493 |
| Share capital                                       | 10,082,387     |                    |                    |                         |                   |                   |                   |                    |                |         |
| Reserves  | 691,997        |                    |                    |                         |                   |                   |                   |                    |                |         |
| Unappropriated profit                               | 2,389,386      |                    |                    |                         |                   |                   |                   |                    |                |         |
| Deficit on revaluation of assets                    | (380,015)      |                    |                    |                         |                   |                   |                   |                    |                |         |
|   | 12,783,755     |                    |                    |                         |                   |                   |                   |                    |                |         |

(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            | -                  | -                       | -                 | -                 | -                 | -                  | -              | -       |
| Lending to financial institutions                   | 5,192,950      | 5,192,950          | -                  | -                       | -                 | -                 | -                 | -                  | -              | -       |
| Investments - net                                   | 62,918,102     | 15,160,295         | 2,051,060          | -                       | 7,252,674         | 11,678,274        | 11,069,291        | 12,119,764         | 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      | -       |
| Fixed assets  | 1,113,248      | 10,092             | 1,428              | 8,182                   | 85,768            | 40,122            | 110,500           | 122,742            | 210,531        | 523,883 |
| Intangible assets                                   | 133,370        | 1,210              | 171                | 980                     | 10,275            | 4,807             | 13,238            | 14,704             | 25,223         | 62,762  |
| Deferred tax assets - net                           | 436,816        | -                  | -                  | -                       | 80,802            | 185,481           | 63,948            | (97,711)           | 204,296        | -       |
| Other assets - net                                  | 4,232,118      | 3,494,662          | 53,037             | 66,129                  | 49,075            | 9,997             | 13,521            | 545,697            | -              | -       |
|   | 118,223,508    | 37,516,562         | 12,950,522         | 9,626,960               | 9,881,575         | 12,998,950        | 13,018,625        | 16,233,098         | 5,410,571      | 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     | 10,097,014         | 10,781,629         | 9,506,489               | 9,449,471         | 3,706,629         | 3,939,276         | 7,420,956          | -              | -       |
| Liabilities against assets subject to finance lease | -              | -                  | -                  | -                       | -                 | -                 | -                 | -                  | -              | -       |
| Subordinated debt                                   | -              | -                  | -                  | -                       | -                 | -                 | -                 | -                  | -              | -       |
| Deferred tax liabilities                            | -              | -                  | -                  | -                       | -                 | -                 | -                 | -                  | -              | -       |
| Other liabilities                                   | 3,725,690      | 2,075,412          | 974,258            | 216,040                 | 128,148           | 59                | 3,294             | 328,479            | -              | -       |
|   | 105,515,314    | 55,940,195         | 13,542,887         | 10,560,529              | 9,577,619         | 3,706,688         | 3,942,570         | 7,859,984          | 384,842        | -       |
| <b>Net assets</b>                                   | 12,708,194     | (18,423,633)       | (592,365)          | (933,569)               | 303,956           | 9,292,262         | 9,076,055         | 8,373,114          | 5,025,729      | 586,645 |
| Share capital/ Head office capital account          | 10,082,387     |                    |                    |                         |                   |                   |                   |                    |                |         |
| Reserves  | 555,451        |                    |                    |                         |                   |                   |                   |                    |                |         |
| Unappropriated profit                               | 1,843,203      |                    |                    |                         |                   |                   |                   |                    |                |         |
| Surplus on revaluation of assets                    | 227,153        |                    |                    |                         |                   |                   |                   |                    |                |         |
|   | 12,708,194     |                    |                    |                         |                   |                   |                   |                    |                |         |

### 43 GENERAL

43.1 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:

(Rupees in '000)

| Particulars                            | Before reclassification as at December 31, 2017 | Reclassification | After reclassification as at December 31, 2017 |
|--|---|------------------|--|
| <b>Statement of financial position</b> |   |                  |  |
| Other assets - acceptances             | 3,159,657                                       | 1,072,461        | 4,232,118                                      |
| Other liabilities - acceptances        | 2,653,229                                       | 1,072,461        | 3,725,690                                      |
| Fixed assets                           | 1,246,618                                       | (133,370)        | 1,113,248                                      |
| Intangible assets                      | -   | 133,370          | 133,370  |
| Equity                                 | 12,481,041                                      | 227,153          | 12,708,194                                     |

(Rupees in '000)

| Particulars  | Before reclassification as at December 31, 2017 | Reclassification | After reclassification as at December 31, 2017 |
|--|---|------------------|--|
| <b>Profit and loss account</b>   |   |                  |  |
| Gain on securities   | 94,300  | (42)             | 94,258   |
| Unrealised loss on revaluation of investments classified as held for trading - net | (42)  | 42               | -  |
| Workers' Welfare Fund  | -   | 19,014           | 19,014   |
| Other charges  | 19,050  | (19,014)         | 36   |
| Provisions and write offs - net  | -   | (101,412)        | (101,412)                                      |
| Provision against loans and advances - net   | 126,887   | (126,887)        | -  |
| Reversal of provision for diminution in the value of investments                   | (16,766)  | 16,766           | -  |
| Recoveries against debts written off   | (10,941)  | 10,941           | -  |
| Other provisions / write offs - net  | 2,232   | (2,232)          | -  |

(Rupees in '000)

| Particulars                            | Before reclassification as at December 31, 2016 | Reclassification | After reclassification as at December 31, 2016 |
|--|---|------------------|--|
| <b>Statement of financial position</b> |   |                  |  |
| Other assets - acceptances             | 2,701,360                                       | 1,685,244        | 4,386,604                                      |
| Other liabilities - acceptances        | 2,026,015                                       | 1,685,244        | 3,711,259                                      |
| Fixed assets                           | 1,458,715                                       | (168,708)        | 1,290,007                                      |
| Intangible assets                      | -   | 168,708          | 168,708  |
| Equity                                 | 11,742,188                                      | 577,336          | 12,319,524                                     |

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

**44 NON-ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE**

Finance Supplementary (Second Amendment) Bill, 2019 laid down before the National Assembly of Pakistan on January 23, 2019, amended the rate of Super Tax noted in the earlier Finance Act 2018 and prescribed a flat rate of 4% super tax for all accounting years from 2017 to 2020.

Since the above change in tax rates has been announced after the balance sheet date, it has been treated as non adjusting event under IAS 10 "Events after the reporting period" and no financial impact has been taken in the current year financial statements.

**45 DATE OF AUTHORISATION**

These financial statements were approved and authorised for issue on February 20, 2019 by the Board of Directors of the Bank.

\_\_\_\_\_  
Chief Financial Officer

\_\_\_\_\_  
President & Chief Executive Officer

\_\_\_\_\_  
Chairman

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

## STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF RUPEES FIVE HUNDRED THOUSAND OR ABOVE PROVIDED

DURING THE YEAR ENDED DECEMBER 31, 2018

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 waived | Total  |
|--------------|---|--|--|---|--|--------------------|-------------------------------|-----------------------|--------------------------------|--|--------|
|              |   |  |  |   | Principal  | Interest / Mark-up | Other than Interest / Mark-up |                       |                                |  |        |
| 1            | Firdous Textile Mills Limited<br>3rd Floor, Bank House No. 3, Habib Square,<br>M.A. Jinnah Road, Karachi. | Mr. Ehsan Elahi<br>Mr. Sohail Elahi<br>Mr. Zahid Elahi | 42000-1557156-1<br>42201-7108362-5<br>42201-737542-5 | Haji Muhammad Hussain<br>Ehsan Elahi<br>Ehsan Elahi | 3,528  | -                  | -                             | 2,628                 | -                              | 33,459                                 | 36,087 |
| <b>Total</b> |   |  |  |   | 3,528  | -                  | -                             | 2,628                 | -                              | 33,459                                 | 36,087 |

(Rupees in '000)

## STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF RUPEES FIVE HUNDRED THOUSAND OR ABOVE PROVIDED

DURING THE YEAR ENDED DECEMBER 31, 2017

(Restated)

| 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 waived | Total  |
|--------------|---|---|--|---|--|--------------------|-------------------------------|-----------------------|--------------------------------|--|--------|
|              |   |   |  |   | Principal  | Interest / Mark-up | Other than Interest / Mark-up |                       |                                |  |        |
| 1            | Ravi Enterprises Private Limited,<br>75-D1, Main Boulevard, Gulberg III, Lahore.                                  | Mr. Omer Farooq<br>Kh. Asad Farooq  | 35202-4874409-7<br>35202-3870480-3   | Kh. Abdul Hakeem<br>Kh. Abdul Hakeem  | 10,058   | 1,198              | 1,594                         | 58                    | 1,198                          | 38,842                                 | 40,098 |
| 2            | Hamid Textile Mills Limited<br>Changa Manga Road, Wan Adhian, Pattoki, Distt. Kasur.                              | Mr. Khawar Almas Kh<br>Mrs. Nighat Khawar<br>Mr. Muhammad Alamgir<br>Mr. Dilshad Ali<br>Mrs. Zulabia Andleeb<br>Mr. Basim Dilshad | 33100-1031366-5<br>33100-0924566-0<br>35101-3105743-5<br>35202-0639005-9<br>35202-3166025-2<br>35202-5529781-3 | Kh. Muhammad Sharif<br>Khawar Almas Kh.<br>Muhammad Siddique<br>Farzand Ali<br>Dilshad Ali<br>Dilshad Ali | 2,052  | -                  | 65                            | 451                   | -                              | 9,706                                  | 10,157 |
| 3            | Bushra Rehman<br>H/No. 28/A, Mateen Avenue<br>Housing Scheme, College Road, Near Butt Chowk,<br>Township, Lahore. | Bushra Rehman   | 35202-7467220-0  | Muhammad Sarwar Zohaib  | 311  | -                  | 557                           | 117                   | -                              | 557                                    | 674    |
| <b>Total</b> |   |   |  |   | 12,421   | 1,198              | 2,216                         | 626                   | 1,198                          | 49,105                                 | 50,929 |

(Rupees in '000)

11.3 Disposal of fixed assets

ANNEXURE - II

Details of disposal of fixed assets to executives and other persons 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>  |               |                          |               |               |                |                            |                                 |
| Mercedes E200 CGI AZY-860                                      | 9,610         | 5,497                    | 4,113         | 4,113         | -              | As per terms of employment | Shahid Sattar (President & CEO) |
| Honda City AQE-389   | 879           | 580                      | 299           | 624           | 325            | Through tender             | Waseem Mirza                    |
| Honda Civic VTI BAW-093  | 2,491         | 1,644                    | 847           | 1,483         | 636            | Through tender             | Maaz Saleem                     |
| Honda City BBZ-813   | 1,552         | 768                      | 784           | 1,084         | 300            | Through tender             | Waseem Mirza                    |
| Toyota Corolla Altis AUJ-926                                   | 1,928         | 1,272                    | 656           | 1,064         | 408            | Through tender             | Waseem Mirza                    |
| Toyota Corolla Altis AVR-313                                   | 1,951         | 1,288                    | 663           | 1,274         | 611            | Through tender             | Waseem Mirza                    |
| Toyota Corolla GLI 1.3 AYE-318                                 | 1,694         | 1,118                    | 576           | 1,252         | 676            | Through tender             | Naveed Hussain                  |
| Toyota Corolla Altis AUJ-925                                   | 1,928         | 1,272                    | 656           | 1,093         | 437            | Through tender             | Noman Ahmed                     |
|  | 22,033        | 13,439                   | 8,594         | 11,987        | 3,393          |                            |                                 |
| <b>Furniture and fixtures</b>                                  |               |                          |               |               |                |                            |                                 |
| Glass Doors at Clifton Branch                                  | 454           | 416                      | 38            | 200           | 162            | Through tender             |                                 |
| Renovation at Clifton Branch                                   | 9,519         | 7,554                    | 1,965         | -             | (1,965)        | Write Off                  |                                 |
| Renovation at Sarwar Road Branch                               | 7,340         | 7,194                    | 146           | -             | (146)          | Write Off                  |                                 |
|  | 17,313        | 15,164                   | 2,149         | 200           | (1,949)        |                            |                                 |
| <b>Electrical, office and computer equipment / Intangibles</b> |               |                          |               |               |                |                            |                                 |
| Air conditioning unit  | 102           | 102                      | -             | 18            | 18             | Through tender             | Al-Hamd Traders                 |
| Genset 3KA for Beach Hut                                       | 32            | 32                       | -             | 13            | 13             | Through tender             | Ismail Corporation              |
| Mobile phone   | 90            | 83                       | 7             | 12            | 5              | As per policy              | Shahid Sattar (President & CEO) |
|  | 224           | 217                      | 7             | 43            | 36             |                            |                                 |
| <b>2018</b>  | <b>39,570</b> | <b>28,820</b>            | <b>10,750</b> | <b>12,230</b> | <b>1,480</b>   |                            |                                 |
| <b>2017</b>  | <b>71,414</b> | <b>68,616</b>            | <b>2,798</b>  | <b>803</b>    | <b>(1,995)</b> |                            |                                 |

**Assets sold to Related Parties**

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 other than those disclosed above.

## Pattern of Shareholding

AS AT DECEMBER 31, 2018

| Number of Shareholders | Shareholding |         | Total Shares held |
|------------------------|--------------|---------|-------------------|
|                        | From         | To      |                   |
| 1,503                  | 1            | 100     | 66,260            |
| 1,884                  | 101          | 500     | 495,833           |
| 745                    | 501          | 1,000   | 537,638           |
| 737                    | 1,001        | 5,000   | 1,594,809         |
| 134                    | 5,001        | 10,000  | 923,091           |
| 58                     | 10,001       | 15,000  | 716,310           |
| 28                     | 15,001       | 20,000  | 493,019           |
| 17                     | 20,001       | 25,000  | 376,002           |
| 19                     | 25,001       | 30,000  | 525,458           |
| 7                      | 30,001       | 35,000  | 227,176           |
| 7                      | 35,001       | 40,000  | 263,244           |
| 8                      | 40,001       | 45,000  | 343,751           |
| 7                      | 45,001       | 50,000  | 339,560           |
| 4                      | 50,001       | 55,000  | 205,802           |
| 12                     | 55,001       | 60,000  | 685,390           |
| 3                      | 60,001       | 65,000  | 190,488           |
| 2                      | 70,001       | 75,000  | 143,979           |
| 1                      | 75,001       | 80,000  | 77,526            |
| 1                      | 80,001       | 85,000  | 84,000            |
| 5                      | 90,001       | 95,000  | 458,820           |
| 3                      | 95,001       | 100,000 | 295,500           |
| 5                      | 100,001      | 105,000 | 511,073           |
| 1                      | 105,001      | 110,000 | 108,000           |
| 3                      | 110,001      | 115,000 | 335,639           |
| 1                      | 120,000      | 125,000 | 120,000           |
| 1                      | 125,001      | 130,000 | 129,962           |

| Number of Shareholders | Shareholding |         | Total Shares held |
|------------------------|--------------|---------|-------------------|
|                        | From         | To      |                   |
| 1                      | 145,001      | 150,000 | 148,157           |
| 2                      | 150,001      | 155,000 | 304,529           |
| 1                      | 155,001      | 160,000 | 156,383           |
| 1                      | 160,001      | 165,000 | 160,596           |
| 1                      | 170,001      | 175,000 | 173,848           |
| 1                      | 175,001      | 180,000 | 175,915           |
| 1                      | 190,001      | 195,000 | 191,476           |
| 2                      | 195,001      | 200,000 | 396,858           |
| 1                      | 210,001      | 215,000 | 211,437           |
| 1                      | 215,001      | 220,000 | 218,500           |
| 1                      | 220,001      | 225,000 | 224,657           |
| 1                      | 230,001      | 235,000 | 230,720           |
| 2                      | 235,001      | 240,000 | 471,972           |
| 2                      | 250,000      | 255,000 | 503,843           |
| 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                      | 460,001      | 465,000 | 464,445           |
| 1                      | 475,001      | 480,000 | 479,739           |
| 1                      | 560,001      | 565,000 | 563,832           |
| 1                      | 620,001      | 625,000 | 622,532           |
| 1                      | 940,001      | 945,000 | 941,599           |

| Number of Shareholders | Shareholding |             | Total Shares held    |
|------------------------|--------------|-------------|----------------------|
|                        | From         | To          |                      |
| 1                      | 1,150,001    | 1,155,000   | 1,154,800            |
| 1                      | 1,205,000    | 1,210,000   | 1,205,000            |
| 1                      | 1,650,001    | 1,655,000   | 1,652,306            |
| 1                      | 1,690,001    | 1,695,000   | 1,690,620            |
| 1                      | 2,345,001    | 2,350,000   | 2,345,804            |
| 1                      | 2,550,001    | 2,555,000   | 2,553,784            |
| 1                      | 2,635,001    | 2,640,000   | 2,635,899            |
| 1                      | 2,760,001    | 2,765,000   | 2,764,113            |
| 1                      | 11,935,001   | 11,940,000  | 11,936,420           |
| 1                      | 12,500,001   | 12,505,000  | 12,500,500           |
| 1                      | 15,815,001   | 15,820,000  | 15,817,500           |
| 1                      | 20,785,001   | 20,790,000  | 20,788,998           |
| 1                      | 23,250,001   | 23,255,000  | 23,254,939           |
| 1                      | 35,830,001   | 35,835,000  | 35,832,424           |
| 1                      | 852,040,001  | 852,045,000 | 852,040,531          |
| <u>5,243</u>           | ← -----      | ----- →     | <u>1,008,238,648</u> |

## Category of Shareholding

AS AT DECEMBER 31, 2018

| S.No.  | Shareholders' category  | Number of Shareholders | Number of Shares     | %             |
|--|---|------------------------|----------------------|---------------|
| 1  | Directors, Chief Executive Officer, and their spouse and minor children       | 6                      | 49,490,005           | 4.91          |
| 2  | Associated Companies, Undertakings and related Parties                        | 1                      | 852,040,531          | 84.51         |
| 3  | NIT and ICP   | 2                      | 25,297               | 0.00          |
| 4  | Banks, Development Financial Institutions, Non Banking Financial Institutions | 20                     | 28,336               | 0.00          |
| 5  | Insurance Companies   | 5                      | 2,637,190            | 0.26          |
| 6  | Modarabas and Mutual Funds  | 19                     | 2,770,981            | 0.27          |
| 7  | Share holders holding 10%   | 1                      | 852,040,531          | 84.51         |
| 8  | General Public :  |                        |                      |               |
|  | a. local  | 5,076                  | 17,354,696           | 1.72          |
|  | b .Foreign  | 1                      | 196                  | 0.00          |
| 9  | Others  | 113                    | 83,891,416           | 8.32          |
| <b>Total (excluding : share holders holding 10%)</b> |   | <b>5,243</b>           | <b>1,008,238,648</b> | <b>100.00</b> |

## Information as required under Code of Corporate Governance

AS AT DECEMBER 31, 2018

| Shareholders' category   | Number of Shares Held | %             |
|--|-----------------------|---------------|
| <b>i. Associated Companies, Undertakings and Related Parties</b>   |                       |               |
| SAMBA FINANCIAL GROUP  | 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   | 2,345,804             | 0.23          |
| 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>  |                       |               |
| SHAHID SATTAR  | 1,154,800             | 0.11          |
| SHAHBAZ HAIDER AGHA  | 500                   | 0.00          |
| HUMAYUN MURAD  | 1,281                 | 0.00          |
| SHUJAAT NADEEM   | 35,832,424            | 3.55          |
| NADEEM BABAR   | 12,500,500            | 1.24          |
| ARJUMAND AHMED MINAI   | 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 Finance Institutions, Non-Banking Finance 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   | 17,354,401            | 1.72          |
| b. Foreign   | 196                   | 0.00          |
| <b>ix. Others</b>  | 83,268,884            | 8.26          |
|  | <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  | 852,040,531           | 84.51         |

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. Shahid Sattar, was sold 133,500 shares, after meeting all regulatory and disclosure requirement.

# Samba Bank Limited

## Form of Proxy

16<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 Wednesday, the 27<sup>th</sup> March, 2019 at Hotel Serena, Islamabad and at any adjournment thereof.

As witness my / our hand / seal this \_\_\_\_\_ day of \_\_\_\_\_ 2019.

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, 2<sup>nd</sup> 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) alongwith 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

سولہواں 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 بدھ 27 مارچ 2019 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 \_\_\_\_\_ 2019۔

بھیجنے والے کے دستخط :  
\_\_\_\_\_ : 1. ان افراد کی موجودگی میں :  
\_\_\_\_\_ : 2.  
\_\_\_\_\_

فولیو / سی ڈی سی اکاؤنٹ نمبر

برائے مہربانی یہاں 5 روپے والی  
ریونیو مہر لگائیں

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 کمپیوٹرائیزڈ شناختی کارڈ نمبر فارم پر درج ہوں۔
- ii پراکسی کی یا بینیفیشل اور کمپیوٹرائیزڈ شناختی کارڈ یا پاسپورٹ کی تصدیق شدہ کاپی پراکسی فارم کے ساتھ منسلک کریں۔
- iii اجلاس کے وقت پراکسی کو اپنا اصل کمپیوٹرائیزڈ 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۔

ڈاگ ٹگٹ  
چسپاں  
گریں

کمپنی سیکریٹری

سامبا بینک لمیٹڈ

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

## **Samba Bank Limited**

### **ADMISSION SLIP**

The sixteenth Annual General Meeting of Samba Bank Limited will be held on Wednesday, March 27, 2019 at 10:00 a.m. at Hotel Serena, Islamabad.

Kindly bring this slip duly signed by you for attending the Meeting.

### **Company Secretary**

Name \_\_\_\_\_

Folio No. / CDC I.D. \_\_\_\_\_ Signature \_\_\_\_\_

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

#### **Note:**

- i) The signature of the shareholder must tally with the specimen signature on the Company's record.
- ii) Shareholders are requested to hand over duly completed admission slip at the counter before entering the Meeting premises.

#### **CDC Account Holders / Proxies / Corporate Entities:**

- a) The CDC Account Holder / Proxy shall authenticate his identity by showing his original Computerized National Identity Card (CNIC) or original passport at the time of attending the Meeting.
- b) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced at the time of the Meeting (unless it has been provided earlier).

**This Admission Slip is Not Transferable**

## سامبا بینک لمیٹڈ

سالانہ اجلاس عام

27 مارچ، 2019 بوقت صبح 10 بجے

ہوٹل سرینا، اسلام آباد

### داخلہ سلیپ

نام \_\_\_\_\_

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

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

موجود 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

# Samba Bank Limited

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