

MOVING AHEAD BY GIVING BACK



Samba Bank Limited

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Samba Bank Limited



Samba Bank Pakistan

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

Promoting Education

Samba Bank is deeply committed towards betterment of the society. Fulfilling its obligation towards the general prosperity, Samba Bank has been actively contributing towards the education sector to promote literacy in the underprivileged communities. Bringing this vision to life, Samba Bank has supported multiple organizations like The Citizens Foundation, Progressive Education Network, Karachi Down Syndrome Program and the Hunar Foundation. Our efforts were aimed towards adoption of classrooms for children, providing them with free of cost quality education, building a digital class room lab to bring children at par with the digital advancement, project supporting inclusive education, vocational/technical training of individuals along with teachers professional development. Samba Bank aspires to progress by working tirelessly for the welfare of this country.



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. Aiman Gusti	Non-Executive Director
Mr. Timour Pasha	Non-Executive Director
Mr. Humayun Murad	Non-Executive Director
Mr. Arjumand Ahmed Minai	Independent Director
Hafiz Mohammad Yousaf	Independent Director
Mr. Tariq Javed*	Independent Director

Board Audit Committee

Mr. Arjumand Ahmed Minai	Chairman
Mr. Aiman Gusti	Member
Hafiz Mohammad Yousaf	Member

Board Risk Committee

Mr. Timour Pasha	Chairman
Mr. Humayun Murad	Member
Mr. Aiman Gusti	Member
Mr. Shahid Sattar	Member

Board Nomination & Remuneration Committee

Hafiz Mohammad Yousaf	Chairman
Ms. Ranya Nashar	Member
Mr. Humayun Murad	Member

Board IT Committee

Dr. Shujaat Nadeem	Chairman
Mr. Aiman Gusti	Member
Hafiz Mohammad Yousaf	Member
Mr. Tariq Javed**	Member

* Appointed w.e.f. Dec' 27, 2019

** Appointed w.e.f. Feb' 06, 2020

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

Helpline

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

Credit Rating by VIS

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

Our Branch Network

Karachi

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

Lahore

Gulberg
Mall
Allama Iqbal Town
Johar Town
DHA Phase III
New Garden Town
Tufail Sarwar Road
Cavalry Ground
Faisal Town
DHA Phase V
Badami Bagh
DHA Phase VI

Rawalpindi

Murree Road
Bahria Town
Wah Cantt.

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

Quetta

M.A. Jinnah Road

Gwadar

Airport Road

Azad Jammu & Kashmir

Bagh

Currently, SBL has a network of 40 branches located in 12 major cities across the country.

Board of Directors



Dr. Shujaat Nadeem
Chairman

Dr. Shujaat Nadeem serves as the Deputy CEO for Business for Samba Financial Group (SFG) since February 2019, and also serves as Chairman of Board for Samba Pakistan since 2013 and the Chairman of Samba Global Markets Limited since March 2016, he is also a board member of Samba Capital. Dr. Nadeem joined Samba Financial group in Oct. 2003 as the Group Treasurer and was instrumental in building the Global markets and Investment business for the bank over the years and continues to serve in multiple other senior committees and boards on behalf of the bank.

Before joining Samba, Dr. Shujaat Nadeem was with Citigroup. He started his career with Citigroup New York in 1993 and during his career he held key positions in London and New York in derivatives trading. He was promoted to the MD title in 1999 as

head of interest rate options trading in London. In 2000, Dr. Shujaat Nadeem took responsibility as Head of the MENA region Citigroup sales and trading franchise where in addition to building some key customer relationships he had extensive interaction with the regional regulators and worked closely with several central banks to advise them on market regulatory reforms.

Dr. Shujaat Nadeem is also one of the founding members of PEN (Progressive Education Network, pen.org.pk), a non-profit philanthropic organization in Pakistan, committed to promotion of primary and secondary education for the underprivileged children.

Dr. Nadeem holds a BSc, MSc. & Ph.D. from Massachusetts Institute of Technology (MIT), USA.

departments, including private banking, retail banking, AML/CFT, Compliance, and Internal Audit. She earned a certificate in governance, risk management, and compliance in collaboration with George Washington University School of Business, USA. In addition, she is a certified anti-money laundering specialist of the American Anti-Money Laundering Association.

She holds a bachelor's degree in Computer Sciences and Information Technology from King Saud University and she completed a Leadership Development Program at the Darden School of Business at the University of Virginia, USA.

Mr. Aiman Gusti holds Bachelor and Master of Science Degrees from King Fahd University of Petroleum and Minerals (KFUPM) with majors in Mathematics.

Mr. Aiman Gusti possesses more than 28 years of banking experience. He started his banking career in 1991 with Samba Financial Group (SFG) KSA. Mr. Gusti is Chief Internal Auditor of Samba Financial Group since 2017. Prior to that, he was manager of the Internal Audit Program for the Treasury, Investment and Financial Markets. He has held several positions at Treasury departments of the National Commercial Bank, Al-Enma Bank and Saudi American Bank.



Ranya Mahmoud Nashar
Non-Executive Director

Ms. Ranya Mahmoud Nashar is the CEO of Samba Financial Group since February 2017. Ms. Ranya is a board member of Samba Capital, Samba Bank Limited in Pakistan and Samba Global Markets Limited. She also serves on the board of directors of the Saudi Space Authority, Institute of International Finance (IIF), The Saudi Stock Exchange (Tadawul). The Board of the Capital Market Authority (CMA) appointed Ms. Rania as a member to its Advisory Committee. She has held several positions in the group, where she has worked for more than 20 years. Her most recent position was as the general manager of the Internal Audit and Risk Group. She has worked in several



Aiman Gusti
Non-Executive Director



Timour Pasha
Non-Executive Director

Mr. Timour Pasha is a Senior Corporate Banking Professional with 28 years of banking experience working with Samba Financial Group since last 11 years. Currently, Mr. Pasha is holding the position in Samba Financial Group as Regional Head of Risk, International Branches covering UAE and NPCs for both Corporate and Investment Banking divisions as well as the FI and Treasury RSCO for the bank.

Mr. Pasha started his career in 1992 with Citigroup in their Corporate Banking Group and worked up to Country Corporate Banking Group head in 2004 for UAE. In 2006 he moved with Citigroup as Regional Head of Risk, Central & West Africa and Algeria

where he was responsible for the portfolio of the Corporate & Commercial and Investment bank for six (6) countries including Algeria, Senegal, Cote d'Ivoire, Cameroon, Gabon and DR Congo, where he worked on this position till 2008. In 2009, he joined Samba Financial Group (SFG) - Corporate & Investment Banking.

He holds a Master's degree in Business Administration (Finance Major) from Lahore University of Management Sciences and also a degree in Bachelor of Commerce from Karachi University, Pakistan.

2016. He established the ORIX joint ventures in Oman, Egypt, Saudi Arabia, UAE and Kazakhstan

In the past, he was Independent Director on the Boards of Pakistan Poverty Alleviation Fund and Pak-Oman Investment Company. Currently he is Advisor to Al Hail Holding, Abu Dhabi, UAE.

In 2007 he was awarded Sitara-e-Pakistan for his services to Pakistan's leasing industry.



Humayun Murad
Non-Executive Director

Mr. Humayun Murad carries professional experience of four decades in the financial sectors in UK, Pakistan and Middle East. He is a fellow member of both the Institute of Chartered Accountants in England & Wales and the Institute of Chartered Accountants of Pakistan.

Mr. Murad was associated with ORIX Leasing Pakistan Ltd since its inception in 1986. In 1989 he became its CEO and held the position until December 31, 2010. Lately, he was MENA Regional CEO of ORIX Corporation, Japan until March 31,

Mr. Arjumand Ahmed Minai joined SBL Board in December 2017 as an Independent Director. He has over 42 years of varied experience in UK and Pakistan with major MNCs engaged in Manufacturing, Banking, Non-Banking Finance, Audit, Information Technology, and Management Consultancy.

Mr. Minai has served for over 14 years, on the Boards of listed companies in the Pharmaceutical and Financial Industry. He is currently serving on the Board of Marie Stopes Pakistan as Director and Chairman Audit Committee. He is also a visiting faculty at the Pakistan Institute of Corporate Governance, and a Volunteer for raising funds for the professional education of the underprivileged youth of Pakistan.

Mr. Minai was with the Standard Chartered Group for about 10 years, where he served as the Chief Executive Officer Standard Chartered Leasing Ltd., as Head of Islamic Banking & Strategic Projects of Standard Chartered Bank (Pakistan) and Managing Director Standard Chartered Modaraba. He also worked as Chief Financial Officer of Union Bank Ltd. (Pakistan).

Mr. Minai is a Fellow of the Association of Chartered Certified Accountants, UK. He holds a bachelor's degree in Commerce from Pakistan. Major areas of his expertise include Finance & Accounting, Audit, Corporate Governance, General Management, Corporate Planning, H.R. Management, I.T. Management, Company Secretary, Productivity Enhancement and Change Management.

restructuring, corporate compliance and regulations, governance and oversight, assurance, consulting and financial advisory services.

Mr. Yousaf has the honor of serving the council of ICAP for eight years (2009-17) in various leadership positions including being its President for 2015-16 term. He has also served on the Boards of State Bank of Pakistan (SBP) and Securities and Exchange Commission of Pakistan (SECP), including chairing their Audit and Oversight Committees respectively.



Arjumand Ahmed Minai
Independent Director



Hafiz Mohammad Yousaf
Independent Director

Hafiz Mohammad Yousaf is a highly qualified professional having diversified qualifications from the renowned Institutions of Pakistan, USA and Canada. He is a Fellow Member of the Institute of Chartered Accountants of Pakistan (ICAP) and also a Gold Medalist in the CA Final Examinations.

Mr. Yousaf possesses over three decades of diversified experience as a Chartered Accountant, (including two decades at a Big 4 accounting firm as Partner/Country Leader Consulting). His areas of specialization are corporate finance and



Tariq Javed
Independent Director

Mr. Tariq Javed has thirty-three (33) years' experience as a Central Banker, Banking Supervisor and Senior Advisor in the Saudi Arabian Monetary Authority (the Central Bank of Saudi Arabia). His major contributions include the development of national policies and reforms of the financial and banking sectors and development of financial laws and regulations.

Mr. Javed is a key contributor to the development, evaluation and assessment of the central bank's strategic and operational plans and licensing decisions for local and foreign banks' presence in Saudi Arabia. He had a key role in the implementation of the Basel I, II and III Standards and in implementation of corporate governance and risk management systems and processes in the Saudi banking sector.

Mr. Tariq Javed has nine (9) years' experience as a Director General (Audit Principal) in the Office of

the Auditor General of Canada, leading special audits on the economy, efficiency and effectiveness of programs and on audits of Government Departments, Agencies and Corporations.

Mr. Tariq Javed has nine (9) years' experience of which four (4) years as a Senior Audit Manager in a leading Canadian audit firm, now part of Ernst and Young. His work included financial consultancy and audits of leading Canadian banks, Insurance Companies, Stockbrokers, Airlines, Shipping, Textile, Electronics and other companies in a variety of industries.

Mr. Javed is a Chartered Certified Accountant, from Quebec, and is a member of the Institute of Chartered Accountants of Canada. He holds a bachelor's degree in Commerce from Pakistan and is an alumni of Harvard University.



Shahid Sattar
President & CEO

Mr. Shahid Sattar joined SBL in August 2013 and brought with him four decades of experience in the local and global banking and financial industry. Mr. Sattar's major experience lies in Retail Banking, Consumer Finance, Branch Operations, Cash Management, Remittance Business, SME and Commercial, Corporate and Islamic Banking.

Prior to joining Samba Bank Limited, he has worked in UBL, as Head of Corporate & Cash Management and later as Head of Retail, Commercial, Consumer (including Cards, Assets, and Products & Marketing). From September 2010 till December 2012, he was heading NIB Bank Limited as Head of Retail, Commercial & Consumer. He has also worked as Head of Retail & Remittance Business in Bank Al-Bilad, Saudi Arabia from November 2007 to September 2010.

Mr. Shahid Sattar, has worked in MCB, from August 1998 till October 2007, holding various positions including Head of SAM, Head of Retail Commercial & Consumer, prior to that he has worked in CITI Bank Pakistan in Corporate from 1992 till 1998. He has also worked in Centralized Credit in BCCI from 1981 till 1991 serving at Cairo, London & Abu Dhabi.

Mr. Sattar's key agenda in formulating SBL's strategic direction includes Commitment to Business Growth and Increasing Revenue, Controlling Cost, Rationalization of Organizational Structure and improving Service Quality. In addition to that, his main focus was to upgrade SBL's Technology which has now implemented T-24 Core Banking System.

He has held many directorships at MNET Services (Pvt.) Ltd. (ATM SWITCH), Bank Al-Bilad Investment Co. Saudi Arabia, PICIC Insurance Co., PICIC Asset Management Co., UBL Asset Management Co., during his career and currently holding directorship of Insta Plast (Pvt.) Ltd.

Mr. Sattar has done Bachelor in Science (B-Sc.) in Textile Engineering from the University of Engineering and Technology, Lahore and holds a Master in Business Administration (MBA) in Marketing from the University of Punjab. He has also attended many national and international Seminars and Conferences.

Board Committees

Board Audit Committee (BAC)

Constitution

Mr. Arjumand Ahmed Minai

Mr. Aiman Gusti

Hafiz Mohammad Yousaf

The Board Audit Committee reviews the effectiveness of the Bank's internal and operational controls; integrity and adequacy of financial reporting; appraise the audit efforts of the Bank's External Auditors and Audit & Risk Review function; and review the Bank's process for monitoring compliance with relevant laws and regulations.

The Audit Committee is appointed by the Board of Directors of Samba Bank Ltd, from which it derives its authority and to which it regularly reports. In discharging its oversight role, the Committee is empowered to investigate any matter brought to its attention or any issue which it may deem fit, with full power to retain outside counsel or other experts for this purpose.

Responsibilities of the Audit Committee delegated by the Board of Directors are designed to increase the effectiveness and strengthen the financial management, internal controls and risk management.

Board Risk Committee (BRC)

Constitution

Mr. Timour Pasha

Mr. Humayun Murad

Mr. Aiman Gusti

Mr. Shahid Sattar

The Board Risk Committee-BRC oversees the risk management function, including credit risks, market risks, liquidity risks, operational risks and information security risks. BRC provides appropriate supervision and governance of these risks within the Bank. Additionally, all new business segments' related Product Programs are approved by the BRC. Minimum risk reporting standards have been set and being maintained. BRC in its quarterly meetings undertakes detailed risk reviews of the portfolios and provides the requisite oversight and guidance to the management.

Board Nomination and Remuneration Committee (BNRC)

Constitution

Hafiz Mohammad Yousaf

Ms. Rania Nashar

Mr. Humayun Murad

The objective of the BNRC is to provide general direction, oversight and supervision of the affairs of the Bank in the formulation of policies and standards on Human Resource Management including compensation, ensure financial soundness and promote effective risk management.

In its compensation supervisory role, the BNRC is tasked to review and monitor on an annual basis that an appropriate compensation system is in place which is aligned with appropriate international standards and best practices subject to primacy of local laws & regulations.

In its nomination supervisory role, the BNRC is tasked for:

- Reviewing directors' nominations for suitability with regard to the Bank's needs and regulatory requirements.
- Reviewing and recommending to the Board selection and appointment of President & CEO.
- To consider and approve/recommend to the Board appointment, compensation, increments, performance bonus etc. and succession plan of Key Executives.

Other major responsibilities and duties of the BNRC, include the following:

- Periodically review and evaluate the Remuneration and other Human Resource Management Policies to ensure their adequacy and effectiveness.
- Review the remuneration policy and remuneration setting mechanism at least once every three years to ensure alignment with the evolving internal as well as external dynamics.
- Review and recommend annual fixed and variable compensation pools for approval by the Board of Directors.
- Review and approve the Management Structure / Organogram for the Senior Management of the Bank.

Board IT Committee (BITC)

Constitution

Dr. Shujaat Nadeem

Mr. Aiman Gusti

Hafiz Mohammad Yousaf

Mr. Tariq Javed

The Board IT Committee (BITC) has been established at Samba Bank in 2019 as per the regulatory governance framework, to provide oversight on IT Strategy, Technology initiatives, planning and its governance in a strategic and proactive manner. The BITC monitors the progress of technology so as to keep it aligned with overall Bank and Business Strategy, and reports into Samba's Board on the status of technology activities and digital initiatives of the Bank.



Chairman's Message

On behalf of the Board of Directors, it is my pleasure to present the annual report of Samba Bank Limited for the year ended 31 December 2019.

2019 proved to be a challenging year, marked by tough macroeconomic conditions, devaluation of currency, interest rate hikes and markets fragility. While these factors might have dampened overall sentiments, I am pleased to share with you that the FY 2019 concluded with a strong set of financials, including profit before tax of PKR 1,100 mln and balance sheet size of PKR 129.6 bln. This is a testament to the robustness of the Bank's strategy and business model and strong support from our diversified customer base.

Corporate and Investment Banking Group (CIBG)

Despite a challenging and a high-interest rate environment, record Net Interest Income was booked and overall returns on assets were improved. CIBG deposits also witnessed a healthy growth. A number of new clients and assets were booked to diversify the client base and further improve spreads. Multiple cross selling initiatives were launched and deepened, including Cash Management mandates and strengthening the Samba Access system. These initiatives stimulated growth in deposits and improved the deposit mix.

Retail Banking Group (RBG)

RBG grew its deposit book by 16% and on-boarded 7,300 NTB (new to bank) customers in 2019 as compared to 5,300 during 2018. The Consumer Assets book continued its growth and closed at an ENR of over PKR 2.0 bln. This performance resulted in growth of 30% and 26% in Interest and Non-Interest Income respectively. SBL also emerged as one of the largest Hajj and Umrah remittance partner banks in Pakistan.

Global Markets (GM)

Local financial market faced turbulence during the year whereby economic adjustments were made prior to signing-off an IMF program leading currency to devalue and an increase of interest rates. However, economic stabilization was achieved later in the year and the GM calibrated its portfolios leading to the NII, total revenue and PBT increasing by 72%, 58% and 54% over the budgets. Increase in equity portfolio investment to capture attractive stock valuations and diversification to new business avenues in FX remittance business were amongst key initiatives in 2019.

Commercial Banking Group (CMBG) and Small & Medium Enterprise Banking (SMEG)

CMBG has emerged as one of SBL's main lending segment contributing significantly towards the operating income of the Bank during 2019. These achievements are based on a wide array of product offerings to the customers including working capital and trade based facilities, receivable financing etc.

Launched in 2017 with the objective of catering to the financial needs of small and medium enterprises, SME department has successfully established its footings in local market capitalizing on the great potential in the segment and is contributing as a major participant to the Bank's performance.

Information Technology (IT)

Technology is reshaping the world faster than ever. The shifting customer preferences for digital products, which has been a success story in the shape of various e-commerce setups has become an inspiration for the banks to revamp the traditional way of banking. The customers, demanding ease of doing transactions, is itself inducing a change in customer behavior and making customers ask for more convenience from their banks. It is our Bank's core strategy to harness the digital wave and simplify banking for our customers by offering products and enabling secure payments through effective use of technology thereby.

Corporate Social Responsibility (CSR)

Our success also means helping others and empowering financial literacy remains a significant objective for us. The Board acknowledges its rightful duty to operate as a socially responsible bank. Our Bank holds an approved Corporate Social Responsibility (CSR) Policy to cover the core areas of focus on CSR.

Joining the cause of providing quality healthcare to the underprivileged citizens of our country, fight vision impairment and blindness, diagnosis and treatment of breast cancer patients; and therapy of patients suffering from Down Syndrome, the Bank made contributions to the Indus Hospital, Layton Rahmatullah Benevolent Trust (LRBT), Pink Ribbon Pakistan and Karachi Down Syndrome Program (KDSP).

An educated and healthy youth is backbone of any developing nation. With an aim of imparting education, technical and vocational training to the marginalized communities, social and societal awareness and to support athletic competitions among specially-abled children and adults; the Bank has made contributions to the causes of Progressive Education Network (PEN), The Citizen Foundation, Kiran Foundation, The Hunar Foundation, Karachi Biennale Trust and Special Olympics Pakistan.

Performance of the Board of Directors

I also take this opportunity to recognize the contribution of the Board of Directors to your Bank's progress and continued success. During the FY 2019, the performance of Board of Directors exhibited high standards of business and professional conduct in managing and supervising 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. The Bank hired services of independent experts in formulation of remuneration policy disclosed in detail in the Directors' Report. These independent experts had no conflict of interest with any of the board members or key executives of the Bank.

Acknowledgement

On behalf of the Board of Directors, I would like to extend appreciation for the continuous co-operation extended by regulatory bodies including State Bank of Pakistan, Securities and Exchange Commission of Pakistan and Federal Board of Revenue. I would also like to thank our shareholders, for their continued commitment and confidence in our long term strategic vision and management for its dedication, commitment and team work.

Dr. Shujaat Nadeem
Chairman



The Executive Team

Standing Left to Right

Sitwat Rasool Qadri
Chief Internal Auditor

Muhammad Arshad Mehmood
Group Head Human Resources, Training
& Administration

Zeeshan Kaiser
Chief Technology Officer

Talal Javed
Group Head Consumer Banking

Sitting Left to Right

Ahmad Tariq Azam
Group Head SME & Commercial Banking

Arif Raza
Group Head Global Markets (Treasurer)

Humayun M. Bawker
Chief Credit Officer

Standing Left to Right

Rashid Jahangir
Chief Financial Officer

Syed Zia ul Husnain Shamsi
Group Head Legal Affairs, IRM
& Company Secretary

Syed Amir Raza Zaidi
Group Head Compliance

Abid Husain
Group Head Operations

Sitting Left to Right

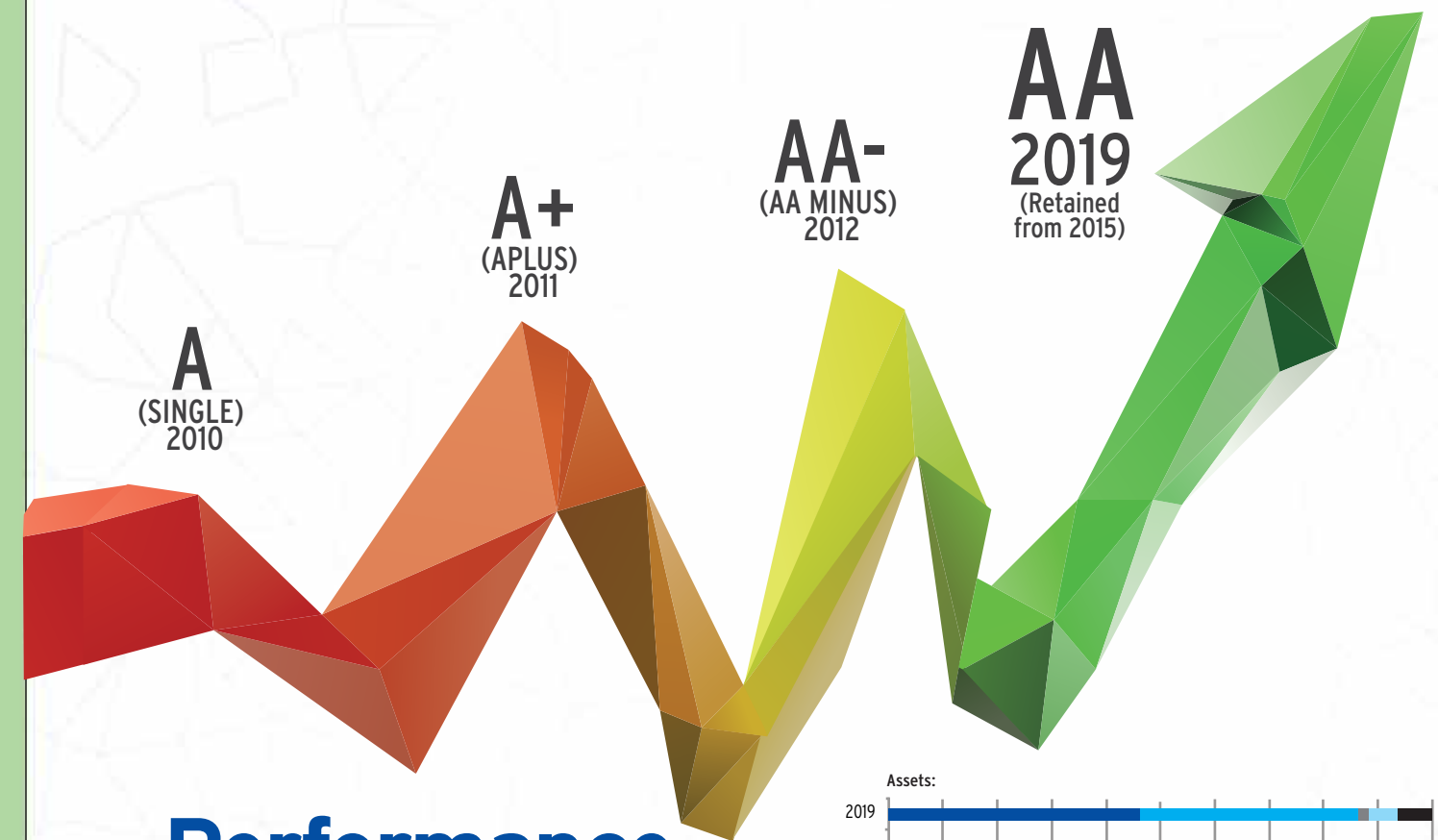
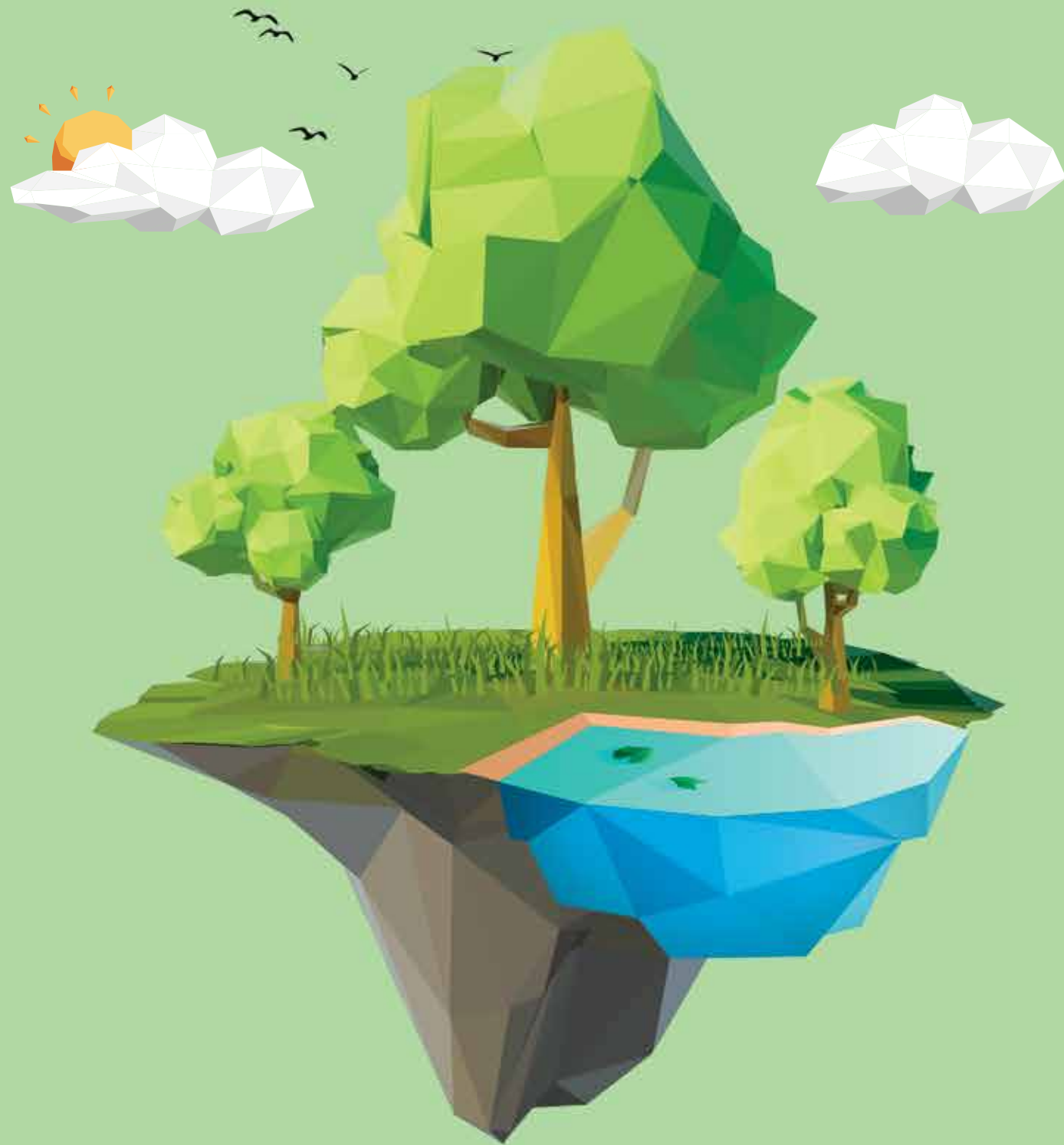
Shahid Sattar
President & CEO

Samina Hamid Khan
Chief Risk Officer

Syed Ghazanfar Agha
Group Head Corporate & Investment Banking

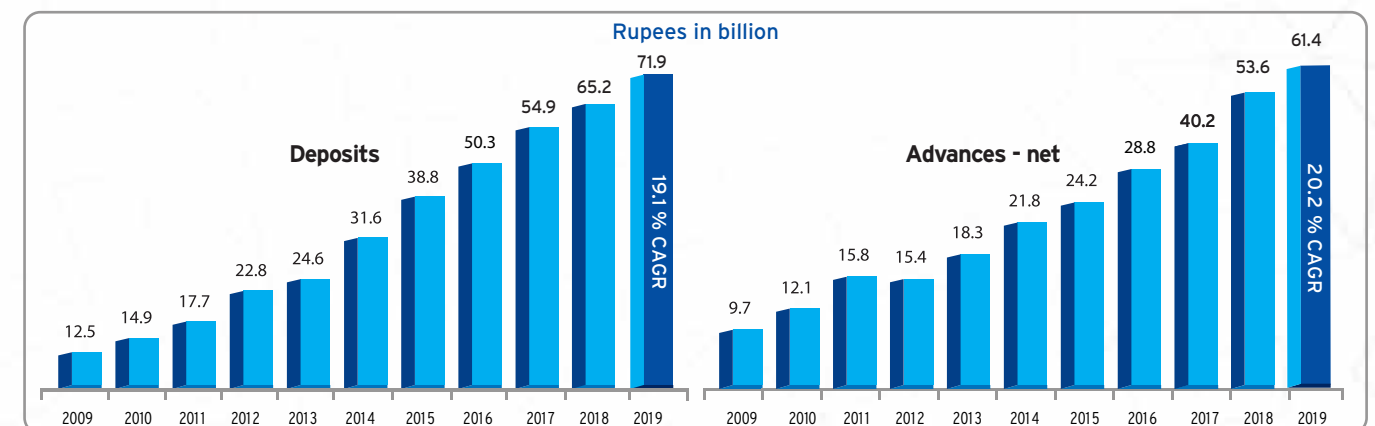
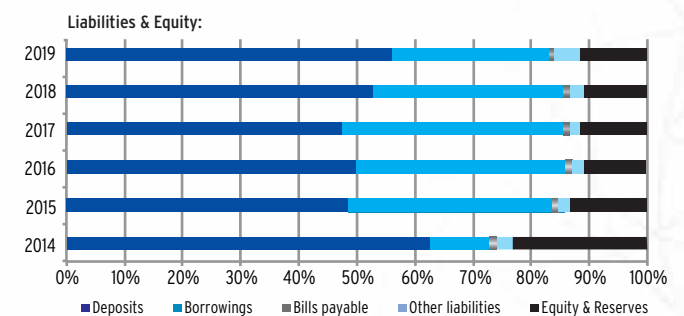
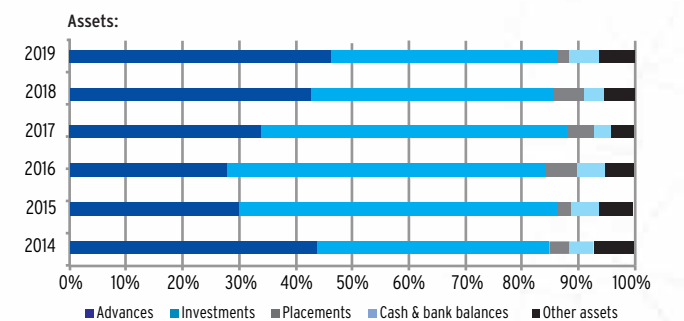
Preserving the Environment

Samba Bank understands that protection of our environment is one of the key issues at hand and needs to be addressed with all possible efforts by individuals and organizations. We understand the importance of our role in protecting the environment and restoring its well-being. We have been actively supporting the World Wildlife Foundation in carrying out their urban afforestation initiative, as part of the Government's Clean and Green Pakistan drive in various parts of the country. This effort will help in improvement of the air quality and diminish the adverse impacts of climate change. Samba Bank pledges to always play its role in preserving the environment.



Performance Highlights

	2014	2015	2016	2017	2018	2019
Assets:						
Advances	43%	30%	28%	34%	44%	47%
Investments	39%	56%	56%	54%	39%	40%
Placements	4%	2%	5%	4%	8%	2%
Cash & bank balances	5%	5%	5%	3%	5%	5%
Other assets	9%	7%	6%	5%	4%	6%
Liabilities & Equity:						
Deposits	63%	48%	49%	47%	53%	55%
Borrowings	12%	34%	35%	39%	32%	28%
Bills payable	1%	1%	1%	1%	1%	1%
Other liabilities	3%	2%	2%	2%	3%	5%
Equity & Reserves	22%	15%	12%	11%	11%	11%





Samba Financial Group Awards 2019

Global Finance

- Best Private Bank in Saudi Arabia
- Best Trade Finance Provider in Saudi Arabia
- Best Treasury & Cash Management Bank in Saudi Arabia
- Best Bank in Saudi Arabia (14th year in a row)
- Best Islamic Corporate Bank in the world
- Best Islamic Investment Bank in the world.
- Best Investment Management Services in Saudi Arabia
- Best Online Cash Management in Saudi Arabia
- Best Trade Finance Services in Saudi Arabia
- Best Information Security and Fraud Management in Saudi Arabia
- Best Online Treasury Services in Saudi Arabia
- Best in Social Media Marketing and Services in Saudi Arabia
- Most Innovative Digital Bank in Saudi Arabia

The Banker

- Islamic Window (Global Winner)

International Business Magazine

- Banking CEO of the year in Saudi Arabia
- Best Retail Bank in Saudi Arabia
- Best Corporate Bank in Saudi Arabia

International Investor

- Bank of the Year in Saudi Arabia for 2019

Total Number of Awards - 18



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, 2019.

Economic Highlights

The policy measures taken by the government over the last few months continue to show improvements. The economy is showing signs of recovery in the shape of decline in Current Account Deficit, better FX reserves position and stable exchange rate. However, the stability measures taken has led to slowdown in GDP growth and higher inflation but steps are being taken to ensure sustained economic growth. Based on forecasts of independent research houses, GDP growth is likely to remain subdued at about 2.6% during FY2020 and is expected to grow by 4.5% - 5% from FY2022-23 driven by the gradual recovery in manufacturing and agriculture sectors and higher development spending.

Bank's Operating Results and Financial Review

Net mark-up / return / interest income
Non mark-up / interest expenses
Non mark-up / interest income
Operating Profit
Provisions
Profit before taxation
Taxation charge
Profit after taxation
Earnings per share-PKR

(Rupees in million)

2019	2018
3,519	2,708
2,763	2,302
846	772
1,602	1,178
502	68
1,100	1,110
414	427
686	683
0.68	0.68

In terms of financial performance, 2019 has remained another successful year for the Bank. During the year net loans/advances and investments increased by PKR 7.76 bln & PKR 3.26 bln respectively whereas lending to financial institutions decreased by PKR 7.17 bln. On liabilities side, a healthy 10% increase in deposits book was recorded over December 31, 2018 which closed at PKR 71.88 bln, whereas borrowings from financial institutions decreased by PKR 3.67 bln. During the year, the management's focus remained on attracting low and no cost deposits and improvement in the overall deposit mix. Despite increase in policy rate during the year by 3.25% over last year, the cost of deposit increased only by 2.76%.

The Bank also emerged as one of the largest Hajj and Umrah remittance partner banks in Pakistan. Due to this and other initiatives, the Bank has managed to increase its non-markup income by 10%. Healthy increase in loan book coupled with improvement in deposit mix, led to increase of operating profit by 36% from similar period last year and closed at PKR 1,602 mln. In order to safeguard its assets against credit risk, the Bank has adopted a prudent approach and charged specific provision of PKR 420mln on both subjective and objective basis against loans and PKR 114 mln (net) against equity portfolio. In addition, the Bank has also charged a general provision of PKR 13.60 mln against its performing consumer loans. The Bank also managed to recover PKR 45.51 mln against the portfolio classified under non-performing status, demonstrating consistent and effective remedial management.

All of the above have translated in the Profit After Tax (PAT) of PKR 686 mln for the year ended December 31, 2019 compared to PKR 683 mln for similar period last year.

New Developments during the Year

A number of new initiatives including enhancement of information security posture were taken. ADC Switch and Cards Management Systems have been migrated to new solution, providing required platform to launch new ADCs and digital banking services. The existing MasterCard portfolio has been migrated to new mandated Debit cards with Chip & PIN enhanced security. New Digital solution for Corporate Collections was launched and SWIFT Standards 2019 mandate was implemented successfully along with implementation of various updates to the Core Banking system. Samba technology also successfully achieved PCI DSS compliance during 2019.

Credit Rating

VIS Credit Rating Company Limited, 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 2019, 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, 2019 (2018: 84.51%);
- Vision and Mission statement monitoring the effectiveness of the company's governance practices and overall corporate strategy for the Bank is prepared, adopted and reviewed as and when deemed appropriate by the Board;
- A formal code of conduct is in place that promotes ethical culture in the Bank and prevents conflict of interest in their capacity as member of the Board, senior management and other employees. The Board takes appropriate steps to disseminate code of conduct throughout the Bank along with supporting policies and procedures;
- Adequate systems and controls are in place for identification and redressal of grievances arising from unethical practices;
- 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 dividends. 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, 2019 is annexed;
- The book value of investments of Staff Provident Fund is PKR 272mln as per the audited financial statements for the year ended December 31, 2018;
- There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as of December 31, 2019, except as disclosed in these financial statements;

- Statement of Compliance with Code of Corporate Governance (CCG) 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;
- The profiles of directors and their position as director in other entities is provided under a separate section in this Annual Report;
- The composition of board committees along with brief TORs of these committees is provided under a separate section in this Annual Report;
- All the directors of the Bank, have completed their training program as per the requirements of the Code except three new directors appointed during the year. They will complete the training during 2020;
- Directors Fee is paid in line with Board & shareholders' approval and the Bank is in the process of finalizing a formal policy in line with recent guidelines issued by State Bank of Pakistan;
- 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 comprises of three independent directors, five non-executive directors and one executive director. The Bank has eight male and one female director on its Board;
- 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 adopts 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.

Election of Directors

The Bank follows the guidelines issued by the State Bank of Pakistan (SBP) and Code of Corporate Governance (CCG) issued by Securities and Exchange Commission of Pakistan (SECP) for the process of appointment and nomination of all the Directors.

During the year 2019, the new Board of Directors of the Bank was elected at the 16th Annual General Meeting held on March 27, 2019.

Change in Directors

The following changes have taken place in the composition of the Board of Directors;

- M/s Nadeem Babar and Shahbaz Haider Agha resigned on April 23, 2019, and September 4, 2019, respectively from the Board of Directors of the Bank.
- Hafiz Mohammad Yousaf and Mr. Tariq Javed were appointed to fill in the casual vacancies after the resignations of M/s Nadeem Babar and Shahbaz Haider Agha during the year 2019.

The Board wishes to place on record its appreciation for the valuable contributions made by the outgoing Directors and extends a warm welcome and cooperation to the newly appointed Directors in performing their fiduciary responsibilities.

Meetings of the Board

Five (5) Board meetings along with Ten (10) Board Sub-Committee meetings were held during the period under review. The Board granted leave of absence to the Directors who did not attend the meetings. The number of meetings held and attended by each director is as follows:

	Board Meetings	Audit Committee Meetings	Risk Committee Meetings	Nomination & Remuneration Committee Meetings	IT Committee Meetings
Number of meetings held	5	4	3	2	1
Number of meetings attended:					
Dr. Shujaat Nadeem	5	-	-	-	1
Mr. Aiman Gusti*	3	1	2	-	-
Mr. Arjumand Ahmed Minai	4	4	-	-	-
Mr. Antoine Mojabber	1	-	1	-	1
Mr. Beji Tak-Tak	1	-	1	-	-
Mr. Humayun Murad	5	3	2	2	-
Hafiz Mohammad Yousaf**	3	1	-	1	-
Mr. Nadeem Babar***	2	-	-	1	1
Ms. Ranya Nashar	5	3	-	2	-
Mr. Shahbaz Haider Agha***	2	-	1	1	-
Mr. Tariq Javed**	-	-	-	-	-
Mr. Timour Pasha*	3	-	2	-	-
Mr. Shahid Sattar	5	-	3	-	-

*Addition to the Board

**Appointed on Board after casual vacancy

***Resigned from the Board

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.

Statement under Revised Guidelines on Remuneration Practices

Effective from performance year 2019, the Bank, in line with SBP's Guidelines and Disclosures on Governance and Remuneration Practices, has formulated & implemented a Remuneration Policy to specifically deal with employees who are materially responsible for risk-taking or risk-controlling activities i.e. Material Risk Takers (MRTs) and Material Risk Controllers (MRCs). The key objectives of this policy include promoting sound and effective risk management, promoting and supporting long-term performance, and attracting, retaining and motivating highly qualified employees.

The policy defines the level of key employees (MRTs & MRCs) whose goal setting, performance measurement and appraisal processes are based on a balanced scorecard approach linking financial performance evaluation with associated risks at the overall Bank level. MRT/ MRC inclusion criteria takes into account both qualitative i.e. President & CEO, Direct Reports of the President & CEO, members of critical management committees, & heads of critical functions responsible for managing business, risks and controls as well as quantitative criteria which in turn is based on Credit Risk, Market Risk, Operational Risk, Liquidity Risk & financial expenditure approval authority thresholds. The performance of all MRTs/MRCs is to be measured through the risk-adjusted balanced scorecards which include financial and non-financial/qualitative factors and which establish a correlation between risks and rewards.

Under the policy, compensation structure consists of (a) fixed remuneration i.e. compensating employees on a monthly basis in the form of gross salary, grade and role-based fixed allowances and benefits, and (b) variable remuneration i.e. performance-based remuneration paid in the form of annual bonus/periodic incentives. Level of fixed remuneration is based on the role and position of the individual employee, professional experience, seniority, education, responsibility, job complexity, local market conditions etc., whereas variable remuneration takes into account the Bank's, Group's, Business Unit's / Product's, and individual's performance for determining payout. Variable compensation to eligible employees is awarded in the form of cash.

A certain portion of the employees' variable compensation would be deferred to align employee and stakeholder interests and link it to longer-term sustainable performance. Proportion of deferment is based on categorization of the concerned MRT/MRC i.e. President & CEO, Senior Management & Other MRTs & MRCs. Deferred remuneration shall vest proportionately over a period of three years following the year of the award, and paid proportionately to the employee through yearly installments. Malus provisions provide for cancellation or reduction of the unvested compensation award due to specific crystalized risk, behavior, conduct or performance outcome. Remuneration of MRCs working in control functions such as Risk Management, Credit, Compliance, Internal Audit, Financial Control, Legal etc. is determined independently from the business units monitored by them. No guaranteed bonuses are allowed.

In accordance with the regulatory requirements, the Bank has a Board Nomination & Remuneration Committee (BNRC) comprising of non-executive directors and headed by an independent director. While the Board of Directors has the overall responsibility for reviewing, approving and monitoring implementation of the bank-wide remuneration framework, the BNRC is responsible for overall design and oversight of the compensation system of the Bank. The BNRC also approves/ recommends to the Board for approval, annual performance awards for the senior management, as required.

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 a whole has taken initiatives to contribute towards the society. A specific budget was allocated towards CSR and related activities in 2019 which was utilized in form of contribution to some of the well-deserved organizations, engaged in education, health, sports 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 27.3 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 at a fee to be mutually agreed. The Auditors' remuneration for 2019 is disclosed in Note 27.4 of the annexed financial statements.

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.

Future Outlook

Going forward, the Government's economic direction will be dictated by the challenge to achieve high tax collection targets, controlling inflation, meeting FATF requirements, pursuing privatization program, fiscal management and government compliance with the IMF quarterly targets.

The Bank has a robust balance sheet with strong capital levels, sustainable earnings and inherent value across its businesses. The Bank has always demonstrated its ability to spot emerging opportunities and execute strategies to capture them. We are optimistic about the future, being confident in our ability to turn challenges into opportunities. The Bank is well-positioned to leverage all eventualities for profitable growth and value creation. It will continue its commitment to being a partner in Pakistan's growth and development.

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, Securities & Exchange Commission of Pakistan, Federal Board of Revenue 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 26, 2020
Karachi



ڈائریکٹرز کی رپورٹ

بورڈ آف ڈائریکٹرز کی جانب سے ہم سال ختمہ 31 دسمبر 2019ء کی سالانہ رپورٹ بشمول پڑتال شدہ مالیاتی گوشوارے (اسٹیٹمنٹس) اور آڈیٹرز کی رپورٹ پیش کرنے میں بہت مسرت محسوس کر رہے ہیں۔

معاشی جائزہ

حکومت کی جانب سے گزشتہ چند ماہ کے دوران اٹھائے گئے پالیسی اقدامات کے باعث متواتر بہتری نمایاں ہو رہی ہے۔ معیشت، گرتے ہوئے کرنٹ اکاؤنٹ خسارے، زرمبادلہ کے ذخائر کی بہتری اور روپے کی مستحکم شرح تبادلہ کی صورت میں بحالی کے مثبت اشاروں کو ظاہر کر رہی ہے۔ تاہم استحکام کی یہ تدابیر جی ڈی پی میں نمو کی رفتار میں سُستی اور افراط زر میں اضافے کی باعث بنی ہے تاہم پائیدار معاشی ترقی کو یقینی بنانے کے لئے بھی اقدامات اٹھائے جا رہے ہیں۔ خود مختار تحقیقاتی اداروں کی پیش بینی کے مطابق جی ڈی پی کی نمو مالی سال 2020 کے دوران تیزی کی صورت حال کو برقرار رکھتے ہوئے 2.6 فیصد تک رہنے کی توقع ہے جبکہ مالی سال 2022-23 سے صنعتوں اور زرعی شعبہ کی تندر تہ بحالی اور زیادہ ترقیاتی اخراجات کی بدولت اس کی شرح 4.5 فیصد سے 5.0 فیصد تک بڑھنے کا امکان ہے۔

بینک کی کارکردگی کے نتائج اور مالیاتی جائزہ

(تمام رقم ملین روپے میں)

2018	2019
2,708	3,519
2,302	2,763
772	846
1,178	1,602
68	502
1,110	1,100
427	414
683	686
0.68	0.68

خالص مارک آپ آمدنی

غیر مارک آپ اخراجات

غیر مارک آپ آمدنی

کاروباری منافع

مہیا کئے گئے اخراجات (پروویژن)

منافع قبل از محصولات

محصولات (ٹیکسیشن)

منافع بعد از محصولات

فی حصص (شیئرز) آمدنی (روپے)

مالیاتی کارکردگی کے حوالے سے سال 2019 بینک کے لیے ایک مزید کامیاب سال ثابت ہوا۔ سال کے دوران خالص قرضہ جات اور سرمایہ کاری میں بالترتیب 7.76 بلین روپے اور 3.26 بلین روپے کا اضافہ ہوا جبکہ مالیاتی اداروں کو فراہم کیے گئے قرضوں میں 7.17 بلین روپے کی کمی ہوئی۔ واجبات کے حوالے سے ڈپازٹس کا حجم 31 دسمبر 2018 کی سطح سے 10 فیصد کم توانا اضافہ کے ساتھ 71.88 بلین روپے رہا۔ جبکہ مالیاتی اداروں سے حاصل شدہ قرضہ جات میں 3.67 بلین روپے کی کمی کا اندراج کیا گیا۔ سال کے دوران انتظامیہ کی توجہ کم یا بغیر لاگت کے ڈپازٹس کے حصول پر مرکوز رہی تاکہ اسکی مجموعی ترکیب کو بہتر بنایا جاسکے۔ پالیسی ریٹ میں اس سال کے دوران گزشتہ سال سے 3.25 فیصد کے اضافے کے باوجود ڈپازٹس کی لاگت میں محض 2.76 فیصد کا اضافہ دیکھا گیا۔

بینک، پاکستان میں حج اور عمرہ کی ترسیلات کے لیے ایک بڑے شراکت دار کے طور پر بھی ابھرا ہے۔ یہ عنصر بشمول دیگر ترقیاتی اقدامات، بینک کی غیر مارک آپ آمدنی میں 10 فیصد سے زائد اضافے کا باعث بنے۔ اس کے ساتھ قرضہ جات کی بروہونی اور ڈپازٹس کی ترکیب میں بہتری کی بدولت بینک کا کاروباری منافع گزشتہ سال کے مقابلے میں 36 فیصد اضافے کے ساتھ 1,602 ملین روپے رہا۔ اپنے اثاثہ جات کو کریڈٹ رسک سے تحفظ فراہم کرنے کیلئے بینک نے دانشمندانہ طریقہ کار اختیار کرتے ہوئے موضوعی اور معروضی دونوں حوالوں سے قرضہ جات کی مد میں 420 ملین روپے کے خصوصی اخراجات (پروویژن)، جبکہ حصص پڑنی اثاثہ جات کے لیے 114 ملین روپے کے پروویژن کا اندراج کیا ہے۔ مزید برآں، بینک نے اپنے صارفین کے فعال قرضہ جات کے تناظر میں 13.6 ملین روپے کے عمومی اخراجات (جنرل پروویژن) کا تعین بھی کیا ہے۔ بینک نے مسلسل اور موزوں تدارکی انتظام کا مظاہرہ کرتے ہوئے اپنے غیر فعال قرضہ جات کے طور پر درجہ بند پورٹ فولیو کی مد میں 45.51 ملین روپے کی وصولیاں بھی درج کیں۔

یہ تمام عوامل بینک کے گزشتہ برس کے 683 ملین روپے منافع بعد از ٹیکس کے مقابلے میں سال 31 دسمبر 2019 کے 686 ملین روپے کے منافع کی ترجمانی کرتے ہیں۔

دوران سال نئی پیش رفت

بینک کی جانب سے کئی نئے اقدام، جن میں انفارمیشن سکیورٹی میں بہتری شامل ہیں کا اعادہ کیا گیا۔ اے ڈی سی (ADC) سوئچ اور کارڈ مینجمنٹ سسٹم کو نئے طریقوں میں ڈھالا گیا جس سے اے ڈی بیز (ADCs) اور ڈیجیٹل بینکاری کی خدمات کے نئے اسلوب کے آغاز کے لیے مطلوبہ پلیٹ فارم دستیاب ہوا۔ موجودہ ماسٹر کارڈ پورٹ فولیو کو نئے تقویتی ڈیٹ کارڈ جس میں چپ (Chip) اور چن (Pin) کی اضافی سکیورٹی جیسی خصوصیات موجود ہیں، سے تبدیل کر دیا گیا ہے۔ کارپوریٹ کولیکشنز (Collections) کے لیے نئے ڈیجیٹل طریقہ کار کا اجراء کیا گیا اور سوئفٹ اسٹینڈرڈز (Swift Standards) 2019 کے اختیار کو کامیابی سے نافذ کرنے کے ساتھ کوری بینکنگ (Core Banking) کے مختلف آپ ڈیس کا بھی نفاذ کیا گیا۔ سامبا نیٹواورجی نے سال 2019 میں پی سی آئی، ڈی ایس ایس (PCI DSS) کی تعمیلات کو بھی نہایت کامیابی سے مکمل حاصل کیا۔

کریڈٹ ریٹنگ

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

اندرونی انضباط (انٹرنل کنٹرول) کا بیانیہ

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

خدشات کے تدارک کا نظام (رسک مینجمنٹ فریم ورک)

مؤثر رسک مینجمنٹ (خدشات کے تدارک کا نظام) ہمارے کاروباری مقاصد کے حصول کا ایک بنیادی جزو ہے، لہذا یہ بینک کی پالیسیوں (حکمت عملیوں) کا کلیدی مطبع نظر ہے۔ رسک مینجمنٹ کے مؤثر نظام کو یقینی بنانے کے لیے بورڈ آف ڈائریکٹرز اور بینک کی انتظامیہ اعلیٰ نے نہایت مستعدی اور جانفشانی کا مظاہرہ کرتے ہوئے تمام پالیسیوں، طریقہ کار اور حدود کا تعین کیا ہے۔ چنانچہ بینک کے پاس رسک مینجمنٹ کا جامع نظام موجود ہے جو کہ رسک مینجمنٹ کے اصول، رجحانات اور انتظامی اسلوب کا تعین کرتا ہے۔ اس نظام کے تحت بہت سی کمیٹیوں کی تشکیل کی گئی ہے جو کہ بورڈ آف ڈائریکٹرز اور مینجمنٹ انتظامیہ کی جانب سے مختلف اقسام کے رسک (خدشات) بشمول قرض (کریڈٹ)، منڈیوں (مارکیٹ)، کارکردگی اور سیال پذیری (لیکویڈٹی) سے متعلق خدشات کی مؤثر انداز میں نگرانی کرتی ہیں۔ ان معاملات کو مزید تفصیل سے ان مالیاتی گوشواروں (اسٹیٹمنٹس) کے ساتھ منسلک نوٹ نمبر 42 میں واضح کیا گیا ہے۔

رسک مینجمنٹ نظام کے تحت بورڈ کی طرف سے منظور شدہ دائرہ کار میں رہتے ہوئے پورے بینک کے رسک (خدشات) کا انتظام، رسک کے عنصر کے مطابق ڈھالے گئے گوشواروں (ریٹرنز) کے فروغ کے مقاصد کو پورا کرتے

- 31 دسمبر 2019ء کو بینک کے حصص یافتگان کی ترتیب کے نمونے پر مشتمل گوشوارہ منسلک ہے۔

- بینک کے اسٹاف کے پروویڈنٹ فنڈ کی مالیت پڑتال شدہ مالیاتی گوشواروں کے مطابق سال ختمہ 31 دسمبر 2018 کو 272 ملین روپے رہی۔

- پڑتال شدہ مالیاتی گوشواروں کے مطابق سال ختمہ 31 دسمبر 2019 تک کوئی بھی قانونی ادائیگی، ٹیکس کی مد میں یا ڈیوٹی۔ لیوی (عائد شدہ) یا کوئی اور خرچ واجب الادائیں ماسوائے ان کے جن کی وضاحت مالیاتی گوشواروں میں کردی گئی ہے۔

- کوڈ آف کارپوریٹ گورننس کی پاسداری سے متعلق بیانیہ منسلک ہے۔

- بینک کے مالیاتی گوشواروں کو بینک کے آڈیٹر میسرز اے ایف فرگن اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس نے بغیر کسی اعتراض کے آڈٹ کیا ہے۔

- ڈائریکٹرز کی پروفائل اور بحیثیت ڈائریکٹر ان کی کسی اور ادارے میں شمولیت اس سالانہ رپورٹ میں علیحدہ سے پیش کی گئی ہے۔

- بورڈ کی کمیٹیوں کی ترکیب اور ان کے اختیارات کے ضوابط اس سالانہ رپورٹ میں علیحدہ سے پیش کئے گئے ہیں۔

- بینک کے تمام ڈائریکٹرز نے اپنے تربیتی پروگرام قانون کے ضوابط/ شرائط کے مطابق پورے کئے ہیں، سوائے تین نئے ڈائریکٹرز کے جن کا تقرر سال کے دوران کیا گیا، جو سال 2020 میں اپنی ٹریننگ مکمل کریں گے۔

- ڈائریکٹرز کی فیس کی ادائیگی بورڈ اور حصص یافتگان کی منظوری کے بعد کی جاتی ہے اور بینک اس سلسلے میں بینک دولت پاکستان کی تازہ ترین ہدایات کے تحت ایک باضابطہ پالیسی تکمیل کے آخری مراحل میں ہے۔

- سی سی جی کی مطلوبات کے مطابق بینک خود مختار اور غیر انتظامی ڈائریکٹرز کی نمائندگی کی حوصلہ افزائی کرتا ہے۔ فی الوقت بینک کا بورڈ آف ڈائریکٹرز تین آزاد ڈائریکٹرز، پانچ غیر انتظامی ڈائریکٹرز اور ایک انتظامی ڈائریکٹر پر مشتمل ہے۔ بینک کے آٹھ ڈائریکٹرز مرد حضرات اور ایک ڈائریکٹر خاتون ہیں۔

- بورڈ اپنی کارکردگی بینک کی مجموعی کارکردگی سے جانچتا ہے۔ ڈائریکٹرز بورڈ کے اجلاس باقاعدگی سے شرکت کرتے ہیں اور ان کی کارروائی میں بھرپور دلچسپی لیتے ہیں۔ بورڈ اس امر کو یقینی بناتا ہے کہ بینک اپنی کارکردگی کے تمام شعبوں میں کارپوریٹ گورننس کے بہترین معیار کو اختیار کرے اور مضبوط داخلی انضباط کے نظام کا حامل ہو۔ بورڈ معاشرتی اور ماحولیاتی عوامل کی بنیاد پر بینک کی اپنی پائیدار حکمت عملی کے بارے میں 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۔

ڈائریکٹرز کا انتخاب

بینک اپنے تمام ڈائریکٹرز کے تقرر اور نامزدگی کے لیے بینک دولت پاکستان کے ضوابط اور سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے جاری کردہ کوڈ آف کارپوریٹ گورننس کی پاسداری کرتا ہے۔

سال 2019 کے دوران 27 مارچ 2019 کو موقعہ 16 ویں سالانہ عام اجلاس میں بینک کے نئے بورڈ آف ڈائریکٹرز کا انتخاب کیا گیا۔

ڈائریکٹرز میں تبدیلی

بورڈ آف ڈائریکٹرز کی تشکیل میں مندرجہ ذیل تبدیلیاں رونما ہوئیں:

- جناب ندیم باہراور جناب شہباز حیدر آغا بالترتیب 23 اپریل 2019 اور 4 ستمبر 2019 کو بینک کے بورڈ آف ڈائریکٹرز سے مستعفی ہو گئے۔

ہوئے کیا جاتا ہے۔ بینک کے رسک مینجمنٹ کا نظام آزادانہ رسک مینجمنٹ کے طے شدہ اصولوں سے مزین منظم (کارپوریٹ) نظم و نسق کو متوازن کرنے کیلئے بنایا گیا ہے۔ 2019 کے مکمل سال کے دوران بورڈ کی رسک کمیٹی کے تشکیل کردہ رہنمائی کے اصولوں کی بنیاد پر مجموعی رسک مینجمنٹ کے نظم و ضبط میں بہتری اور عمدگی کیلئے کوششیں جاری رہیں۔

کوڈ آف کارپوریٹ گورننس کے تحت بیان/ کارپوریٹ اور مالیاتی (فناشل) 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 ذیلی ادارہ ہے جو 31 دسمبر 2019 تک بینک کے 84.51 فیصد حصص کی ملکیت رکھتا ہے (84.51 فیصد۔ 2018)

- کمپنی کے انتظامی معاملات/ اقدامات کی موزونیت اور بینک کی مجموعی کارپوریٹ حکمت عملی کی نگرانی کے لیے وٹرن اور مشن اسٹیٹمنٹس (تصور اور مقاصد کا بیانیہ) کو بورڈ کی حسب ضرورت اور صوابدید کے تحت تیار، اختیار اور ان کا تجزیہ کیا گیا ہے۔

- طرز عمل کے باضابطہ قوانین موجود ہیں جن سے بینک میں اخلاقی تہذیب و تمدن کے فروغ اور مفادات کے ٹکراؤ سے بچا جاسکے جو بطور بورڈ کے ارکان، سینئر انتظامیہ اور دیگر ملازمین کی حیثیت سے وقوع پذیر ہو سکتے ہوں۔ بورڈ بینک میں اخلاقی تہذیب کے طرز عمل کے فروغ کے لیے متعلقہ ضابطہ اور طریقہ کار کے ساتھ مناسب اقدامات جاری رکھتا ہے۔

- غیر اخلاقی ضابطہ عمل سے پیدا ہونے والی کسی بھی شکایت کی نشاندہی اور اسکے ازالے کے لیے مناسب سسٹمز (نظام) اور کنٹرولز (انضباط) موجود ہیں۔

- 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 (معتدلانہ جائزہ)، اس کی کارکردگی کے نتائج، مجموعی آمدنی، نقد بہاؤ (کیش فلو) اور سرمایہ (ایکویٹی) کی تبدیلی پیش کرتے ہیں۔

- موزوں حساب داری کی حکمت عملیوں کو کھاتوں کی تیاری کیلئے مسلسل طور پر جاری رکھا جاتا ہے۔ ماسوائے حساب داری کی ان پالیسیوں کے جن کا ذکر مالیاتی گوشواروں کے ساتھ منسلک نوٹ نمبر 5.1 میں کیا گیا ہے۔ حساب داری کے انداز معقول اور محتاط رائے پر استوار کئے جاتے ہیں۔

- بین الاقوامی حساب داری کے معیار (انٹرنیشنل فنانشل رپورٹنگ اسٹینڈرڈز) 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 سے بیان کیا گیا ہے۔

- اندرونی انضباط کا نظام اپنے خود خال میں مضبوط اور مستحکم ہے اور نہایت خوش اسلوبی سے نافذ کیا اور جانچا جاتا ہے۔

- بینک اپنی کارکردگی جاری رکھنے کی صلاحیت کے حوالے سے کسی بھی ٹنگ و شبہ سے بالاتر ہے۔

- کارپوریٹ گورننس کے بہترین ضابطہ عمل، جیسا کہ متعلقہ قوانین میں درج ہیں، سے کوئی قابل ذکر گردانی نہیں کی گئی۔

- گزشتہ 6 سال کی اہم کارکردگی اور مالیاتی مواد (ڈیٹا) کا خلاصہ سالانہ رپورٹ میں شامل ہے۔

- اپنے سرمائے کی بنیاد کو مستحکم رکھنے اور مستقبل میں وسعت دینے کے تناظر میں بینک نے منقسم (ڈیویڈنڈ) کا اعلان نہیں کیا۔ فی حصص آمدنی اس زیر نظر عرصے میں 0.68 روپے (بنیادی/تحلیل شدہ) رہی۔

نظر ثانی شدہ معاوضاتی ہدایات کے تحت بیانیہ

عملی سال 2019 سے قابل اطلاق اور بینک دولت پاکستان کی فراہم کردہ انتظام اور مشاہدہ کے طریقہ کار کے بارے میں راہنمائی اور اظہار کے اصولوں کی روشنی میں بینک نے ایک پالیسی مرتب اور نافذ کی جو خاص طور پر ان ملازمین سے تعلق رکھتی ہے جو خدمات کی اختیاری یا اس کی گمرانی کے عمل کے ذمہ دار ہیں مثلاً میٹرل رسک ٹیکرز (MRTs) اور میٹرل رسک کنٹرولرز (MRCs)۔ اس پالیسی کے بنیادی مقاصد میں خدمات کے تدارک کے لیے موزوں اور مضبوط انتظام کا فروغ، طویل المدت کا کردگی کی حوصلہ افزائی و تعاون اور اعلیٰ قابلیت کے حامل ملازمین کی دلچسپی، کام کو جاری اور متحرک رکھنے جیسے عوامل شامل ہیں۔

یہ پالیسی ملازمین (MRTs اور MRCs) کی درجہ بندی کرتی ہے جن کے اہداف کا تعین، کارکردگی کی جانچ اور ان کے کام کی بجا آوری کو پرکھنے کا طریقہ کار ایک متوازن اسکور کارڈ (score card)، جس کا تعلق مالیاتی کارکردگی کے جائزے اور بینک میں مجموعی طور پر اس سے متعلق خدمات کی بنیاد پر ہوتا ہے۔ MRTs/MRCs کی شمولیت کے معیار اصول میں دوئوں پہلوؤں کو جس میں، معیاری پہلو میں پریڈنٹ اور سی ای او (CEO)، پریڈنٹ اور سی ای او کو براہ راست جوابدہ، ناگزیر مینجمنٹ کمیٹیوں کے نمبر ان اور تمام اہم شعبہ جات کے سربراہان جو کاروبار، اسکے خدمات اور ان پر قابو پانے کے لیے ضروری اقدامات کرتے ہیں، شامل ہیں جبکہ اعدادی پہلو کے اصول جن میں کریڈٹ رسک، آپریشنل رسک، لیکویڈیٹی رسک اور مالیاتی اخراجات کی منظوری کا اختیار شامل ہے، کو مد نظر رکھا جاتا ہے۔ تمام MRTs/MRCs کی کارکردگی کی جانچ خدمات کی مطابقت کے متوازن اسکور کارڈ، جس میں مالیاتی اور غیر مالیاتی معیاری عوامل جو خدمات اور ان کی تلافی میں ہم آہنگی قائم کرتے ہوں، کے ذریعے کی جاتی ہے۔

پالیسی کے تحت معاوضوں کی ساخت مندرجہ ذیل پر مشتمل ہے :

- معین معاوضہ - جس میں ملازمین کی ماہانہ بنیاد پر کل تنخواہ، گریڈ اور عہدہ کی بنیاد پر معین الاؤنس اور فوائد شامل ہیں اور
- متغیر معاوضہ - جس میں کارکردگی کی بنیاد پر سالانہ بونس/معیادی فوائد کی شکل میں معاوضوں کی ادائیگی شامل ہے۔

معین معاوضوں کی ترکیب ایک انفرادی ملازم کے کام اور عہدہ، پیشہ وارانہ قابلیت، سناریٹی، تعلیم، ذمہ داری، کام کی پیچیدگی، داخلی مارکیٹ کے حالات وغیرہ پر منحصر ہوتی ہے، جبکہ متغیر معاوضوں میں بینک، گروپ، کاروباری شعبہ (Business Unit)، پروڈکٹ اور انفرادی کارکردگی کے جائزے کو ادائیگیوں کے تعین کے لیے استعمال کیا جاتا ہے۔ تمام اہل ملازمین کے متغیر معاوضوں کی ادائیگی نقد کی جاتی ہے۔

ملازمین کی متغیر معاوضوں کے ایک مخصوص حصے کو ملازمین اور دیگر اسٹیک ہولڈرز (stake holders) کے مفاد میں مؤخر کیا جانے گا جس کا تعلق ان کی طویل المدت پائیدار کارکردگی سے ہو۔ مؤخر رقم کے حصے کا تعین متعلقہ MRTs اور MRCs کی درجہ بندی کی بنیاد پر ہوگا، جس میں پریڈنٹ اور سی ای او، سینئر انتظامیہ اور دیگر MRTs اور MRCs شامل ہیں۔ مؤخر شدہ معاوضے کی ادائیگی، اعلان شدہ سال سے اگلے تین سال کی مدت میں ملازمین کو مطلوبہ تناسب میں سالانہ قسطوں میں کی جائے گی۔ مخصوص ٹھوس خدمات، روینے، چال چلن اور کارکردگی کے نتائج کے باعث غیر حاصل شدہ معاوضوں میں کمی یا ان کی منسوخی کے اقدامات کئے جاسکتے ہیں۔ ضوابطی شعبوں سے منسلک MRCs، جن میں رسک مینجمنٹ، کریڈٹ، کمپلائنس، انٹرنل آڈٹ، فنانشل کنٹرول، لیگل وغیرہ شامل ہیں، کے معاوضات کا تعین، ان کے زیر نظر کاروباری شعبوں کے ذریعے کیا جاتا ہے۔ کسی بھی بونس کی یقین دہانی ممنوع ہے۔

ضوابطی مطلوبات کے عین مطابق بینک کے پاس غیر انتظامی ڈائریکٹرز پر مشتمل ایک بورڈ نامزدگی اور معاوضہ کمیٹی (BNRC) موجود ہے جس کی سربراہی ایک خود مختار ڈائریکٹر کرتے ہیں۔ اگرچہ بورڈ آف ڈائریکٹرز پورے بینک پر محیط معاوضوں کی ادائیگیوں کے نظام کے نفاذ کے تجربے، منظوری اور نگرانی کے مجموعی طور پر ذمہ دار ہیں تاہم BNRC بینک کے معاوضوں کی ادائیگی کے مجموعی خدوخال اور نگرانی کی ذمہ دار ہے۔ علاوہ ازیں BNRC سینئر انتظامیہ کے لیے سالانہ کارکردگی کے ایوارڈ بھی بورڈ کی منظوری کے لیے تجویز کرتی ہے۔

کارپوریٹ سماجی ذمہ داری

کارپوریٹ سماجی ذمہ داری (سی ایس آر) سے مراد ایسی کاروباری سرگرمی ہے جو کہ سماجی، ماحولیاتی نظام، جس میں وہ ادارہ کام کرتا ہے، میں حصہ لینے یا اس کو فائدہ پہنچانے کے لیے کی جاتی ہے۔ جب کوئی کاروبار ماحولیاتی، سماجی اور معاشی ذمہ داری کے مطابق اور شفاف طریقے سے چلتا ہے تو ادارے کی کامیابی میں مددگار ثابت ہوتے ہیں۔ بینک اپنی معاشرتی ذمہ داریوں سے بخوبی آگاہی رکھتے ہوئے اس کے لیے تمام ضروری اقدامات اٹھا رہا ہے۔ سی ایس آر (CSR) اور اس کے متعلقہ سرگرمیوں کیلئے 2019ء میں بجٹ مختص کیا گیا جو صحیح معنوں میں مستحق، ایسے اداروں میں تقسیم کیا گیا ہے جو پاکستانی معاشرے کی بہتری کیلئے عمومی طور پر تعلیمی، صحت، کھیل اور سماجی ترقی سے متعلق شعبوں میں کام کرتے ہیں۔

اس سال کے دوران، اس میں دیئے جانے والے عطیات/شرکت کی تفصیل مالیاتی گوشواروں کے نوٹ نمبر 27.3 میں درج کی گئی ہیں۔

- سال 2019 کے دوران حافظ محمد یوسف اور جناب طارق جاوید کو جناب ندیم بابر اور شہباز حیدر آغا کے استعفیٰ کے بعد خالی ہونے والی اسامیوں کو پورا کرنے کے لیے منتخب کر لیا گیا۔

بورڈ رخصت ہونے والے ڈائریکٹرز کی گراں قدر خدمات کا اعتراف اور تحسین کا اظہار کرتا ہے اور نئے آنے والے ڈائریکٹرز کا گرم جوشی سے خیر مقدم کرتے ہوئے ذمہ داریوں کی ادائیگی میں ان سے مکمل تعاون کا خواہاں ہے۔

بورڈ کے اجلاس:

اس زیر نظر عرصے میں بورڈ کے پانچ (5) اجلاس اور اس کے ساتھ بورڈ کی ذیلی کمیٹیوں کے دس (10) اجلاس منعقد ہوئے۔ بورڈ ان ڈائریکٹرز کو حاضری سے استثناء عطا کرتا ہے جنہوں نے اجلاس میں شرکت نہیں کی۔ منعقد شدہ اجلاسوں کی تعداد اور ان میں ہر ڈائریکٹر کی شرکت درج ذیل 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	5	4	3	2
اجلاس میں شرکت کی تعداد	1	1	-	1
ڈاکٹر شجاعت ندیم	5	-	-	1
جناب ایمین گسٹی *	3	1	2	-
جناب ارجمند احمد بینائی	4	4	-	-
جناب انوٹن موجہر	1	-	1	1
جناب بی بی ملک ملک	1	-	1	-
جناب ہمایوں مراد	5	3	2	2
حافظ محمد یوسف **	3	1	-	1
جناب ندیم بابر ***	2	-	-	1
محترمہ رعنہ ناشر	5	3	-	2
جناب شہباز حیدر آغا ***	2	-	1	1
جناب طارق جاوید **	-	-	-	-
جناب تیمور پاشا *	3	-	2	-
جناب شاہد ستار	5	-	3	-

* بورڈ میں اضافہ

** غیر مستقل اسامی کے بعد بورڈ میں نامزدگی

*** بورڈ سے استعفیٰ

ڈائریکٹرز اور ایگزیکٹو کے حصص کا حصول

حصص کی ملکیت کی ترتیب اور حصص کی ملکیت کی ترتیب سے متعلق اضافی معلومات علیحدہ سے منسلک ہیں۔ اس سال کے دوران ڈائریکٹرز، سی ایف او (CFO) اور کمپنی سیکرٹری اور ان کے شریک حیات اور ان کے نابالغ بچوں کی جانب سے کمپنی کے حصص میں لین دین (تجارت) نہیں کیا گیا۔

آڈیٹرز

بینک کے بیرونی (ایکسٹرنل) آڈیٹرز میسرز اے ایف فرگوئن اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس نے اہلیت کی بناء پر اپنی دوبارہ تفرری کی پیشکش کی ہے۔ بورڈ آف ڈائریکٹرز، آڈٹ کمیٹی کی تجویز پر میسرز اے ایف فرگوئن اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس (جو پرائس واٹر ہاؤس کوپری ممبر فرم ہے) کو اگلے سال کے تفرری کیلئے تجویز کرتا ہے جس کی فیس مشاورتی طور پر طے کی جائے گی۔ سال 2019 کے لیے آڈیٹرز کی فیس منسلک مالی گوشواروں کے نوٹ نمبر 27.4 میں درج کی گئی 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۔

مستقبل کی پیش بینی

مستقبل میں حکومت کی معاشی سمت کا تعین محصولات کو اکٹھا کرنے کے بڑھتے ہوئے ہدف، افراط زر پر قابو، ایف اے ٹی ایف (FATF) کے مطلوبات کی تکمیل، نجکاری پروگرام پر عمل، مالیاتی انتظام اور حکومت کے آئی ایم ایف (IMF) کے سہ ماہی اہداف کے حصول پر منحصر ہوگا۔

بینک کا میزانیہ مضبوط اور سرمایہ مستحکم ہے، آمدنی پائیدار اور کاروبار میں بڑھوتی کی مزید گنجائش موجود ہے۔ بینک نے ابھرنے والے مواقع کو تلاش کرنے اور ان سے مستفید ہونے کے لیے موزوں حکمت عملی اختیار کرنے کی اپنی صلاحیت کا ہمیشہ مظاہرہ کیا ہے۔ ہم مستقبل کے بارے میں مشکلات کو مواقع میں تبدیل کرنے کی اپنی صلاحیت کے بارے میں خاصے پُر امید ہیں۔ بینک اپنے منافع میں ہونے والی ہر ممکن صورتحال سے مستفید ہونے اور اس میں مزید بہتری پیدا کرنے کی مستحکم حیثیت رکھتا ہے اور پاکستان کی ترقی اور تعمیر میں اپنے بھرپور کردار کے لیے پُر عزم ہے۔

اظہار تشکر:

ہم اپنے صارفین، کاروباری شراکت داران اور حصص یافتگان کے اعتماد اور خلوص پر ان کے نہایت مشکور ہیں۔ بورڈ آف ڈائریکٹرز اور بینک کی انتظامیہ، بینک دولت پاکستان، سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان، فیڈرل بورڈ آف ریونیو اور دیگر ضوابطی اداروں کی رہنمائی پر ان کے شکرگزار ہیں۔ 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

26 فروری 2020

کراچی

ارجمند احمد بیٹائی

ڈائریکٹر

Six Years' Performance Highlights

	Rs. in Millions					
	2019	2018	2017 (Restated)	2016 (Restated)	2015	2014
Statement of Financial Position						
Assets						
Advances - gross	64,043	55,892	42,503	30,988	26,260	23,916
Investments - gross	51,510	48,139	62,936	57,272	44,828	20,055
Lending to financial institutions	2,274	9,449	5,193	5,277	2,000	1,900
Cash and balances with treasury and other banks	6,698	5,651	4,015	5,540	4,330	2,605
Fixed assets	1,897	1,065	1,113	1,290	1,269	759
Intangible assets	133	121	133	169	54	42
Deferred tax asset - net	327	701	437	410	658	1,058
Other assets - gross	5,774	4,338	4,406	4,562	3,118	2,567
Total assets - gross of provisions	132,657	125,355	120,736	105,507	82,517	52,903
Provision against advances - specific and general	(2,687)	(2,300)	(2,321)	(2,198)	(2,073)	(2,104)
Provision for diminution in the value of investments	(232)	(118)	(18)	(35)	(102)	(102)
Provision held against bad and doubtful other assets	(161)	(173)	(173)	(175)	(176)	(115)
Total assets - net of provisions	129,577	122,765	118,224	103,100	80,166	50,581
Liabilities						
Customer deposits and other accounts	71,882	65,225	54,901	50,307	38,844	31,642
Borrowings	36,114	39,781	46,201	35,847	27,326	5,965
Bills payable	783	877	687	915	492	309
Other liabilities	6,618	4,098	3,726	3,711	1,660	1,411
Total liabilities	115,398	109,981	105,515	90,780	68,322	39,326
Net assets	14,179	12,784	12,708	12,320	11,844	11,255
Share capital	10,082	10,082	10,082	10,082	10,082	10,082
Advance against proposed issue of shares	-	-	-	-	-	-
Reserves	829	692	555	408	299	213
Unappropriated profit / (accumulated losses)	2,939	2,389	1,843	1,252	816	472
Equity	13,850	13,164	12,481	11,743	11,198	10,767
(Deficit)/ surplus on revaluation of assets - net of tax	329	(380)	227	577	647	488
	14,179	12,784	12,708	12,320	11,844	11,255
Profit & Loss Account						
Mark-up / return / interest earned	12,791	7,556	7,256	5,682	5,468	4,619
Mark-up / return / interest expensed	(9,272)	(4,847)	(4,897)	(3,576)	(3,326)	(2,806)
Net mark-up / interest income	3,519	2,708	2,359	2,106	2,143	1,813
Fee, commission, brokerage and Income from dealing in foreign currencies	764	508	349	317	201	153
Dividend income and (loss) / gain on sales of securities - net	83	258	139	739	507	41
Other income and unrealised (loss) / gain on revaluation of investments	(0)	5	227	23	98	24
Non mark-up / interest income	846	772	715	1,079	805	217
Revenue	4,365	3,480	3,074	3,185	2,948	2,030
Non mark-up / interest expenses	(2,763)	(2,302)	(2,042)	(1,993)	(2,111)	(1,646)
(Charge) / reversal / recovery of provision / against write-offs	(502)	(68)	(101)	(265)	(22)	41
Profit / (Loss) before taxation	1,100	1,110	931	926	815	425
Taxation	(414)	(427)	(192)	(382)	(385)	(199)
Profit / (Loss) after taxation	686	683	739	545	431	226
Other Information						
Return on equity (RoE)	5.2%	5.4%	5.9%	4.4%	3.7%	2.1%
Return on assets (RoA)	0.6%	0.6%	0.6%	0.6%	0.6%	0.5%
Profit before tax to revenue ratio	25.2%	31.9%	30.3%	29.1%	27.7%	20.9%
Advances to deposits ratio (ADR)	85.4%	82.2%	73.2%	57.2%	62.3%	68.9%
Efficiency ratio (cost to revenue)	63.3%	66.2%	66.5%	62.6%	71.6%	81.1%
Earning Per Share (EPS)*	0.68	0.68	0.73	0.54	0.43	0.24
Market value per share - rupees	8.00	8.04	6.96	7.26	6.00	7.00
Number of employees	905	837	747	680	657	602
Number of branches	40	37	37	37	34	28

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, in its Internal Control Policy, for certain functions such as Audit & Risk Review (ARR), Compliance, the Operations Risk Management Department (ORMD) and Finance. 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 assists 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 procedures and policies. Risk and Controls Self-Assessment (RCSA) regime has been implemented throughout the Bank, whereby each business/function, under the guidance of their Group Head and Operational Risk undertakes a quarterly self-testing exercise to test the effectiveness of their operational risk controls. In order to institutionalize a robust operational risk management culture, Key Risk Indicators (KRIs) for each function have been identified along with tolerance limits. The Internal Control - ICFR Unit under Finance assists the management in formulating an effective ICFR system, in line with the applicable regulations and its regular monitoring. An accountability process is in place to ensure effectiveness of the overall control environment. Further, the 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 2018 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 26, 2020
Karachi

Complaint Handling Mechanism

At Samba Bank, we believe in a service culture where our aim is to seamlessly deliver world class banking products and services to our clientele. SambaCare is a dedicated complaint management team that handles all customer complaints logged from multiple channels including Samba Phone, website, email, fax, branches, Banking Mohtasib, SBP, Facebook, the President's Office, Samba Smart and our branches across Pakistan.

Samba Bank has an automated complaint escalation mechanism whereby all complaints are escalated to the senior management if not resolved within the stipulated time frame as defined in the complaint management system. In 2019, root causes of various complaints have been presented in meetings with relevant stakeholders where proactive measures have been taken to address the core issue and resultantly reduce lodgment of complaints. All the customer complaints that were logged were treated in an impartial and transparent manner, informing the customer the reason incase the complaint was declined.

Complaint Summary

In Year 2019, Samba Bank received 1977 number of complaints as compared to 1632 in 2018. The average complaint resolution time in 2019 was 3 working days where 99% of the complaints were resolved within the timeframe set by the regulator.

Independent Auditors' Review Report on the Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 ("the Regulations") prepared by the Board of Directors of Samba Bank Limited ("the Bank") for the year ended December 31, 2019 in accordance with the requirements of regulation 36 of the Listed Companies (Code of Corporate Governance) Regulations, 2019.

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, 2019.

A. F. Ferguson & Co.
Chartered Accountants
Karachi
Dated: February 26, 2020

Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2019

Samba Bank Limited ("the Bank") has complied with the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2019 ("the Regulations") in the following manner:

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

Category	Names
Independent Directors	Mr. Arjumand Ahmed Minai Hafiz Mohammad Yousaf* Mr. Tariq Javed**
Executive Director	Mr. Shahid Sattar, President and Chief Executive Officer (CEO)
Non-Executive Directors	Dr. Shujaat Nadeem (Chairman) Ms. Ranya Nashar Mr. Aiman Gusti Mr. Humayun Murad Mr. Timour Pasha

*Appointed on July 11, 2019, in place of Mr. Nadeem Babar who resigned on April 23, 2019. The Bank has received approval from the State Bank of Pakistan on August 20, 2019.

** Appointed on November 24, 2019, in place of Mr. Shahbaz Haider Agha who resigned on September 4, 2019. The Bank has received approval from the State Bank of Pakistan on December 27, 2019.

3. The Directors have confirmed that none of them is serving as a director on more than seven listed companies, including this bank.
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. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the Bank.
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. All the meetings of the Board were presided over by the Chairman. 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. As per explanation given in the serial no. 19(a), the Board has drafted a policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.

9. Following Directors have attended Directors' Training program:

- Dr. Shujaat Nadeem (Chairman / Non-Executive Director)
- Mr. Humayun Murad (Non-Executive Director)
- Ms. Ranya Nashar (Non-Executive Director)
- Mr. Shahid Sattar, President & CEO (Executive Director)
- Hafiz Mohammad Yousaf (Independent Director)
- Mr. Arjumand Ahmed Minai (Independent Director)

Presently, six (6) directors have attained prescribed certification under the Directors' Training program, whereas the board will arrange certification for remaining three (3) directors during 2020.

10. The Board has approved appointment of Chief Financial Officer, 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. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board.

12. The Board has formed committees comprising of members given below:

- a) Board Audit Committee
 - (i) Mr. Arjumand Ahmed Minai (Chairman & Independent Director)
 - (ii) Mr. Aiman Gusti (Member & Non-Executive Director)
 - (iii) Hafiz Mohammad Yousaf (Member & Independent Director)
- b) Board Nomination and Remuneration Committee
 - (i) Hafiz Mohammad Yousaf, (Chairman & Independent Director)
 - (ii) Ms. Ranya Nashar (Member & Non-Executive Director)
 - (iii) Mr. Humayun Murad (Member & Non-Executive Director)
- c) Board Risk Committee
 - (i) Mr. Timour Pasha (Chairman & Non-Executive Director)
 - (ii) Mr. Aiman Gusti (Member & Non-Executive Director)
 - (iii) Mr. Humayun Murad (Member & Non-Executive Director)
 - (iv) Mr. Shahid Sattar (Member & Executive Director)
- d) Board IT Committee
 - (i) Dr. Shujaat Nadeem (Chairman & Non-Executive Director)
 - (ii) Mr. Aiman Gusti (Member & Non-Executive Director)
 - (iii) Hafiz Mohammad Yousaf (Member & Independent Director)

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 committees were as per following:

- a) Audit Committee: 4 meetings were held during the financial year ended December 31, 2019.
- b) Board Nomination and Remuneration Committee: 2 meetings were held during the financial year ended December 31, 2019.

- c) Board Risk Management Committee: 3 meetings were held during the financial year ended December 31, 2019.
- d) Board IT Committee: 1 meeting was held during the financial year ended December 31, 2019.

15. The Board has set up an effective internal audit function which is considered 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 and registered with Audit Oversight Board of Pakistan, and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not close relatives (spouse, parent, dependent and non-dependent children) of the Chief Executive Officer, Chief Financial Officer, Head of Internal Audit, Company Secretary or Directors of the Bank.

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 requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with.

19. Explanation for non-compliance with requirement, other than regulations 3, 6, 7, 8, 27, 32, 33 and 36 is below:

- a) As per the Regulations, the board shall have in place a formal policy and transparent procedure for fixing the remuneration of individual directors for attending meetings of the Board and its committees. The Bank has already prepared a draft policy document as required by the Regulations which will be presented in the upcoming BNRC meeting for recommendation and onward approval by the Board.

Shahid Sattar
President & CEO

Dr. Shujaat Nadeem
Chairman

February 26, 2020

Notice of the Seventeenth Annual General Meeting

Notice is hereby given that the Seventeenth Annual General Meeting of Samba Bank Limited ("the Bank") will be held on Friday, March 27, 2020 at 4.00 p.m. at Hotel Serena, Islamabad to transact the following business:

Ordinary Business

- To confirm the minutes of the 16th Annual General Meeting held on March 27, 2019.
- To receive, consider and adopt the Annual Audited Accounts of the Bank for the year ended December 31, 2019, together with the Reports of the Directors and Auditors thereon.
- To appoint Auditors for a term ending at the conclusion of the next Annual General Meeting. The retiring Auditors, A. F. Ferguson & Company, Chartered Accountants, being eligible, have offered themselves for reappointment.

Any Other Business

To consider any other business with the permission of the Chair.

March 6, 2020
Karachi

By the Order of the Board

Zia-ul-Husnain Shamsi
Company Secretary

- | | |
|---|---|
| <p>1. Share Transfer Books of the Bank will remain closed from 21-03-2020 to 27-03-2020 (both days inclusive). Transfer received in order at Bank's Registrar, M/s. Famco Associates (Pvt.) Ltd., 8-F, next to Hotel Faran, Nursery, Block-6, P.E.C.H.S, Shahra-e-Faisal, Karachi, up to close of business on 20-03-2020 will be considered in time for the purpose of Annual General Meeting.</p> <p>2. Copies of the minutes of the Annual General Meeting dated March 27, 2019 are available for inspection by Members as required under section 152 of the Companies Act, 2017.</p> <p>3. 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.</p> <p>4. 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.</p> | <p>B. Requirements for Appointing Proxies:</p> <p>(i) In the case of individuals, the account holder or sub-account holder whose registration details are uploaded as per the Central Depository Company of Pakistan Limited Regulations, shall submit the proxy form as per the above requirement.</p> <p>(ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.</p> <p>(iii) Attested copies of the CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.</p> <p>(iv) The proxy shall produce his/her original CNIC or original passport at the time of the Annual General Meeting.</p> <p>Circulation of Annual Audited Accounts via Email/CD/USB/DVD or Any Other Media</p> <p>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.</p> <p>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.</p> <p>Submission of CNIC (mandatory)</p> <p>Pursuant to the directives of the SECP, the CNIC/SNIC numbers of the 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.</p> |
| <p>A. Requirements for Attending the Annual General Meeting:</p> <p>(i) In the case of individuals, 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.</p> <p>(ii) 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.</p> <p>(iii) 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.</p> | |

اطلاع برائے ستر ہواں سالانہ اجلاس عام

بذریعہ نوٹس لید اطلاع دی جاتی ہے کہ سامبا بینک لمیٹڈ ("بینک") کا ستر ہواں سالانہ اجلاس عام بمقام ہوٹل سرینا، اسلام آباد بروز جمعہ، مورخہ 27 مارچ 2020، شام 4:00 بجے، درج ذیل امور کی انجام دہی کیلئے منعقد کیا جائے گا:

عمومی امور:

- 27 مارچ 2019 کو منعقد ہونے والے سولہویں سالانہ اجلاس عام کے منٹس کی توثیق کرنا
- 31 دسمبر 2019 کو ختم ہونے والے سال کیلئے بینک کے سالانہ آڈٹ شدہ اکاؤنٹس کو وصول کر کے زیر غور لانا اور پھر ڈائریکٹرز اور آڈیٹرز کی رپورٹ پر غور کرنا اور منظوری دینا۔
- آئندہ سالانہ اجلاس عام تک آڈیٹرز کا تقرر اور اسکے معاوضے کا تعین کرنا۔ فارغ ہونے والے آڈیٹر میسرز اے ایف ڈی فرگوسن اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس نے اہل ہونے کی بناء پر دوبارہ تقرری کی درخواست دی ہے۔

دیگر امور:

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

6 مارچ 2020

کراچی

حسب الحکم پورڈ
ضیاء الحسنین شمس
کمپنی سیکریٹری

نوٹس:

- بینک کی شیئرز انسفر کی کتب مورخہ 21 مارچ 2020 سے 27 مارچ 2020 تک (بشمول دونوں ایام) بند رہیں گی۔ بینک کے شیئرز رجسٹر اری میسرز فیمکو ایسوسی ایٹس (پرائیویٹ) لمیٹڈ، 8-F، نزد ہوٹل فاران، نرسری، بلاک 6، پی ای سی ایچ ایف ایس، شاہراہ فیصل کراچی کو 20 مارچ 2020 کا رو باری اوقات کے اختتام سے قبل ملنے والے شیئرز انسفر سالانہ اجلاس عام میں شرکت کے استحقاق کیلئے بروقت تصور ہوں گے۔
- کمپنیز ایکٹ 2017 کے سیکشن 152 کے تحت 27 مارچ 2019 کو منعقد ہونے والے کئیںٹھ کے سولہویں سالانہ اجلاس عام کے منٹس کی نقول ممبران کے معائنہ کے لئے دستیاب ہیں۔
- ممبرز اپنا پتہ تبدیل ہونے کی صورت میں فوراً بینک کے شیئرز رجسٹر اری میسرز فیمکو ایسوسی ایٹس (پرائیویٹ) لمیٹڈ، 8-F، نزد ہوٹل فاران، نرسری، بلاک 6، پی ای سی ایچ ایف ایس، شاہراہ فیصل کراچی کو آگاہ کریں۔
- سالانہ اجلاس عام میں شرکت اور ووٹ دینے کا اہل کوئی ممبر شرکت اور ووٹ دینے کیلئے اپنی جگہ کسی اور ممبر کو بطور پراکسی نامزد کر سکتا ہے اور کارپوریشن بطور ممبر کسی کو بھی اپنا پراکسی مقرر کر سکتی ہے خواہ وہ اس کا ممبر ہو یا نہ ہو لیکن اسے کارپوریشن نے باقاعدہ مجاز کیا ہو۔ پراکسیز بینک کے رجسٹرڈ آفس پر سالانہ اجلاس عام سے 48 گھنٹے قبل موصول ہو جانا چاہئیں۔

A سالانہ اجلاس عام میں شرکت کی شرائط:

- فرد واحد کی صورت میں اکاؤنٹ ہولڈر یا سب اکاؤنٹ ہولڈرز جن کی رجسٹریشن کی تفصیلات سینٹرل ڈیپازٹری کمپنی آف پاکستان لمیٹڈ کے قواعد کے تحت آپ لوڈ کر دی گئی ہیں، اجلاس میں شرکت کیلئے اصل کمپیوٹرائزڈ قومی شناختی کارڈ یا اصل پاسپورٹ دکھانا لازمی ہے۔
- CDC اکاؤنٹ ہولڈرز کو اجلاس میں شرکت کیلئے سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے سرکل نمبر 01 بتاریخ 26 جنوری 2000 میں مذکورہ گائیڈ لائنز پر عمل کرنا ہوگا۔
- کارپوریٹ اداروں کی صورت میں پورڈ آف ڈائریکٹرز کی قرارداد/پاور آف اٹارنی مع دستخط نامزد کے اجلاس میں شرکت کیلئے بینک کو پراکسی فارم کے ہمراہ پیش کرنا ہوگا۔ (اگر پہلے فراہم نہ کیا گیا ہو)

کمپیوٹرائزڈ قومی شناختی کارڈ کی فراہمی (لازمی)

سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (SECP) کے حکم کے تحت ڈیوئیڈنڈ وارنٹ پر شیئرز ہولڈرز کے مؤثر CNIC/SNIC نمبر ہونا لازمی ہیں۔ اس لئے شیئرز ہولڈرز سے درخواست کی جاتی ہے کہ وہ اپنے مؤثر CNIC/SNIC کی نقول (اگر پہلے مہیا نہیں کی گئیں) بینک کے شیئرز رجسٹر اری میسرز فیمکو ایسوسی ایٹس (پرائیویٹ) لمیٹڈ، 8-F، نزد ہوٹل فاران، نرسری، بلاک 6، پی ای سی ایچ ایف ایس، شاہراہ فیصل کراچی کے پاس جمع کروائیں، جس میں ناکامی کی صورت میں بینک ڈیوئیڈنڈ وارنٹس کی ترسیل روکے پر مجبور ہوگا۔

Facilitating Healthcare

Samba Bank has also been devoted towards the general welfare of people by taking several initiatives in collaboration with hospitals and healthcare centers. We at Samba Bank believe that every citizen has a birthright towards quality health facilities. To make this mission a success, Samba Bank has joined hands with various organizations like Indus Hospital, Patients Aid Foundation, Pink Ribbon Pakistan and LRBT. Our efforts majorly included providing medical equipment and surgical patient beds, funding eye surgeries of children and treatment for breast cancer patients. Health is everyone's basic right and Samba Bank will continue to devote its efforts in this cause.



Financial Statements



For the year ended
December 31, 2019

Independent Auditors' 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, 2019, 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, 2019 and of the profit and other comprehensive income, 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>Provision against advances (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 provision against advances amounting to Rs 388.264 million in the profit and loss account in the current year. As at December 31, 2019, the Bank holds a provision of Rs 2,687.214 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</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"> controls over monitoring of advances with higher risk of default and correct classification of non-performing advances on subjective criteria; controls over accurate computation and recording of provisions; and controls over the governance and approval process related to provisions, including continuous reassessment by the management. <p>In accordance with the regulatory requirement, we sampled and tested at least sixty percent of the total advances portfolio</p>

S.No.	Key Audit Matters	How the matter was addressed in our audit
	position of the Bank, we considered the area of provision against advances as a key audit matter.	<p>and performed the following substantive procedures for sample loan accounts:</p> <ul style="list-style-type: none"> • 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. • 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. <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>IFRS - 16 Leases (Refer note 3.5 to the financial statements)</p> <p>The Bank has adopted IFRS 16 “Leases” with effect from January 1, 2019. IFRS 16 introduces a single on balance sheet lease accounting model for leases entered into by the lessees. A lessee recognises a right-of-use asset representing its right of using the underlying asset and a corresponding lease liability representing its obligations to make lease payments. On adoption of IFRS 16, the Bank has changed its accounting policy for operating leases which are now recognised on the statement of financial position and recorded right-of-use assets amounting to Rs 984.043 million and a corresponding lease liability amounting to Rs 884.705 million as at January 1, 2019 in respect of operating lease contracts (primarily arrangements in respect of rented premises occupied by the Bank) as of that date.</p> <p>The Bank has adopted IFRS 16 retrospectively from January 1, 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions of the standard.</p> <p>The adoption of IFRS 16 involves estimation and judgement. Because of the significance of the impact of these judgements / estimates, we considered this area as a key audit matter.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> • Reviewed the design and tested the operating effectiveness of key controls over identification and measurement of right-of-use assets and corresponding lease liabilities. • Evaluated the appropriateness of the methodology and assumptions used by the management in recognising right-of-use assets and corresponding lease liabilities. • Tested on a sample basis, the completeness, accuracy and reliability of the underlying data used by the management to support the right-of-use assets and corresponding lease liabilities recognised. • Reviewed the presentation and disclosures related to the adoption of IFRS 16 and assessed whether it complied with the relevant accounting and reporting framework.

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: March 02, 2020
Karachi

Statement of Financial Position

AS AT DECEMBER 31, 2019

		(Rupees in '000)	
		2019	2018
ASSETS			
Cash and balances with treasury banks	6	5,544,027	5,154,790
Balances with other banks	7	1,154,197	496,174
Lendings to financial institutions	8	2,274,405	9,449,244
Investments - net	9	51,278,029	48,021,370
Advances - net	10	61,356,143	53,592,255
Fixed assets	11	1,896,507	1,064,563
Intangible assets	12	133,464	120,648
Deferred tax assets - net	13	327,484	700,767
Other assets - net	14	5,613,151	4,164,776
		129,577,407	122,764,587
LIABILITIES			
Bills payable	15	783,478	877,017
Borrowings	16	36,114,488	39,780,603
Deposits and other accounts	17	71,881,880	65,225,052
Liabilities against assets subject to finance lease		-	-
Subordinated debt		-	-
Deferred tax liabilities		-	-
Other liabilities	18	6,618,074	4,098,160
		115,397,920	109,980,832
NET ASSETS		14,179,487	12,783,755
REPRESENTED BY:			
Share capital	19	10,082,387	10,082,387
Reserves		829,289	691,997
Surplus / (deficit) on revaluation of assets	20	329,259	(380,015)
Unappropriated profit		2,938,552	2,389,386
		14,179,487	12,783,755
CONTINGENCIES AND COMMITMENTS			
	21		

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

Chief Financial Officer

President & Chief Executive Officer

Director

Director

Chairman

Profit and Loss Account

FOR THE YEAR ENDED DECEMBER 31, 2019

		(Rupees in '000)	
Note	2019	2018	
Mark-up / return / interest earned	22	12,791,334	7,555,595
Mark-up / return / interest expensed	23	9,272,249	4,847,164
Net mark-up / return / interest income		3,519,085	2,708,431
Non mark-up / interest income			
Fee and commission income	24	331,658	270,927
Dividend income		61,381	45,332
Foreign exchange income		432,256	237,464
Gain on securities	25	20,697	214,586
Other income	26	154	3,743
Total non mark-up / interest income		846,146	772,052
Total income		4,365,231	3,480,483
Non mark-up / interest expenses			
Operating expenses	27	2,732,037	2,264,098
Workers' Welfare Fund	28	22,920	23,024
Other charges	29	8,078	15,278
Total non mark-up / interest expenses		2,763,035	2,302,400
Profit before provisions		1,602,196	1,178,083
Provisions and write offs - net	30	(502,047)	(68,364)
Extra ordinary / unusual items		-	-
Profit before taxation		1,100,149	1,109,719
Taxation	31	(413,691)	(426,990)
Profit after taxation		686,458	682,729
		(Rupees)	
Earnings per share - basic and diluted	32	0.68	0.68

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

Chief Financial Officer

President & Chief Executive Officer

Director

Director

Chairman



Statement of Comprehensive Income

FOR THE YEAR ENDED DECEMBER 31, 2019

	(Rupees in '000)	
	2019	2018
Profit after taxation for the year	686,458	682,729
Other comprehensive income	-	-
Items that may be reclassified to profit and loss account in subsequent periods:		
Movement in surplus / (deficit) on revaluation of investments - net of tax	709,274	(607,168)
Total comprehensive income for the year	1,395,732	75,561

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

Chief Financial Officer

President & Chief Executive Officer

Director

Director

Chairman

Cash Flow Statement

FOR THE YEAR ENDED DECEMBER 31, 2019

Note	(Rupees in '000)	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	1,100,149	1,109,719
Less: dividend income	(61,381)	(45,332)
	1,038,768	1,064,387
Adjustments:		
Depreciation	335,080	163,933
Amortisation	34,124	34,020
Provision for diminution in the value of investments	114,005	99,926
Provision / (reversal) against loans and advances - net	388,264	(17,408)
Bad debts written off directly	151	27
Fixed assets written-off / adjusted	-	2,111
Gain on sale of investments - net	(4,655)	(208,507)
Deficit / (surplus) on revaluation of investments held for trading	514	(1,723)
Interest expense on lease liability against right-of-use assets	115,307	-
Reversal of off balance sheet obligation	-	(14,130)
Gain on sale of fixed assets - net	(122)	(3,591)
	982,668	54,658
	2,021,436	1,119,045
Decrease / (increase) in operating assets		
Lendings to financial institutions	7,174,839	(4,256,294)
Held for trading securities	5,986,502	(4,549,508)
Advances	(8,152,303)	(13,393,101)
Other assets (excluding current and advance taxation)	(1,577,368)	(293,520)
	3,431,670	(22,492,423)
(Decrease) / increase in operating liabilities		
Bills payable	(93,539)	190,325
Borrowings from financial institutions	(3,666,115)	(6,420,865)
Deposits and other accounts	6,656,828	10,323,588
Other liabilities	1,685,650	386,600
	4,582,824	4,479,648
Income tax paid	10,035,930	(16,893,730)
	(425,886)	(5,992)
Net cash flows generated from / (used in) operating activities	9,610,044	(16,899,722)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in available for sale securities	(8,228,618)	18,622,439
Dividend income received	61,381	48,182
Investments in fixed assets	(214,233)	(147,296)
Proceeds from sale of fixed assets	5,477	12,230
Net cash flows (used in) / generated from investing activities	(8,375,993)	18,535,555
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of lease liability against right-of-use assets	(186,791)	-
Increase in cash and cash equivalents during the year	1,047,260	1,635,833
Cash and cash equivalents at the beginning of the year	5,650,964	4,015,131
Cash and cash equivalents at the end of the year	6,698,224	5,650,964

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

Chief Financial Officer

President & Chief Executive Officer

Director

Director

Chairman



Statement of Changes In Equity

FOR THE YEAR ENDED DECEMBER 31, 2019

	(Rupees in '000)					
	Share capital	Capital reserve	Statutory reserve	Surplus / (deficit) on revaluation of investments	Unappropriated profit	Total
Balance as at January 1, 2018	10,082,387	20,935	534,516	227,153	1,843,203	12,708,194
Comprehensive income for the year						
Profit after taxation for the year ended December 31, 2018	-	-	-	-	682,729	682,729
Other comprehensive loss						
Movement in deficit on revaluation of investments - net of tax	-	-	-	(607,168)	-	(607,168)
	-	-	-	(607,168)	682,729	75,561
Transfer to statutory reserve	-	-	136,546	-	(136,546)	-
Balance as at December 31, 2018	10,082,387	20,935	671,062	(380,015)	2,389,386	12,783,755
Comprehensive income for the year						
Profit after taxation for the year ended December 31, 2019	-	-	-	-	686,458	686,458
Other comprehensive income						
Movement in surplus on revaluation of investments - net of tax	-	-	-	709,274	-	709,274
	-	-	-	709,274	686,458	1,395,732
Transfer to statutory reserve	-	-	137,292	-	(137,292)	-
Balance as at December 31, 2019	10,082,387	20,935	808,354	329,259	2,938,552	14,179,487

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

Chief Financial Officer

President & Chief Executive Officer

Director

Director

Chairman

Notes to and forming part of the Financial Statements

For The Year Ended December 31, 2019

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, 2019 (2018: 84.51%). The Bank operates 40 branches as at December 31, 2019 (2018: 37 branches) inside Pakistan.
- 1.2** VIS Credit Rating Company 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, interpretations of and amendments to the published accounting and reporting standards that are effective in the current year:**

The Bank has applied the following standards for the first time for accounting period commencing January 1, 2019:

- 3.3.1** IFRS 16: 'Leases', became effective from annual period beginning on or after January 1, 2019. The impact of the adoption of IFRS 16 on the Bank's financial statements is disclosed in note 3.5.
- 3.3.2** There are certain other new and amended standards, interpretations and amendments that are mandatory for the Bank's accounting periods beginning on or after January 1, 2019 but are considered not to be relevant or do not have any significant effect on the Bank's operations and are therefore not detailed in these financial statements.



3.4 Standards, interpretations and amendments to approved accounting standards that are not yet effective:

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

Standards, Interpretations or Amendments	Effective date (annual periods beginning on or after)
- IFRS 3 - 'Business combinations' (amendments)	January 1, 2020
- IAS 1 - 'Presentation of financial statements' (amendments)	January 1, 2020
- IAS 8 - 'Accounting policies, change in accounting estimates and errors' (amendments)	January 1, 2020
- IFRS 9 - 'Financial instruments'	January 1, 2021*

The management is in the process of assessing the impact of these standards and amendments on the financial statements of the Bank.

* The SBP vide its BPRD Circular No. 04 dated October 23, 2019 has notified the effective date of IFRS 9, 'Financial Instruments' as January 1, 2021. IFRS 9, 'Financial Instruments' has replaced IAS 39, 'Financial Instruments: Recognition and Measurement'. The standard 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 'Expected Credit Losses' (ECL) approach rather than 'incurred credit losses' approach. The ECL has impact on all the assets of the Bank which are exposed to credit risk.

3.4.2 There are certain other new and amended standards, interpretations and amendments that are mandatory for the Bank's accounting periods beginning on or after January 1, 2020 but are considered not to be relevant or will not have any significant effect on the Bank's operations and are therefore not detailed in these financial statements.

3.5 Change in accounting policy

Effective January 1, 2019, the Bank has adopted IFRS 16, 'Leases' which 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 recognises a right-of-use asset representing its right-of-use of the underlying asset and a lease liability representing its obligations to make lease payments. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The accounting policies relating to Bank's right-of-use assets and lease liability are disclosed in note 5.5(a)(ii).

The Bank has adopted IFRS 16 retrospectively from January 1, 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from adoption of IFRS 16 are therefore recognised in the opening statement of financial position on January 1, 2019. The new accounting policies are disclosed in note 5.5(a)(ii) to these financial statements.

On adoption of IFRS 16, the Bank recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17, 'Leases'. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate of kibar plus 1.25% per annum as of January 1, 2019.

On adoption of IFRS 16, the Bank has recognised lease liability amounting to Rs 884.705 million as at January 1, 2019 in respect of operating lease commitments of its rental premises amounting to Rs 1,635.115 million for the year ended December 31, 2018. The on-balance sheet recognition of leases previously accounted for as operating leases was most significantly impacted by adjustments as a result of discounting and different treatment of extension and termination options under IFRS 16.

	(Rupees in '000)	
	December 31, 2019	January 1, 2019
Total lease liability recognised of which:		
Current	215,456	186,791
Non-current	618,808	697,914
	834,264	884,705

The right-of-use assets were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at December 31, 2018.

The recognised right-of-use assets relate to the following type of assets:

Land and buildings

Impact on the statement of financial position

Increase in fixed assets - right-of-use assets

Decrease in other assets - advances, deposits, advance rent
and other prepayments

Increase in other liabilities - lease liability against right-of-use assets

Decrease in other liabilities - accrued rent

Decrease in other liabilities - provision for taxes

Decrease in net assets

(Rupees in '000)	
December 31, 2019	January 1, 2019
823,853	984,043
823,853	984,043
(84,904)	(99,338)
738,949	884,705
(834,264)	(884,705)
1,025	-
36,773	-
(57,517)	-

Impact on the profit and loss account

Increase in mark-up / return / interest expensed - lease liability against right-of-use assets

(Increase) / decrease in operating expenses:

- Depreciation on right-of-use assets

- Rent expenses

Decrease in profit before tax

Decrease in taxation

Decrease in profit after tax

Decrease in earnings per share - Rupees

(Rupees in '000)	
For the year ended December 31, 2019	
	(115,307)
	(181,233)
	202,250
	(94,290)
	36,773
	(57,517)
	(0.06)

Practical Expedients applied

In applying IFRS 16 for the first time, the Bank has used the following practical expedients permitted by the standard:

- reliance on previous assessments on whether leases are onerous as an alternative to performing an impairment review;
- the accounting for operating leases with a remaining lease term of less than 12 months as at January 1, 2019 as short-term leases; and
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application.

The Bank has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Bank relied on its arrangement made applying IAS 17 and Interpretation for determining whether an arrangement contains a Lease.

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 5.3 and 9).
- ii) classification and provisioning against advances (notes 5.4 and 10).
- iii) determination of useful lives and depreciation and amortisation of fixed assets and intangible assets (notes 5.5, 5.6, 11 and 12).
- iv) income taxes (notes 5.8, 13 and 31).
- v) provision against off balance sheet obligations (note 18.1).
- vi) determination of right of use asset at associated lease liability (notes 3.5, 5.5(a)(ii) and 18).

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 3.5 above.

5.1 Cash and cash equivalents

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

5.2 Lendings to / borrowings from financial institutions

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

(a) Sale of securities under repurchase agreements

Securities sold subject to a repurchase agreement (repo) are retained in the financial statements as investments and the counter party liability is included in borrowings. The differential between the sale price and contracted repurchase price is amortised over the period of the contract and recorded as an expense.

(b) Purchase of securities under resale agreements

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

(c) Bai Muajjal

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

5.3 Investments

5.3.1 Classification

The Bank classifies its investments as follows:

(a) Held for trading

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

(b) Held to maturity

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

(c) Available for sale

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

5.3.2 Regular way contracts

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

5.3.3 Initial recognition and measurement

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

5.3.4 Subsequent measurement

Subsequent to initial recognition investments are valued as follows:

(a) Held for trading

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.

5.3.5 Impairment

Impairment loss in respect of investments classified as 'available for sale' (except for term finance certificates) is recognised based on management's assessment of objective evidence of impairment as a result of one or more events that may have an impact on the estimated future cash flows of these investments. A significant or prolonged decline in the value of equity securities is also considered as an objective evidence of impairment. The Prudential Regulations specify that investments in unlisted equity securities are required to be carried at cost. However, in cases where the breakup value of such equity securities is less than the cost, the difference between the cost and breakup value should be charged to the profit and loss account as an impairment charge. In the case of such securities, impairment loss is reversed when the shares are disposed off. Provision for diminution in the value of term finance certificates is made as per the requirements of the Prudential Regulations issued by the SBP. In the event of impairment of available for sale securities, the cumulative loss that had been recognised directly in surplus on revaluation of securities 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.

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

5.4 Advances

(a) Loans and advances

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



(b) Net investment in finance leases

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

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

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

5.5 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) Lease liability and right-of-use asset

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.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The lease liability is initially measured at the present value of the lease payments over the lease term and that are not paid at the commencement date, discounted using the Bank's incremental borrowing rate.

Lease payments include fixed payments less any lease incentive receivable, variable lease payment that are based on an index or a rate which are initially measured using the index or rate as at the commencement date, amounts expected to be payable by the Bank under residual value guarantees, the exercise price of a purchase option if the Bank is reasonably certain to exercise that option and payments of penalties for terminating the lease if the lease term reflects the lessee exercising that option. The extension or termination options are incorporated in determination of lease term only when the Bank is reasonably certain to exercise these options.

The lease liability is subsequently measured at amortised cost using the effective interest rate method. The lease liability is also remeasured to reflect any reassessment or lease modification, or to reflect revised insubstance fixed lease payment.

The lease liability is remeasured when the Bank reassesses the reasonable certainty of exercising the extension or termination option upon occurrence of either a significant event or a significant change in circumstances, or when there is a change in assessment of an option to purchase underlying asset, or when there is a change in amount expected to be payable under a residual value guarantee, or when there is a change in future lease payments resulting from a change in an index or rate used to determine those payment. The corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the profit and loss account if the carrying amount of right-of-use asset has been reduced to zero.

When there is a change in scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease, it is accounted for as a lease modification. The lease modification is accounted for as a separate lease if modification increases the scope of lease by adding the right to use one or more underlying assets and the consideration for lease increases by an amount that is commensurate with the stand-alone price for the increase in scope adjusted to reflect the circumstances of the particular contracts, if any. When the lease modification is not accounted for as a separate lease, the lease liability is remeasured and corresponding adjustment is made to right-of-use asset.

The right-of-use asset is initially measured at an amount equal to the initial measurement of lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of the costs to be incurred to dismantle and remove the underlying asset or to restore the underlying asset or the site on which the asset is located.

The right-of-use asset is subsequently measured at cost model. The right-of-use asset is depreciated on a straight line method over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The right-of-use asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The Bank has elected to apply the practical expedient of not to recognise right-of-use assets and lease liabilities for short term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases is recognised as an expense on a straight line basis over the lease term.

(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.

5.6 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.

5.7 Impairment

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

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

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

5.8 Taxation

(a) Current

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

(b) Deferred

Deferred tax is recognised using the balance sheet liability method on all major temporary differences between the carrying amounts of assets and liabilities used for financial reporting purposes and amounts used for taxation purposes. In addition, the Bank also records deferred tax asset on available tax losses. Deferred tax is calculated using the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the reporting date.

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

The carrying amount of the deferred tax asset is reviewed at each 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.

5.9 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.

5.10 Staff retirement benefits

(a) Defined contribution plan

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

(b) Compensated absences

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

5.11 Borrowings / deposits and their cost

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

5.12 Proposed dividend and transfers between reserves

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

5.13 Revenue recognition

- Mark-up income / interest on advances and returns on investments are recognised on a time proportionate basis using the effective interest method except that mark-up / income / return on classified advances and investments is recognised on receipt basis in accordance with the requirements of the Prudential Regulations issued by the SBP. Interest / return / mark-up on rescheduled / restructured advances and investments is recognised as permitted by the Prudential Regulations, 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 mark-up / return on nonperforming advances is held in suspense account.
- Premium or discount on acquisition of debt investments is capitalised and amortised through the profit and loss account over the remaining period till maturity.
- Gains / losses on termination of lease contracts, documentation charges, front end fee and other lease income are recognised as income when realised.

5.14 Foreign currencies

(a) Foreign currency transactions

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

(b) Translation gains and losses

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

(c) Contingencies and commitments

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

5.15 Segment reporting

The Bank has structured its key business areas in various segments in a manner that each segment becomes a distinguishable component of the Bank that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The segments 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.

5.16 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.

5.17 Financial instruments

5.17.1 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.

5.17.2 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.

5.17.3 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.

5.18 Fiduciary assets

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

5.19 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	2019	2018
In hand			
Local currency		647,811	446,171
Foreign currencies		311,164	307,479
		958,975	753,650
With State Bank of Pakistan in			
Local currency current account	6.1	2,752,943	2,901,468
Foreign currency current account (cash reserve account)	6.2	430,941	371,317
Foreign currency deposit account (USD settlement account)		88,008	5,204
Foreign currency deposit account (special cash reserve account)	6.2	1,292,668	1,113,950
		4,564,560	4,391,939
With National Bank of Pakistan in			
Local currency current account		12,251	8,957
National Prize Bonds			
		8,241	244
		5,544,027	5,154,790

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 mark-up at the rate ranging from 0.70% to 1.51% (2018: 1.35%) per annum.

7. BALANCES WITH OTHER BANKS

		(Rupees in '000)	
	Note	2019	2018
In Pakistan			
In current account		95,973	42,327
In deposit account	7.1	17	15
Outside Pakistan			
In current account	7.2	1,058,207	453,832
		1,154,197	496,174

7.1 These carry mark-up at the rate of 11.25% (2018: 8%) per annum.

7.2 The above amount includes balance with SAMBA Financial Group (a related party) amounting to Rs. 78.897 million (2018: Rs. 17.434 million).

8. LENDINGS TO FINANCIAL INSTITUTIONS

		(Rupees in '000)	
	Note	2019	2018
Repurchase agreement lendings (Reverse Repo)	8.2	2,274,405	9,449,244
Less: provision held against Lending to Financial Institutions		-	-
Lending to Financial Institutions - net of provision		2,274,405	9,449,244
8.1 Particulars of lending			
In local currency		2,274,405	9,449,244



8.2 Securities held as collateral against lending to financial institutions

	(Rupees in '000)					
	2019			2018		
	Held by bank	Further given as collateral	Total	Held by bank	Further given as collateral	Total
Market Treasury Bills	900,000	-	900,000	450,000	-	450,000
Pakistan Investment Bonds	1,470,000	-	1,470,000	4,000,000	5,000,000	9,000,000
Total	2,370,000	-	2,370,000	4,450,000	5,000,000	9,450,000

8.2.1 These represent short-term lendings to financial institution against investment securities. These carry mark-up at the rates ranging from 13.10% to 13.60% (2018: 8.50% to 10.30%) per annum and will mature latest by February 7, 2020 (2018: January 2, 2019).

8.2.2 The market value of securities held as collateral against repurchase agreement lendings amounted to Rs. 2,293.835 million (2018: Rs. 8,701.78 million).

9. INVESTMENTS - NET

9.1 Investments by type

	(Rupees in '000)							
	2019				2018			
	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
Held for trading securities								
Federal Government Securities	-	-	-	-	6,044,128	-	1,723	6,045,851
Share	59,349	-	(514)	58,835	-	-	-	-
	59,349	-	(514)	58,835	6,044,128	-	1,723	6,045,851
Available for sale securities								
Federal Government Securities	42,507,453	-	436,464	42,943,917	34,518,518	-	(508,329)	34,010,189
Shares	1,622,291	(231,851)	138,822	1,529,262	1,075,942	(117,846)	(94,852)	863,244
Non Government Debt Securities	2,426,596	-	(35,517)	2,391,079	2,164,982	-	18,543	2,183,525
	46,556,340	(231,851)	539,769	46,864,258	37,759,442	(117,846)	(584,638)	37,056,958
Held to maturity securities								
Federal Government Securities	4,354,936	-	-	4,354,936	4,918,561	-	-	4,918,561
Total Investments	50,970,625	(231,851)	539,255	51,278,029	48,722,131	(117,846)	(582,915)	48,021,370

9.2 Investments by segment

	(Rupees in '000)							
	2019				2018			
	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
Federal Government Securities								
Market Treasury Bills	-	-	-	-	26,669,922	-	1,900	26,671,822
Pakistan Investment Bonds	46,862,389	-	436,464	47,298,853	18,811,285	-	(508,506)	18,302,779
	46,862,389	-	436,464	47,298,853	45,481,207	-	(506,606)	44,974,601
Shares								
Listed Companies	1,671,140	(221,351)	138,308	1,588,097	1,055,442	(107,346)	(94,852)	853,244
Unlisted Companies	10,500	(10,500)	-	-	20,500	(10,500)	-	10,000
	1,681,640	(231,851)	138,308	1,588,097	1,075,942	(117,846)	(94,852)	863,244
Non Government Debt Securities								
Listed	1,931,033	-	(24,436)	1,906,597	1,669,004	-	(13,005)	1,655,999
Unlisted	495,563	-	(11,081)	484,482	495,978	-	31,548	527,526
	2,426,596	-	(35,517)	2,391,079	2,164,982	-	18,543	2,183,525
Total investments	50,970,625	(231,851)	539,255	51,278,029	48,722,131	(117,846)	(582,915)	48,021,370

9.2.1 Investments given as collateral

	(Rupees in '000)	
	2019	2018
Market Treasury Bill	-	15,335,698
Pakistan Investment Bonds	25,419,304	8,562,578
	25,419,304	23,898,276

9.3 Provision for diminution in value of investments

9.3.1 Opening balance	117,846	17,920
Charge / reversals		
Charge for the year	162,115	100,060
Reversal on disposals for the year	(48,110)	(134)
	114,005	99,926
Closing balance	231,851	117,846

9.3.2 No provision was booked against investment in debt securities as at December 31, 2019 (2018: Nil).

9.4 Quality of available for sale securities

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

	(Rupees in '000)	
	2019	2018
Cost		
Federal Government Securities - Government guaranteed		
Market Treasury Bills	-	20,625,794
Pakistan Investment Bonds	42,507,453	13,892,724
	42,507,453	34,518,518
Shares		
Listed Companies - sector wise exposure		
Cable & Electrical Goods	64,608	56,589
Cement	85,255	35,486
Chemical	233,790	4,128
Commercial Banks	304,959	271,203
Glass & Ceramics	82,279	49,628
Investment Banks	285	285
Insurance	57,150	-
Modarabas	104	104
Oil & Gas Exploration Companies	149,756	62,711
Oil & Gas Marketing Companies	144,606	129,949
Power Generation & Distribution	320,610	304,767
Real Estate Investment Trust	82,894	82,894
Textile Composite	85,483	57,686
Transport	12	12
	1,611,791	1,055,442

	(Rupees in '000)			
	2019	2018	2019	2018
Cost			Breakup value	
Unlisted Companies				
Crescent Industrial Chemical Limited	10,000	10,000	(540)	(540)
Pak Asian Fund	-	10,000	-	16,840
Union Communication Private Limited	500	500	343	343
	10,500	20,500	(197)	16,644



Non Government Debt Securities

Listed

Categorised based on long term rating by Credit Rating Agency

- AAA
- AA+, AA, AA-
- A+, A, A-

Unlisted

Categorised based on long term rating by Credit Rating Agency

- AA+, AA, AA-

(Rupees in '000)	
2019	2018
Cost	
1,059,561	1,246,895
246,472	247,109
625,000	175,000
1,931,033	1,669,004
495,563	495,978
495,563	495,978

9.4.1 The Bank has no investment in foreign securities under Available for Sale category as at December 31, 2019 (2018: Nil).

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

Federal Government Securities - Government guaranteed

Pakistan Investment Bonds

(Rupees in '000)	
2019	2018
Cost	
4,354,936	4,918,561

9.5.1 The market value of securities classified as held-to-maturity as at December 31, 2019 amounted to Rs. 4,132.376 million (2018: Rs. 4,447.416 million).

9.6 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.

		(Rupees in '000)					
		Performing		Non Performing		Total	
		2019	2018	2019	2018	2019	2018
10.	ADVANCES - NET						
	Loans, cash credits, running finances, etc.	61,189,254	52,801,469	2,657,246	2,376,735	63,846,500	55,178,204
	Bills discounted and purchased	181,363	698,082	15,494	15,494	196,857	713,576
	Advances - gross	61,370,617	53,499,551	2,672,740	2,392,229	64,043,357	55,891,780
	Provision against advances						
	- Specific	-	-	(2,623,696)	(2,249,583)	(2,623,696)	(2,249,583)
	- General	(63,518)	(49,942)	-	-	(63,518)	(49,942)
		(63,518)	(49,942)	(2,623,696)	(2,249,583)	(2,687,214)	(2,299,525)
	Advances - net of provision	61,307,099	53,449,609	49,044	142,646	61,356,143	53,592,255

10.1 Includes net investment in finance lease as disclosed below:

		(Rupees in '000)							
		2019				2018			
		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	196,831	-	-	196,831	199,225	-	-	199,225
	Residual value	35,629	-	-	35,629	35,647	-	-	35,647
	Minimum lease payments	232,460	-	-	232,460	234,872	-	-	234,872
	Financial charges for future periods	(1,292)	-	-	(1,292)	(1,292)	-	-	(1,292)
	Present value of minimum lease payments	231,168	-	-	231,168	233,580	-	-	233,580

10.2 Particulars of Advances (Gross)

	(Rupees in '000)	
	2019	2018
In local currency	62,800,119	52,574,145
In foreign currencies	1,243,238	3,317,635
	64,043,357	55,891,780

10.3 Advances include Rs. 2,672.740 million (2018: Rs. 2,392.229 million) which have been placed under non-performing status as detailed below:

Category of Classification	(Rupees in '000)			
	2019		2018	
	Non Performing Loans	Provision	Non Performing Loans	Provision
Domestic				
Substandard	23,087	5,772	219,399	108,541
Loss	2,649,653	2,617,924	2,172,830	2,141,042
	2,672,740	2,623,696	2,392,229	2,249,583

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

10.4 Particulars of provision against advances

		(Rupees in '000)					
	Note	2019			2018		
		Specific	General	Total	Specific	General	Total
Opening balance		2,249,583	49,942	2,299,525	2,303,292	17,495	2,320,787
Charge for the year		420,197	13,576	433,773	238,972	32,447	271,419
Reversals during the year		(45,509)	-	(45,509)	(288,827)	-	(288,827)
		374,688	13,576	388,264	(49,855)	32,447	(17,408)
Amounts written off	10.5	(575)	-	(575)	(3,854)	-	(3,854)
Closing Balance		2,623,696	63,518	2,687,214	2,249,583	49,942	2,299,525

10.4.1 Particulars of provision against advances

Particulars of provision against advances	(Rupees in '000)					
	2019			2018		
	Specific	General	Total	Specific	General	Total
In local currency	2,623,696	63,518	2,687,214	2,249,583	49,942	2,299,525

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 represents provision held against consumer finance portfolio as required by the Prudential Regulations issued by the State Bank of Pakistan.



10.5 Particulars of write offs:

10.5.1 Against provisions Directly charged to the profit and loss account

Note	(Rupees in '000)	
	2019	2018
10.4	575	3,854
	151	27
	726	3,881
10.6	-	2,628
	726	1,253
	726	3,881

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, 2019 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

Capital work-in-progress
Property and equipment

Note	(Rupees in '000)	
	2019	2018
11.1	92,794	60,620
11.2	1,803,713	1,003,943
	1,896,507	1,064,563
11.1 Capital work-in-progress		
Civil works	80,206	27,155
Equipment	9,414	2,609
Advances to suppliers	3,174	30,856
	92,794	60,620

11.2 Property and Equipment

	(Rupees in '000)						
	2019						
	Freehold land	Building on freehold land	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Right-of use assets	Total
At January 1, 2019							
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	502,240	80,930	225,710	169,255	25,808	-	1,003,943
Year ended December 2019							
Opening net book value	502,240	80,930	225,710	169,255	25,808	-	1,003,943
Recognized as on January 1 (note 3.5)	-	-	-	-	-	984,043	984,043
Additions	-	3,000	67,545	53,179	11,395	21,043	156,162
Disposals / write-offs	-	(3,000)	(1,657)	(166)	(532)	-	(5,355)
Depreciation charge	-	(7,612)	(65,729)	(73,206)	(7,300)	(181,233)	(335,080)
Closing net book value	502,240	73,318	225,869	149,062	29,371	823,853	1,803,713
At December 31, 2019							
Cost	502,240	173,236	643,990	817,963	49,298	1,005,086	3,191,813
Accumulated depreciation	-	(99,918)	(418,121)	(668,901)	(19,927)	(181,233)	(1,388,100)
Net book value	502,240	73,318	225,869	149,062	29,371	823,853	1,803,713
Rate of depreciation (percentage)	-	5	5/10/20	20/33/50	20	7-50	

	(Rupees in '000)					
	2018					
	Freehold land	Building on freehold land	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Total
At January 1, 2018						
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	502,240	89,786	252,202	234,786	22,264	1,101,278
Year ended December 2018						
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	502,240	80,930	225,710	169,255	25,808	1,003,943
At December 31, 2018						
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	502,240	80,930	225,710	169,255	25,808	1,003,943
Rate of depreciation (percentage)	-	5	5/10/20	20/33/50	20	

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 the SBP's BSD Circular No. 4 dated February 17, 2006 is also given in Annexure "II".

		(Rupees in '000)	
		2019	2018
11.4	Carrying amount of temporarily idle property	-	-
11.5	The gross carrying amount (cost) of fully depreciated assets that are still in use:		
	Building on freehold land	32,428	32,428
	Furniture and fixtures	187,406	215,156
	Electrical, office and computer equipment	469,624	428,139
		689,458	675,723

		(Rupees in '000)	
		2019	2018
12	INTANGIBLE ASSETS		
	Capital work-in-progress	17,511	13,343
	Intangible assets	115,953	107,305
		133,464	120,648
12.1	Capital work-in-progress		
	Advances to suppliers	17,511	13,343
12.2	Intangible assets		
	At January 1		
	Cost	256,474	243,329
	Accumulated amortisation	(149,169)	(115,149)
	Net book value	107,305	128,180
	Year ended December 31		
	Opening net book value	107,305	128,180
	Additions:		
	- directly purchased	42,772	13,145
	Amortisation charge	(34,124)	(34,020)
	Closing net book value	115,953	107,305
	At December 31		
	Cost	299,246	256,474
	Accumulated amortisation	(183,293)	(149,169)
	Net book value	115,953	107,305
	Rate of amortisation (percentage)	20 / 14.28	20 / 14.28
	Useful life	5 / 7	5 / 7

12.3 Intangible assets include licensing cost of Bank's core banking system having a carrying value of Rs. 62.228 million (2018: Rs. 70.547 million). The remaining amortisation period of this asset is 4 years (2018: 5 years).

		(Rupees in '000)	
		2019	2018
12.4	The gross carrying amount (cost) of fully amortised assets that are still in use:		
	Intangible assets	103,235	73,471

13. DEFERRED TAX ASSETS - NET

(Rupees in '000)				
2019				
	At January 1, 2019	Recognised in the profit and loss account	Recognised in the statement of comprehensive income	At December 31, 2019
Deductible temporary differences on:				
- Revaluation of investments	204,623	-	(415,133)	(210,510)
- Accelerated tax depreciation	27,601	11,385	-	38,986
- Provision against advances, off balance sheet etc.	545,107	39,905	-	585,012
	777,331	51,290	(415,133)	413,488
Taxable temporary differences on:				
- Net investment in finance lease	(76,564)	(9,440)	-	(86,004)
	700,767	41,850	(415,133)	327,484

(Rupees in '000)				
2018				
	At January 1, 2018	Recognised in the profit and loss account	Recognised in the statement of comprehensive income	At December 31, 2018
Deductible temporary differences on:				
- Revaluation of investments	(122,314)	-	326,937	204,623
- Accelerated tax depreciation	(12,740)	40,341	-	27,601
- Provision against advances, off balance sheet etc.	582,950	(37,843)	-	545,107
- Minimum tax	92,005	(92,005)	-	-
	539,901	(89,507)	326,937	777,331
Taxable temporary differences on:				
- Net investment in finance lease	(103,085)	26,521	-	(76,564)
	436,816	(62,986)	326,937	700,767

14. OTHER ASSETS - NET

			(Rupees in '000)	
			2019	2018
Income / mark-up accrued in local currency			3,394,588	1,523,068
Income / mark-up accrued in foreign currencies			4,507	72,969
Advances, deposits, advance rent and other prepayments			102,450	213,865
Advance taxation (payments less provisions)			45,219	74,874
Mark to market gain on forward foreign exchange contracts			1,152,592	858,235
Acceptances	18		848,248	1,384,384
Others	14.1		226,413	210,847
			5,774,017	4,338,242
Less: provision held against other assets	14.2		(160,866)	(173,466)
Other assets (net of provision)			5,613,151	4,164,776

14.1 This includes:

- an amount of Rs. 32.389 million (2018: Rs. 32.389 million) receivable from InterAsia Leasing Limited.
- an amount of Rs. 1.489 million (2018: Rs. 1.065 million) receivable from Samba Financial Group - a related party.

		(Rupees in '000)	
Note		2019	2018
14.2 Provision held against other assets			
Fee, commission and other receivables		80,535	80,535
Fraud losses		80,331	92,931
		160,866	173,466
14.2.1 Movement in provision held against other assets			
Opening balance		173,466	173,466
Charge for the year		-	-
Write off during the year		(12,600)	-
Closing balance		160,866	173,466
15. BILLS PAYABLE			
In Pakistan		783,478	877,017
16. BORROWINGS			
Secured			
Borrowings from the State Bank of Pakistan			
Under export refinance scheme	16.1	3,158,889	2,875,000
Under long term financing facilities	16.2	1,909,307	1,111,696
		5,068,196	3,986,696
Bai muajjal borrowing	16.3	5,089,713	8,457,762
Repurchase agreement borrowings	16.4	20,156,809	20,325,109
		30,314,718	32,769,567
Unsecured			
Call borrowings	16.5	-	4,000,000
Bai muajjal borrowing	16.3	5,777,434	2,988,700
Bankers Equity Limited (under liquidation)	16.6	22,336	22,336
		5,799,770	7,011,036
		36,114,488	39,780,603

- 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% (2018: ranging from 1.0% to 2.0%) per annum, and have maturity period of upto six months from deal date (2018: six months).
- 16.2** These represent borrowing from the SBP to provide refinance to customers and carries mark-up at the rate ranging from 2% to 3.5% (2018: ranging from 2% to 3.5%) per annum and will mature latest by November 22, 2029 (2018: August 6, 2028).
- 16.3** This represents funds borrowed against Government securities and carries mark up at the rate ranging from 10.89% to 13.60% (2018: 6.04% to 10.05%) per annum and will mature latest by April 20, 2020 (2018: March 07, 2019).
- 16.4** This represents funds borrowed from interbank market against Government securities and carries mark up at the rate ranging from 12.80% to 13.36% (2018: ranging from 8.45% to 10.40%) per annum and will mature by January 09, 2020 (2018: January 04, 2019).
- 16.5** As at December 31, 2018, this represented funds borrowed from interbank market, carrying mark up at the rate of 10.00% per annum and had matured on January 02, 2019.
- 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

In local currency
In foreign currencies

(Rupees in '000)	
2019	2018
36,114,488	39,780,603
-	-
36,114,488	39,780,603

17 DEPOSITS AND OTHER ACCOUNTS

Customers

Current deposits
Savings deposits
Term deposits
Others

Financial institutions

Current deposits
Savings deposits
Term deposits
Others (note 17.1.1)

(Rupees in '000)					
2019			2018		
In Local Currency	In Foreign Currencies	Total	In Local Currency	In Foreign Currencies	Total
12,819,709	3,945,668	16,765,377	12,770,433	3,511,613	16,282,046
11,911,406	2,354,139	14,265,545	15,134,845	2,109,414	17,244,259
35,106,848	2,411,502	37,518,350	25,509,201	1,712,335	27,221,536
507,046	-	507,046	282,499	-	282,499
60,345,009	8,711,309	69,056,318	53,696,978	7,333,362	61,030,340
63,306	-	63,306	293,869	-	293,869
1,774,422	-	1,774,422	1,865,078	-	1,865,078
870,000	-	870,000	1,943,000	-	1,943,000
117,834	-	117,834	92,765	-	92,765
2,825,562	-	2,825,562	4,194,712	-	4,194,712
63,170,571	8,711,309	71,881,880	57,891,690	7,333,362	65,225,052

17.1 Composition of deposits

- Individuals
- Government (Federal and Provincial)
- Public sector entities
- Banking companies
- Non-banking financial institutions
- Private sector

Note

(Rupees in '000)	
2019	2018
26,470,034	19,911,324
13,482,993	10,368,263
3,118,895	232,519
117,834	92,765
2,707,781	4,101,947
25,984,343	30,518,234
71,881,880	65,225,052

17.1.1 This includes deposits amounting to Rs. 117.83 million (2018: Rs. 92.74 million) from Samba Financial Group - a related party.

17.1.2 This includes deposits eligible to be covered under insurance arrangements amounting to Rs. 20,689 million (2018: Rs. 15,112 million).

18 OTHER LIABILITIES

Mark-up / return / interest payable

- in local currency
- in foreign currencies

Accrued expenses

Acceptances

Unclaimed dividends

Mark to market loss on forward foreign exchange contracts

Provision against off-balance sheet obligations

Security deposits against lease

Lease liability against right-of-use assets

Others

Note

(Rupees in '000)	
2019	2018
2,439,975	1,039,338
14,754	9,496
634,660	486,435
848,248	1,384,384
3,351	3,429
1,399,312	763,999
172,746	172,746
34,979	34,997
834,264	-
235,785	203,336
6,618,074	4,098,160



18.1 Provision against off-balance sheet obligations

Opening balance
Reversal during the year
Closing balance

Note	(Rupees in '000)	
	2019	2018
	172,746	186,876
	-	(14,130)
18.1.1	172,746	172,746

18.1.1 This includes:

- a) A provision of Rs. 71.134 million (2018: 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 (2018: 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 (2018: 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 had shown gradual and visible improvement in the affairs of its business, hence, after obtaining necessary approval from the 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 (2018: Rs. 52.762 million) is being maintained.
- c) A provision of Rs. 48 million (2018: Rs. 48 million) made 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 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)		
2019	2018	
1,500,000,000	1,500,000,000	Ordinary shares of Rs. 10 each

(Rupees in '000)	
2019	2018
15,000,000	15,000,000

19.2 Issued, subscribed and paid-up capital

(Number of shares)		
2019	2018	
883,317,458	883,317,458	Ordinary shares
124,921,190	124,921,190	Fully paid in cash
1,008,238,648	1,008,238,648	Issued for consideration other than cash

(Rupees in '000)	
2019	2018
8,833,175	8,833,175
1,249,212	1,249,212
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

(Number of shares)	
2019	2018
1,281	1,281
-	12,500,500
-	500
35,832,424	35,832,424
500	500
1,154,800	1,154,800
36,989,005	49,490,005
852,040,531	852,040,531
889,029,536	901,530,536

Associated Companies, undertakings and related parties

SAMBA Financial Group (SFG)

* Resigned on April 23, 2019

** Resigned on September 4, 2019

20 SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS

Note	(Rupees in '000)	
	2019	2018
Surplus / (deficit) on revaluation of		
- Available for sale securities	539,769	(584,638)
Deferred tax on surplus / (deficit) on revaluation of:		
- Available for sale securities	(210,510)	204,623
	329,259	(380,015)

21 CONTINGENCIES AND COMMITMENTS

- Guarantees
- Commitments
- Other contingent liabilities

Note	(Rupees in '000)	
	2019	2018
21.1	6,107,393	5,265,382
21.2	117,432,292	54,645,121
21.3	1,293,213	1,168,543
	124,832,898	61,079,046

21.1 Guarantees

- Financial guarantees
- Performance guarantees
- Other guarantees

	1,648,952	17,772
	4,064,765	4,116,102
	393,676	1,131,508
	6,107,393	5,265,382

21.2 Commitments**Documentary credits and short-term trade-related transactions**

- letters of credit

	5,709,594	5,553,494
--	-----------	-----------

Commitments in respect of:

- forward foreign exchange contracts
- forward government securities transactions
- operating leases

21.2.1	107,057,142	40,336,037
21.2.2	4,134,130	6,043,511
21.2.3	8,717	2,462,369
	111,199,989	48,841,917

Commitments for acquisition of:

- operating fixed assets
- intangible assets

	46,105	8,842
	32,898	27,195

Other commitments

21.2.4	79,003	36,037
	443,706	213,673

	117,432,292	54,645,121
--	-------------	------------

21.2.1 Commitments in respect of forward foreign exchange contracts

- Purchase
- Sale

	55,680,589	21,127,740
	51,376,553	19,208,297
	107,057,142	40,336,037

21.2.2 Commitments in respect of forward government securities transactions

- Purchase
- Sale

	2,183,422	-
	1,950,708	6,043,511
	4,134,130	6,043,511



21.2.3 Commitments in respect of operating leases

Not later than one year
Later than one year and not later than five years
Later than five years

(Rupees in '000)	
2019	2018
8,717	270,693
-	1,134,776
-	1,056,900
8,717	2,462,369
443,706	213,673

21.2.4 Other commitments

Claims against the Bank not acknowledged as debt

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)	
2019	2018
1,293,213	1,168,543

21.3 Other contingent liabilities

21.3.1 The Income tax department has raised a demand of Rs. 426.787 million (2018: 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 (2018: 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 (2018: 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. 28.110 million (2018: Rs. 28.110 million) on account of monitoring of withholding taxes for the tax year 2015. Tax authorities have also issued orders under Sindh Sales Tax on Services Act, 2011 and Punjab Sales Tax on Services Act, 2012 thereby creating arbitrary aggregate demand amounting to Rs 35.391 million (2018: Rs. 22.778 million) for the years 2012 to 2017 and Rs. 128.536 million (2018: Nil) for the year 2016 respectively.

Presently, the Bank is contesting these issues at various appellate forums. The disallowances in respect of a number of assessment years have been decided / set aside by various appellate authorities for re-assessment while the Bank's appeal in respect of the remaining assessment years are currently pending. Based on the professional advice received from tax advisors, the management is confident that the eventual outcome of the aforementioned matters will be in favor of the Bank. Accordingly, no provision has been made in these financial statements in respect of the above mentioned demands aggregating Rs. 1,293.213 million (2018: Rs.1,168.543 million) raised by the income tax authorities.

22 MARK-UP / RETURN / INTEREST EARNED

a) Loans and advances
b) Investments
c) Lendings to financial institutions
d) Balances with banks

(Rupees in '000)	
2019	2018
7,186,140	3,814,977
5,004,070	3,225,724
580,011	502,885
21,113	12,009
12,791,334	7,555,595

23 MARK-UP / RETURN / INTEREST EXPENSED

Deposits
Borrowings
Finance cost on lease liability against right-of-use assets
Cost of foreign currency swaps against foreign currency deposits

(Rupees in '000)	
2019	2018
5,142,012	2,748,881
3,347,111	2,032,251
115,307	-
667,819	66,032
9,272,249	4,847,164

24 FEE AND COMMISSION INCOME

Branch banking customer fees
 Consumer finance related fees
 Credit related fees
 Debit card related fees
 Investment banking fees
 Commission on trade
 Commission on guarantees
 Commission on cash management
 Commission on remittances including home remittances
 Commission on bancassurance
 Others

(Rupees in '000)	
2019	2018
42,227	34,939
20,865	17,357
44,360	29,672
6,199	5,333
1,750	1,000
84,106	65,452
42,542	36,259
8,876	5,333
48,860	34,337
27,427	37,561
4,446	3,684
331,658	270,927

25 GAIN / (LOSS) ON SECURITIES

Realised
 Unrealised - held for trading

(Rupees in '000)	
2019	2018
21,211	212,863
(514)	1,723
20,697	214,586

Note

25.1

9.1

25.1 Realised gain on:

Federal Government Securities
 Shares

9,744	180,338
11,467	32,525
21,211	212,863

26 OTHER INCOME

Gain on sale of fixed assets - net
 Others

122	3,591
32	152
154	3,743



27 OPERATING EXPENSES

Total compensation expense

Note

(Rupees in '000)

2019

2018

27.1

1,374,182

1,255,145

Property expense

Rent and taxes

104,492

244,712

Insurance

2,034

1,262

Utilities cost

60,664

62,414

Security (including guards)

45,912

42,021

Repair and maintenance (including janitorial charges)

54,176

20,722

Depreciation on right-of-use assets

181,233

-

Depreciation on owned fixed assets

7,612

7,575

456,123

378,706

Information technology expenses

Software maintenance

104,263

39,209

Hardware maintenance

37,688

10,889

Depreciation

39,021

56,034

Amortisation

34,124

34,020

Network charges

93,315

58,192

Insurance

952

833

309,363

199,177

Other operating expenses

Directors' fees and allowances

18,564

13,382

Legal and professional charges

11,571

10,224

Outsourced services costs

26,943

19,095

Travelling, conveyance and official entertainment

109,689

68,461

Charges paid to Central Depository Company of Pakistan Limited and NIFT

17,719

12,138

Depreciation

107,215

100,324

Training and development

7,047

4,505

Postage and courier charges

10,133

7,893

Communication

5,965

10,582

Stationery and printing

38,692

29,515

Repair and maintenance

39,443

35,162

Insurance

43,446

22,802

Marketing, advertisement and publicity

42,359

23,152

Fee commission and brokerage paid

35,701

27,091

Donations

6,140

7,459

Auditors' remuneration

8,114

11,162

Others

63,628

28,123

592,369

431,070

2,732,037

2,264,098

27.2

27.3

27.4

27.1 Total compensation expense

(Rupees in '000)		
	2019	2018
Fees and allowances etc		
Managerial remuneration		
i) Fixed	534,772	476,455
ii) Variable		
of which;		
a) Cash bonus / awards etc.	200,000	170,000
b) Incentive payments	43,150	46,875
Contribution to defined contribution plan	41,274	36,842
Rent & house maintenance	240,860	214,405
Utilities	53,490	47,645
Medical	53,490	47,645
Conveyance / fuel / allowance	122,114	111,575
Staff insurance	21,359	13,090
Club membership	4,775	3,862
Other support staff salaries	55,644	83,504
Leave fare assistance	2,429	2,218
Others	825	1,029
Total	1,374,182	1,255,145

27.2 This represents cost of material outsourcing arrangement with Euronet Pakistan (Private) Limited, amounting to Rs. 26.943 million (2018: Rs. 19.095 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.

27.3 Donations made during the year were as follows:

(Rupees in '000)		
	2019	2018
The Indus Hospital	1,500	1,417
Progressive Education Network (PEN)	1,000	-
The Citizens Foundation	840	840
Kiran Foundation	650	500
Layton Rahmatullah Benevolent Trust	500	-
Karachi Biennale Trust	500	-
Special Olympics Pakistan	500	300
The Hunar Foundation	300	-
Pink Ribbon Pakistan	200	-
Karachi Down Syndrome Program (KDSP)	150	100
Diamer Bhasha & Mohmand Dams Fund	-	1,500
Idara-E-Taleem-O-Aagahi	-	1,400
Sharmeen Khan Memorial Foundation	-	527
Pakistan Red Crescent Society	-	500
World Wide Fund For Nature - Pakistan	-	375
	6,140	7,459

27.3.1 None of the directors, executives and their spouses had any interest in the donees, except Dr. Shujaat Nadeem (Chairman / Non-Executive Director) who is a Trustee in Progressive Education Network (PEN).

27.4 Auditors' remuneration

(Rupees in '000)		
	2019	2018
Statutory audit fee	2,522	2,346
Fee for annual group reporting	986	939
Fee for review of the half year financial statements	531	505
Special certifications and others	3,079	6,376
Out-of-pocket expenses	996	996
	8,114	11,162



28 WORKERS' WELFARE FUND

Under the Workers' Welfare Ordinance, 1971, the Bank has accrued Workers' Welfare Fund at the rate of 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

Penalties imposed by the State Bank of Pakistan

(Rupees in '000)	
2019	2018
8,078	15,278

30 PROVISIONS AND WRITE OFFS - NET

Provision for diminution in the value of investments - net
(Provision) / reversal against loans and advances - net
Fixed assets written-off
Reversal of off-balance sheet obligations
Bad debts written-off directly
Recoveries against debts written-off

Note	(Rupees in '000)	
	2019	2018
9.3.1	(114,005)	(99,926)
10.4	(388,264)	17,408
	-	(2,111)
18.1	-	14,130
10.5	(151)	(27)
	373	2,162
	(502,047)	(68,364)

31 TAXATION

Current
Prior years
Deferred

Note	(Rupees in '000)	
	2019	2018
	(427,602)	(358,178)
	(27,939)	(5,826)
	41,850	(62,986)
	(413,691)	(426,990)

31.1 Relationship between tax expense and accounting profit

Profit before taxation

Effects of:

- Tax calculated at the applicable rate of 39% (2018: 35%)
- Prior year charge
- Permanent differences
- Others including impact of change in rate of tax on deferred tax assets and liabilities

Note	2019	2018
31.1.1	429,058	388,402
	27,939	5,826
	3,150	5,405
	(46,456)	27,357
	413,691	426,990

Tax charge for the year

31.1.1 Applicable rate represents rate of tax for banking companies i.e. 35% as specified in Division II of Part I of the First Schedule to the Income Tax Ordinance, 2001 and rate of super tax for banking companies i.e. 4% as specified in Division IIA of Part I of the First Schedule to the Income Tax Ordinance, 2001 (2018: 35%).

32 EARNINGS PER SHARE - BASIC & DILUTED

Profit for the year

686,458

682,729

Weighted average number of ordinary shares

1,008,238,648

1,008,238,648

Basic earnings per share

0.68

0.68

32.1 Diluted Earnings Per Share

Profit for the year

686,458

682,729

Weighted average number of ordinary shares (adjusted for the effects of all dilutive potential ordinary shares)

1,008,238,648

1,008,238,648

Diluted earnings per share

0.68

0.68

Note

33 CASH AND CASH EQUIVALENTS

Cash and balances with treasury banks

6

5,544,027

5,154,790

Balances with other banks

7

1,154,197

496,174

6,698,224

5,650,964

34 STAFF STRENGTH

Permanent

593

543

Contractual

193

176

Bank's own staff strength at the end of the year

786

719

34.1 In addition to the above, 119 (2018: 118) 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 658 employees (2018: 514 employees). Both employer and employees contribute 8.33% (2018: 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 KEY MANAGEMENT PERSONNEL

36.1 Total Compensation Expense

(Rupees in '000)						
2019						
Chairman	Executive Directors (other than CEO)	Non Executive Directors	President/ CEO	Key Management Personnel	Other Material Risk Takers / Controllers	
Fees and allowances etc.	-	-	12,179	-	-	-
Managerial remuneration						
i) Fixed	-	-	-	29,148	71,263	127,018
ii) Cash awards	-	-	-	47,500	54,000	43,125
Contribution to defined contribution plan	-	-	-	2,428	5,936	10,270
Rent and house maintenance	-	-	-	13,116	32,069	57,158
Utilities	-	-	-	2,915	7,126	12,702
Medical	-	-	-	2,915	7,126	12,702
Conveyance	-	-	-	-	-	35
Leave fare assistance	-	-	-	2,429	-	-
Car allowance	-	-	-	-	17,490	35,527
Total	-	-	12,179	100,451	195,010	298,537
Number of persons	-	-	5	1	13	68

(Rupees in '000)						
2018						
Chairman	Executive Directors (other than CEO)	Non Executive Directors	President/ CEO	Key Management Personnel	Other Material Risk Takers / Controllers	
Fees and allowances etc.	-	-	11,397	-	-	-
Managerial remuneration						
i) Fixed	-	-	-	26,619	67,708	110,944
ii) Cash awards	-	-	-	43,000	50,000	33,075
Contribution to defined contribution plan	-	-	-	2,217	5,640	9,100
Rent and house maintenance	-	-	-	11,979	30,469	49,925
Utilities	-	-	-	2,662	6,771	11,094
Medical	-	-	-	2,662	6,771	11,094
Conveyance	-	-	-	-	-	38
Leave fare assistance	-	-	-	2,218	-	-
Car allowance	-	-	-	-	17,233	31,638
Total	-	-	11,397	91,357	184,592	256,908
Number of persons	-	-	4	1	13	66

The term "Key Management Personnel" means the following functional responsibilities:

- Any executive or key executive, acting as second to CEO, by whatever name called, and including the Chief Operating Officer (COO) and Deputy Managing Director.
- Any executive or key executive reporting directly to the CEO / President or the person mentioned in (a) above.

The terms Directors / Executive Directors / Non-Executive Directors, CEO and Key Executives have same meaning as defined in Prudential Regulations (PRs) for Corporate and Commercial Banking. For the purpose of these disclosures Key Management Personnel also include Executives who have direct reporting line to the President / CEO or BoD or its Committees.

The term 'Material Risk Taker' and 'Material Risk Controller' have the same meaning as defined in revised guidelines on remuneration practices issued by the State Bank of Pakistan vide BPRD circular No. 1 of 2017.

36.2 Remuneration paid to Directors for participation in Board and Committee Meetings

2019								
Sr. No.	Name of Director	Meeting fees paid						
		For Board Meetings	Annual General Meeting	For Board Committee Meetings				Total Amount Paid
				Risk Committee	IT Committee	Nomination & Remuneration Committee	Audit Committee	
1	Mr. Humayun Murad	1,483	354	780	-	740	1,095	4,452
2	Mr. Nadeem Babar*	745	-	-	348	-	-	1,093
3	Mr. Shahbaz Haider Agha**	701	354	348	-	349	-	1,752
4	Mr. Arjumand Ahmed Minai	1,484	354	-	-	-	1,483	3,321
5	Hafiz Muhammad Yousaf	783	-	-	-	389	389	1,561
Total Amount Paid		5,196	1,062	1,128	348	1,478	2,967	12,179

* Resigned on April 23, 2019

** Resigned on September 4, 2019

2018								
Sr. No.	Name of Director	Meeting fees paid						
		For Board Meetings	Annual General Meeting	For Board Committee Meetings				Total Amount Paid
				Risk Committee	IT Committee	Nomination & Remuneration Committee	Audit Committee	
1	Mr. Humayun Murad	1,207	289	-	-	897	1,207	3,600
2	Mr. Nadeem Babar	1,207	289	-	-	897	-	2,393
3	Mr. Shahbaz Haider Agha	1,207	289	1,205	-	-	-	2,701
4	Mr. Arjumand Ahmed Minai	1,207	289	-	-	-	1,207	2,703
Total Amount Paid		4,828	1,156	1,205	-	1,794	2,414	11,397

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 liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using input for the asset or liability 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)				
2019				
	Level 1	Level 2	Level 3	Total
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investments				
Federal Government Securities	-	42,943,917	-	42,943,917
Shares	1,588,097	-	-	1,588,097
Non-Government Debt Securities	-	2,391,079	-	2,391,079
Financial assets-disclosed but not measured at fair value				
Investments - Federal Government Securities	-	4,132,376	-	4,132,376
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange	-	55,680,589	-	55,680,589
Forward sale of foreign exchange	-	51,376,553	-	51,376,553
Forward purchase of government securities	-	2,183,422	-	2,183,422
Forward sale of government securities	-	1,950,708	-	1,950,708

(Rupees in '000)				
2018				
	Level 1	Level 2	Level 3	Total
On balance sheet financial instruments				
Financial assets - measured at fair value				
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
Financial assets - disclosed but not measured at fair value				
Investments - Federal Government Securities	-	4,447,416	-	4,447,416
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange	-	21,127,740	-	21,127,740
Forward sale of foreign exchange	-	19,208,297	-	19,208,297
Forward purchase of government securities	-	6,043,511	-	6,043,511

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 comprise of Market Treasury Bills, Pakistan Investment Bonds, Term Finance Certificates and Sukuks.

(c) Financial instruments in level 3

Financial instruments included in level 3 comprise of shares in unlisted ordinary shares.

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

Items	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 Sukuks	Fair value of investment in listed equity securities, term finance certificates and corporate sukuks are valued on the basis of available closing quoted market prices.
Forward foreign exchange contracts	The fair value has been determined by interpolating the mid rates announced by the State Bank of Pakistan.

38 SEGMENT INFORMATION

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

	(Rupees in '000)					
	2019					
	Corporate Banking	Global Markets	Retail Banking	Commercial Banking	Senoff	Total
Profit and Loss Account						
Net mark-up / return / interest income	3,450,803	1,680,864	(3,721,301)	2,171,596	(62,877)	3,519,085
Inter segment revenue - net	(2,638,448)	(1,573,261)	4,825,136	(1,739,282)	1,125,855	-
Non mark-up / return / interest income	142,745	569,475	173,993	171,994	(212,061)	846,146
Total income	955,100	677,078	1,277,828	604,308	850,917	4,365,231
Segment direct expenses	(135,967)	(146,127)	(1,023,447)	(117,233)	(1,340,261)	(2,763,035)
Inter segment expense allocation	(270,606)	(113,433)	(688,015)	(268,207)	1,340,261	-
Total expenses	(406,573)	(259,560)	(1,711,462)	(385,440)	-	(2,763,035)
Provisions	(430,961)	(114,005)	(43,005)	(117,853)	203,777	(502,047)
Profit before taxation	117,566	303,513	(476,639)	101,015	1,054,694	1,100,149

	(Rupees in '000)					
	2019					
	Corporate Banking	Global Markets	Retail Banking	Commercial Banking	Senoff	Total
Statement of Financial Position						
Cash and bank balances	-	4,902,002	1,796,222	-	-	6,698,224
Investments - net	-	51,278,029	-	-	-	51,278,029
Net inter segment lending	-	-	54,761,680	-	12,817,069	67,578,749
Lendings to financial institutions	-	2,274,405	-	-	-	2,274,405
Advances - performing - net	37,056,202	1,308,996	2,263,369	19,914,776	763,756	61,307,099
Advances - non-performing - net	-	-	49,044	-	-	49,044
Others	1,156,749	2,661,105	305,205	571,923	3,275,624	7,970,606
Total Assets	38,212,951	62,424,537	59,175,520	20,486,699	16,856,449	197,156,156
Borrowings	4,299,439	31,023,956	-	768,757	22,336	36,114,488
Deposits and other accounts	10,702,669	149,886	56,963,539	4,065,786	-	71,881,880
Net inter segment borrowing	23,024,348	28,984,365	-	15,570,036	-	67,578,749
Others	379,086	2,266,330	2,185,377	82,120	2,488,639	7,401,552
Total liabilities	38,405,542	62,424,537	59,148,916	20,486,699	2,510,975	182,976,669
Equity	-	-	-	-	14,179,487	14,179,487
Total equity and liabilities	38,405,542	62,424,537	59,148,916	20,486,699	16,690,462	197,156,156
Contingencies and commitments	7,805,842	111,658,472	22,509	3,467,889	1,878,186	124,832,898



Profit & Loss Account

Net mark-up / return / interest income
Inter segment revenue - net
Non mark-up / return / interest income

Total income

Segment direct expenses
Inter segment expense allocation

Total expenses
Provisions

Profit before tax

(Rupees in '000)					
2018					
Corporate Banking	Global Markets	Retail Banking	Commercial Banking	Senoff	Total
2,134,868	1,662,815	(2,116,845)	1,001,118	26,475	2,708,431
(1,554,226)	(1,411,417)	2,964,922	(689,126)	689,847	-
111,990	530,628	148,819	111,506	(130,891)	772,052
692,632	782,026	996,896	423,498	585,431	3,480,483
(124,496)	(117,935)	(954,620)	(92,124)	(1,013,225)	(2,302,400)
(246,089)	(104,456)	(523,118)	(139,562)	1,013,225	-
(370,585)	(222,391)	(1,477,738)	(231,686)	-	(2,302,400)
199,649	(99,926)	(32,447)	(62,990)	(72,650)	(68,364)
521,696	459,709	(513,289)	128,822	512,781	1,109,719

Statement of Financial Position

Cash and bank balances
Investments - net
Net inter segment lending
Lendings to financial institutions
Advances - performing - net
Advances - non-performing - net
Others

Total Assets

Borrowings
Deposits and other accounts
Net inter segment borrowing
Others

Total liabilities**Equity****Total equity and liabilities****Contingencies and commitments**

(Rupees in '000)					
2018					
Corporate Banking	Global Markets	Retail Banking	Commercial Banking	Senoff	Total
-	4,811,896	839,068	-	-	5,650,964
-	48,021,370	-	-	-	48,021,370
-	-	47,663,897	-	10,711,292	58,375,189
-	9,449,244	-	-	-	9,449,244
33,707,299	1,163,180	1,805,858	16,052,297	720,975	53,449,609
225,858	-	24,279	62,990	(170,481)	142,646
1,752,180	1,425,989	2,632	327,826	2,542,127	6,050,754
35,685,337	64,871,679	50,335,734	16,443,113	13,803,913	181,139,776
3,425,195	35,771,572	-	561,500	22,336	39,780,603
8,823,351	148,724	49,048,376	7,204,601	-	65,225,052
22,226,786	27,560,864	-	8,587,539	-	58,375,189
1,210,003	1,390,519	1,287,357	89,473	997,825	4,975,177
35,685,335	64,871,679	50,335,733	16,443,113	1,020,161	168,356,021
-	-	-	-	12,783,755	12,783,755
35,685,335	64,871,679	50,335,733	16,443,113	13,803,916	181,139,776
7,500,030	46,379,548	3,240,030	2,487,638	1,471,800	61,079,046

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)					
	2019	2018	2019			2018		
Category	Number of IPS Accounts		Securities Held (Face Value)					
			Market Treasury Bills	Pakistan Investment Bonds	Total	Market Treasury Bills	Pakistan Investment Bonds	Total
Corporate	5	-	100,000	-	100,000	-	-	-
Employee Funds	21	21	165,000	154,200	319,200	143,000	169,200	312,200
Others	40	30	-	229,160	229,160	219,100	36,600	255,700
	66	51	265,000	383,360	648,360	362,100	205,800	567,900

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)							
	2019				2018			
	Parent	Directors	Key Management personnel	Other related parties	Parent	Directors	Key Management personnel	Other related parties
Balances with other bank								
In current accounts	78,897	-	-	-	17,434	-	-	-
Advances								
Opening balance	-	-	146,410	-	-	-	151,147	-
Addition during the year	-	-	37,334	-	-	-	24,172	-
Repaid during the year	-	-	(32,482)	-	-	-	(28,909)	-
Closing balance	-	-	151,262	-	-	-	146,410	-
Other Assets								
Other receivable	1,489	-	-	-	1,065	-	-	-
Deposits and other accounts								
Opening balance	-	31,118	17,648	61,965	-	15,434	22,440	50,455
Received during the year	-	150,263	334,351	615,714	-	78,847	404,885	310,296
Withdrawn during the year	-	(151,970)	(333,081)	(603,987)	-	(63,163)	(409,677)	(298,786)
Closing balance	-	29,411	18,918	73,692	-	31,118	17,648	61,965
Vostro balances of Samba Financial Group	117,834	-	-	-	92,742	-	-	-
Contingencies and Commitments								
Guarantees	-	-	-	-	66,631	-	-	-

	(Rupees in '000)							
	2019				2018			
	Parent	Directors	Key Management personnel	Other related parties	Parent	Directors	Key Management personnel	Other related parties
Income								
Mark-up / return / interest earned	-	-	7,493		-	-	7,428	-
Gain on sale of fixed assets	-	-	-	-	-	-	5	-
Expense								
Mark-up / return / interest paid	-	739	539	5,918	-	237	625	2,148
Insurance premium paid	-	-	1,263	-	-	-	1,249	-
Insurance claims settled	-	-	906	-	-	-	262	-
Donations	-	-	-	1,000	-	-	-	

40.2 Forex transactions during the year - Samba Financial Group

CURRENCY	(Currency in '000)			
	2019			
	READY / SPOT / TOM		FORWARD	
	Buy	Sell	Buy	Sell
AED	1,254	1,102	1,065	-
EUR	14,130	12,805	1,950	5,220
GBP	3,238	27,020	23,550	5,348
JPY	297,519	43,840	-	-
SAR	602,800	16,000	10,000	29,376
USD	84,945	182,994	19,946	34,778
PKR	-	4,767,978	-	-

Forex deals outstanding as at the year - Samba Financial Group

CURRENCY	(Currency in '000)			
	2019			
	READY / SPOT / TOM		FORWARD	
	Buy	Sell	Buy	Sell
EUR	-	-	-	350
GBP	-	-	1,000	600
JPY	-	-	-	-
USD	-	-	1,166	1,312

Forex transactions during the year - Samba Financial Group

CURRENCY	(Currency in '000)			
	2018			
	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	(Currency in '000)			
	2018			
	READY / SPOT / TOM		FORWARD	
	Buy	Sell	Buy	Sell
EUR	-	-	500	100
GBP	-	-	1,900	200
JPY	-	-	39,647	-
USD	-	-	367	3,410

41 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

	(Rupees in '000)	
	2019	2018
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	10,082,387	10,082,387
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	13,716,764	12,663,107
Eligible Additional Tier 1 (ADT 1) Capital	-	-
Total Eligible Tier 1 Capital	13,716,764	12,663,107
Eligible Tier 2 Capital	392,777	49,942
Total Eligible Capital (Tier 1 + Tier 2)	14,109,541	12,713,049
Risk Weighted Assets (RWAs):		
Credit Risk	63,970,920	57,494,392
Market Risk	7,877,291	3,784,082
Operational Risk	6,632,555	5,482,732
Total	78,480,766	66,761,206
Common Equity Tier 1 Capital Adequacy ratio	17.48%	18.97%
Tier 1 Capital Adequacy Ratio	17.48%	18.97%
Total Capital Adequacy Ratio	17.98%	19.04%

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, 2019 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 12.50 percent of their risk weighted exposure. The Bank's CAR as at December 31, 2019 is 17.98 percent (2018: 19.04 percent) of its risk weighted exposure.

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

Major credit risk in respect of on and off-balance sheet exposures are mainly claims on banks, corporates, retail customers, residential mortgages and unquoted 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.



Leverage Ratio (LR):

Eligible Tier-1 Capital
Total Exposures

Leverage Ratio

Liquidity Coverage Ratio (LCR):

Total High Quality Liquid Assets
Total Net Cash Outflow

Liquidity Coverage Ratio

Net Stable Funding Ratio (NSFR):

Total Available Stable Funding
Total Required Stable Funding

Net Stable Funding Ratio

(Rupees in '000)	
2019	2018
13,716,764	12,663,107
146,449,901	119,449,382
9.37%	10.60%
26,409,894	20,748,795
13,537,516	6,730,607
195%	308%
91,752,356	87,875,142
51,016,793	44,518,447
180%	197%

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

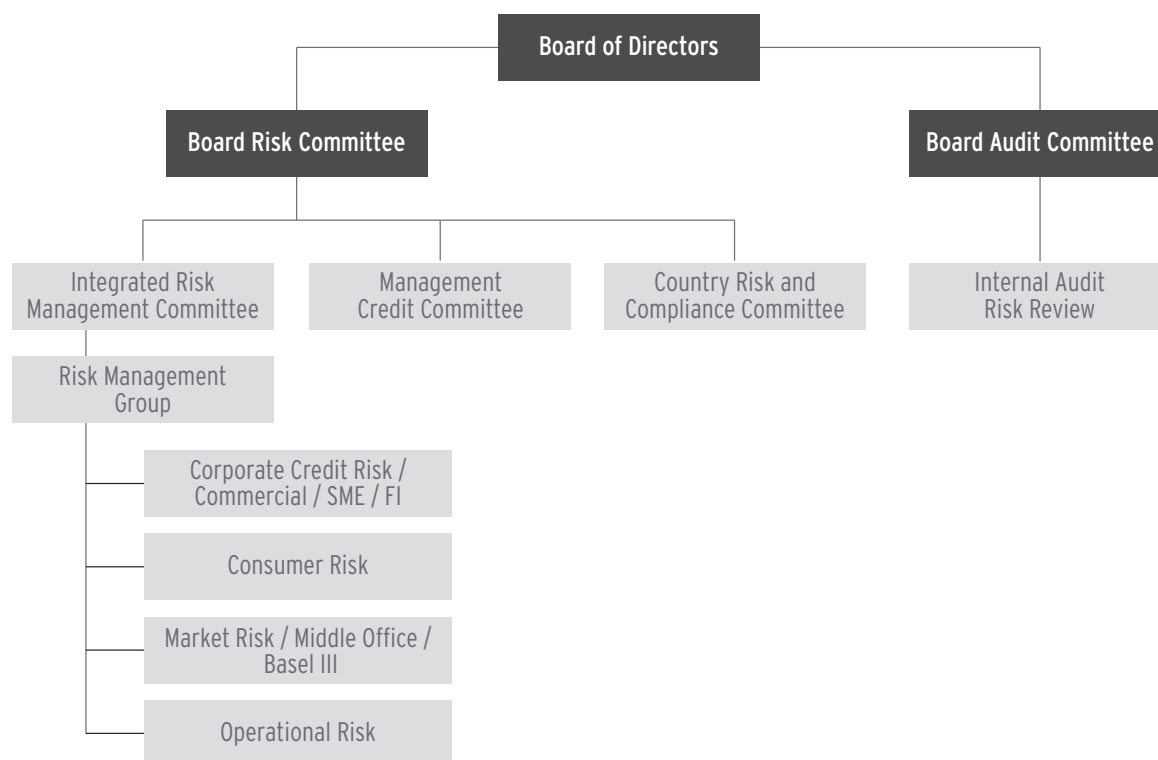
42 RISK MANAGEMENT

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 along with 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

Credit risk by public / private sector

(Rupees in '000)					
Gross lendings		Non-performing lendings		Provision held	
2019	2018	2019	2018	2019	2018
Public / Government	2,274,405	449,244	-	-	-
Private	-	9,000,000	-	-	-
	2,274,405	9,449,244	-	-	-

42.1.2 Investment in debt securities

Credit risk by industry sector

(Rupees in '000)					
Gross investments (at cost)		Non-performing investments		Provision held	
2019	2018	2019	2018	2019	2018
Textile	500,000	-	-	-	-
Chemical and pharmaceuticals	125,000	175,000	-	-	-
Financial	1,239,096	1,239,982	-	-	-
Investment in Pakistan Investment Bonds and Treasury Bills	46,862,389	45,481,207	-	-	-
Oil marketing and refinery	562,500	750,000	-	-	-
	49,288,985	47,646,189	-	-	-

Credit risk by public / private sector

(Rupees in '000)					
Gross investments (at cost)		Non-performing investments		Provision held	
2019	2018	2019	2018	2019	2018
Public / Government	46,862,389	45,481,207	-	-	-
Private	2,426,596	2,164,982	-	-	-
	49,288,985	47,646,189	-	-	-

42.1.3 Advances

Credit risk by industry sector

(Rupees in '000)					
Gross advances		Non-performing advances		Provision held	
2019	2018	2019	2018	2019	2018
Agriculture, forestry, hunting and fishing	71,910	100,000	-	-	-
Textile	10,363,296	9,133,953	737,497	523,224	734,560
Chemical and pharmaceuticals	4,698,400	4,163,547	672	672	569
Cement	2,025,394	1,423,919	-	-	-
Sugar	3,505,917	4,098,518	18,591	18,591	18,591
Footwear and leather garments	269,138	2,706	2,706	2,706	1,806
Automobile and transportation equipment	335,469	520,015	-	-	-
Electronics and electrical appliances	157,680	97,419	38,500	38,500	38,280
Construction	84,043	56,455	-	-	-
Power (electricity), gas, water, sanitary	5,157,600	3,916,087	591,383	591,383	591,383
Wholesale and retail trade	2,669,460	1,725	12,432	1,725	12,059
Exports / Imports	-	10,024	-	10,024	-
Transport, storage and communication	2,303,410	3,079,029	6,422	7,373	6,422
Financial	1,309,825	1,150,907	829	829	566
Manufacturing	22,449,912	17,012,585	638,150	584,388	635,944
Paper and allied	217,853	162,206	1,452	1,452	1,452
Oil marketing and refinery	115	2,865,679	-	-	-
Services	4,257,596	2,011,348	63,769	73	57,879
Individuals	3,636,673	3,078,997	543,072	500,071	570,439
Others	529,666	3,006,661	17,265	111,218	17,264
	64,043,357	55,891,780	2,672,740	2,392,229	2,687,214
					2,299,525

Credit risk by public / private sector

Public / Government
Private

(Rupees in '000)					
Gross advances		Non-performing advances		Provision held	
2019	2018	2019	2018	2019	2018
115	2,865,679	-	-	-	-
64,043,242	53,026,101	2,672,740	2,392,229	2,687,214	2,299,525
64,043,357	55,891,780	2,672,740	2,392,229	2,687,214	2,299,525

42.1.4 Contingencies and Commitments

Credit risk by industry sector

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

(Rupees in '000)	
2019	2018
520,470	294,992
355,250	305,640
2,032,753	1,435,599
558,521	296,543
-	3,366
308,073	638,631
951,792	1,463,006
121,622	27,229
107,173,341	47,658,294
1,543,533	694,310
621,297	869,263
1,086,848	1,243,800
156,095	792,822
233,903	95,035
257,632	341,082
159,321	-
1,161,357	1,153,196
7,591,090	3,766,238
124,832,898	61,079,046
1,161,357	1,719,890
123,671,541	59,359,156
124,832,898	61,079,046

Credit risk by public / private sector

Public / Government
Private

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. 12,187.17 million (2018: Rs. 14,290.46 million) and are as following:

Funded
Non Funded

Total Exposure

(Rupees in '000)	
2019	2018
8,687,462	9,327,960
3,499,704	4,962,501
12,187,166	14,290,461

42.1.5.2 The sanctioned limits against these top 10 exposures aggregated to Rs 16,548.503 million (2018: Rs 16,685.39 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)							
2019							
Province / region	Disburse-ments	Utilization					
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
Punjab	28,704,091	27,709,537	-	9,992	-	984,562	-
Sindh	22,865,705	340,553	22,037,549	233,709	235,442	14,921	3,531
KPK including FATA	22,205	-	-	22,205	-	-	-
Balochistan	-	-	-	-	-	-	-
Islamabad	47,254	-	-	-	-	47,254	-
AJK including Gilgit-Baltistan	-	-	-	-	-	-	-
Total	51,639,255	28,050,090	22,037,549	265,906	235,442	1,046,737	3,531

(Rupees in '000)							
2018							
Province / region	Disburse-ments	Utilization					
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
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	105
KPK including FATA	12,037	-	-	12,037	-	-	-
Balochistan	-	-	-	-	-	-	-
Islamabad	257,414	-	48,296	-	-	209,118	-
AJK including Gilgit-Baltistan	-	-	-	-	-	-	-
Total	89,992,743	60,060,141	27,058,636	696,963	708,491	1,468,407	105

Disbursements mean the amounts disbursed by banks either in Pak Rupee or in foreign currency 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 and 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 DVO1 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 Telecard voice recording system.
- As per new Rate Reasonability Review Process document, any transaction outside the agreed tolerance band will be reviewed and highlighted by Market Risk.
- Review the factor sensitivity, VaR and stress testing methodologies and results for reasonableness, consistency and completeness.
- Preparing forecasts (simulations) showing the effect of various possible changes in market conditions relating to risk exposures and ensure their integrity.
- Preparing Market Access Reports (MAR), maturity and interest rate risk GAP reports.
- Preparing market risk dashboard for Asset Liability Committee (ALCO), Integrated Risk Management Committee (IRMC), Board Risk Committee (BRC) and senior management.
- Preparing GAP analysis report and reviewing methodologies to calculate risk under Pillar I and II of ICAAP Framework.
- Preparing Business Continuity Program (BCP) for market risk.
- Finalising methodologies to calculate risks under Pillar I & II for ICAAP Framework.
- Jointly developing, with business, standard stress test scenarios and reviewing the standard stress test library at least annually.
- Reviewing the Bank's capital adequacy.

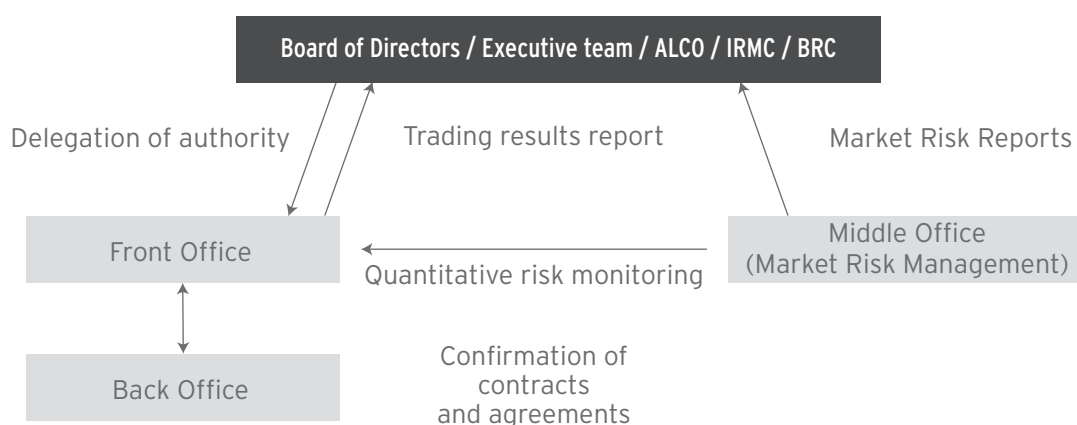
42.2.7 Scope and nature of Risk Reporting

- 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)					
	2019			2018		
	Banking Book	Trading Book	Total	Banking Book	Trading Book	Total
Cash and balances with treasury banks	5,544,027	-	5,544,027	5,154,790	-	5,154,790
Balances with other banks	1,154,197	-	1,154,197	496,174	-	496,174
Lendings to financial institutions	2,274,405	-	2,274,405	9,449,244	-	9,449,244
Investments - net	6,746,015	44,532,014	51,278,029	7,112,086	40,909,284	48,021,370
Advances - net	61,356,143	-	61,356,143	53,592,255	-	53,592,255
Fixed assets	1,896,507	-	1,896,507	1,064,563	-	1,064,563
Intangible assets	133,464	-	133,464	120,648	-	120,648
Deferred tax assets - net	327,484	-	327,484	700,767	-	700,767
Other assets - net	5,613,151	-	5,613,151	4,164,776	-	4,164,776
	85,045,393	44,532,014	129,577,407	81,855,303	40,909,284	122,764,587

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 currency transactions and assigning the ceilings of exposures to parties. Foreign exchange open and mismatch positions are controlled through internal limits and are marked-to-market on a daily basis to contain forward exposures.

	(Rupees in '000)			
	2019			
	Foreign Currency Assets	Foreign Currency Liabilities	Off-balance sheet items	Net foreign currency exposure
Pakistan Rupee	125,169,234	(106,646,449)	(4,174,833)	14,347,952
United States Dollar	4,054,621	(8,181,134)	3,983,269	(143,244)
Great Britain Pound Sterling	180,518	(388,627)	216,424	8,315
Euro	67,718	(45,791)	(13,264)	8,663
Japanese Yen	3,282	-	-	3,282
Other currencies	102,034	(135,919)	(11,596)	(45,481)
	129,577,407	(115,397,920)	-	14,179,487



	(Rupees in '000)			
	2018			
	Foreign Currency Assets	Foreign Currency 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
	122,764,587	(109,980,832)	-	12,783,755

	(Rupees in '000)			
	2019		2018	
	Banking Book	Trading Book	Banking Book	Trading Book
Impact of -1% change in foreign exchange rates on				
- Profit and loss account	(1,432)	-	(3,197)	-
- 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) and Held for Trading (HFT). The AFS portfolio is maintained with a medium-term view of capital gains and dividend income, where as HFT is maintained with aim to earn short term gain.

	(Rupees in '000)			
	2019		2018	
	Banking Book	Trading Book	Banking Book	Trading Book
Impact of -5% change in equity prices on				
- Profit and loss account	-	2,942	-	-
- Other comprehensive income	-	76,463	-	42,662

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)			
	2019		2018	
	Banking Book	Trading Book	Banking Book	Trading Book
Impact of -1% change in interest rates on				
- Profit and loss account	(483,594)	-	(378,839)	-
- Other comprehensive income	-	(263,808)	-	(451,109)

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)											
2019											
Effective yield/ interest rate %	Total	Exposed to yield / interest rate risk									Non-interest bearing financial instruments
		Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	
On-balance sheet financial instruments											
Assets											
Cash and balances with treasury banks	11.04%	5,544,027	-	-	1,292,668	-	-	-	-	-	4,251,359
Balances with other banks		1,154,197	-	-	-	-	-	-	-	-	1,154,197
Lending to financial institutions		2,274,405	1,274,405	1,000,000	-	-	-	-	-	-	-
Investments - net	11.08%	51,278,029	1,044,584	21,881,043	10,026,710	-	4,289,933	6,315,393	4,281,671	1,850,633	1,588,062
Advances - net	13.14%	61,356,143	7,240,123	31,108,166	14,200,834	3,458,339	413,578	911,874	1,674,862	2,191,704	156,663
Other assets - net		5,613,151	-	-	-	-	-	-	-	-	5,613,151
		127,219,952	9,559,112	53,989,209	25,520,212	3,458,339	4,703,511	7,227,267	5,956,533	4,042,337	12,763,432
Liabilities											
Bills payable		783,478	-	-	-	-	-	-	-	-	783,478
Borrowings	12.72%	36,114,488	25,346,522	1,764,389	7,091,934	-	9,533	49,001	319,082	1,511,691	22,336
Deposits and other accounts	7.58%	71,881,880	7,419,097	14,495,238	22,368,519	9,700,504	308,526	39,490	96,943	-	17,453,563
Liabilities against assets subject to finance lease		-	-	-	-	-	-	-	-	-	-
Subordinated debt		-	-	-	-	-	-	-	-	-	-
Other liabilities		6,618,074	-	17,801	13,139	5,054	8,440	54,758	354,709	259,633	5,883,809
		115,397,920	32,765,619	16,277,428	29,473,592	9,705,558	326,499	143,249	770,734	1,771,324	24,143,186
On-balance sheet gap		11,822,032	(23,206,507)	37,711,781	(3,953,380)	(6,247,219)	4,377,012	7,084,018	5,185,799	2,271,013	(20,731) (11,379,754)
Off-balance sheet financial instruments											
Documentary credits and short-term trade-related transactions		5,709,594	1,754,826	3,536,650	170,719	247,399	-	-	-	-	-
Commitments in respect of:											
- forward foreign exchange contracts		107,057,142	46,507,381	41,083,920	19,369,144	96,697	-	-	-	-	-
- forward government securities transactions		4,134,130	4,134,130	-	-	-	-	-	-	-	-
Off-balance sheet gap		111,191,272	50,641,511	41,083,920	19,369,144	96,697	-	-	-	-	-
Total Yield/Interest Risk Sensitivity Gap			52,396,337	44,620,570	19,539,863	344,096	-	-	-	-	-
Cumulative Yield/Interest Risk Sensitivity Gap			29,189,830	82,332,351	15,586,483	(5,903,123)	4,377,012	7,084,018	5,185,799	2,271,013	(20,731) (11,379,754)
Reconciliation of financial assets with total assets											
Total assets as per balance sheet		129,577,407									
Less: Non financial assets											
Fixed assets		1,896,507									
Intangible assets		133,464									
Deferred tax assets - net		327,484									
		2,357,455									
Total financial assets		127,219,952									

(Rupees in '000)											
2018											
Effective yield/ interest rate %	Total	Exposed to yield / interest rate risk									Non-interest bearing financial instruments
		Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	

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

Reconciliation of financial assets

with total assets

Total assets as per balance sheet

Less: Non financial assets

Fixed assets

Intangible assets

Deferred tax assets - net

Total financial assets

5,154,790	-	-	1,113,950	-	-	-	-	-	-	-	4,040,840
496,174	-	-	-	-	-	-	-	-	-	-	496,174
9,449,244	9,449,244	-	-	-	-	-	-	-	-	-	-
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
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
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
877,017	-	-	-	-	-	-	-	-	-	-	877,017
39,780,603	32,882,871	4,365,200	1,368,500	30,000	-	15,893	102,037	993,766	-	-	22,336
65,225,052	6,719,480	9,924,086	25,860,466	5,450,177	143,776	135,946	39,942	-	-	-	16,951,179
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
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
10,897,777	(10,056,583)	36,029,111	(14,761,152)	(508,886)	6,112,871	1,453,168	2,332,367	2,537,894	-	-	(12,241,013)
5,553,494	2,318,289	2,925,081	310,124	-	-	-	-	-	-	-	-
40,336,037	16,491,863	16,866,422	6,977,752	-	-	-	-	-	-	-	-
6,043,511	6,043,511	-	-	-	-	-	-	-	-	-	-
46,379,548	22,535,374	16,866,422	6,977,752	-	-	-	-	-	-	-	-
24,853,663	19,791,503	7,287,876	-	-	-	-	-	-	-	-	-
14,797,080	55,820,614	(7,473,276)	(508,886)	6,112,871	1,453,168	2,332,367	2,537,894	-	-	-	(12,241,013)
122,764,587											
1,064,563											
120,648											
700,767											
1,885,978											
120,878,609											

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, Country Risk and Compliance Committee (CRCC) 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
- Fraud Risk Management
- 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.

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 Information Security

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 Information Security setup, housed within Risk Management Group. IS teams review and update the Information Security Policy & Framework, Procedures, Guidelines and System's Hardening standards based on 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 enhancements are 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.

42.5 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

42.5.1 Maturities of Assets and Liabilities - based on contractual maturity of the assets and liabilities of the Bank

(Rupees in '000)													
2019													
Total	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
Assets													
Cash and balances with treasury banks	5,544,027	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	1,154,197	-	-	-	-	-	-	-	-	-	-	-	-
Lending to financial institutions	2,274,405	835,687	-	438,718	1,000,000	-	-	-	-	-	-	-	-
Investments - net	51,278,029	-	-	-	-	6,026,011	-	-	1,529,262	4,535,792	6,994,690	5,025,777	27,166,497
Advances - net	61,356,143	380,379	608,967	1,566,940	3,209,500	4,070,206	9,862,206	839,071	2,340,737	752,434	2,602,528	3,720,591	3,182,682
Fixed assets	1,896,507	-	-	190	475	475	3,410	9,096	9,096	74,564	47,355	302,804	1,449,042
Intangible assets	133,464	-	-	13	33	33	240	640	640	5,247	3,333	21,309	101,976
Deferred tax assets - net	327,484	-	-	-	-	-	-	-	59,573	68,336	49,803	72,681	77,091
Other assets - net	5,613,151	-	-	5,338,974	-	72,349	143,334	-	25,729	15,167	14,397	3,201	-
129,577,407	35,753,813	380,379	608,967	7,344,835	4,210,008	10,169,074	10,009,190	848,807	3,965,037	5,451,540	9,712,106	9,146,363	31,977,288
Liabilities													
Bills payable	783,478	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	36,114,488	16,826,251	1,000,000	5,189,713	610,000	1,154,389	7,091,934	-	-	9,533	49,001	341,418	1,511,692
Deposits and other accounts	71,881,880	1,296,951	1,115,139	4,897,537	4,470,102	10,025,122	6,328,552	2,190,782	7,509,722	308,526	39,490	96,943	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated debt	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	6,618,074	-	-	2,417,904	17,801	1,983,078	582,840	-	367,717	24,822	57,009	786,539	380,364
115,397,920	36,717,049	18,123,202	2,115,139	12,505,154	5,097,903	13,162,589	14,003,326	2,190,782	7,877,439	342,881	145,500	1,224,900	1,892,056
14,179,487	(963,236)	(17,742,823)	(1,506,172)	(5,160,319)	(887,895)	(2,993,515)	(3,994,136)	(1,341,975)	(3,912,402)	5,108,659	9,566,606	7,921,463	30,085,232
Net assets													
Share capital	10,082,387												
Reserves	829,289												
Unappropriated profit	2,938,552												
Surplus on revaluation of assets	329,259												
14,179,487													



42.5.1.1 This includes maturity analysis of lease liabilities based on contractual maturities which is shown below:

(Rupees in '000)													
2019													
Total	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
834,264	-	-	-	-	17,801	-	13,139	-	5,054	8,440	54,758	354,709	380,363
Liabilities													
Lease liability against right-of-use assets													
2018													
(Rupees in '000)													
Assets													
5154790	5154790	-	-	-	-	-	-	-	-	-	-	-	-
496174	496174	-	-	-	-	-	-	-	-	-	-	-	-
9449244	9449244	-	-	-	-	-	-	-	-	-	-	-	-
48021370	-	10860289	-	-	15,811,534	-	-	496,613	863243	5930974	1425337	1994479	10638901
53592255	21892861	3540184	550665	2074426	2209596	3446041	6822485	517925	2721831	890969	1256971	4669589	2998712
1064563	-	-	-	507	-	586	2405	-	8625	73767	67193	259845	651635
120648	-	-	-	58	-	66	273	-	978	8360	7615	29448	73850
700767	-	-	-	-	-	-	-	-	219385	74381	59505	93757	253739
4164776	-	-	-	2971769	-	64341	98608	-	88578	27795	25557	888128	-
122764587	36993069	14400473	550665	5046760	18021130	3511034	6923771	1014538	3902640	7006246	2842178	7935246	14616837
Liabilities													
877017	877017	-	-	-	-	-	-	-	-	-	-	-	-
39780603	16462669	7862440	-	8557762	400000	3965200	1368500	30000	-	-	15893	124373	993766
65225052	36227367	920041	660000	4972589	6725708	3198378	6751128	3872662	1577515	143776	135946	39942	-
Liabilities against assets subject to finance lease													
-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated debt													
-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities													
4098160	-	-	-	1511009	-	1925277	210715	-	115843	2245	2130	330941	-
109980832	53567053	8782481	660000	15041360	7125708	9088855	8330343	3902662	1693358	146021	153969	495256	993766
12783755	(16573984)	5617992	(109335)	(9994600)	10895422	(5577821)	(1406572)	(2888124)	2209282	6860225	2688209	7439990	13623071
Net assets													
Share capital													
10082387													
691997	Reserves												
2389386	Unappropriated profit												
(380015)	Deficit on revaluation of assets												
12783755													

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

(Rupees in '000)									
2019									
Total	Upto 1 Month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 years
Assets									
Cash and balances with treasury banks	5,544,027	2,086,027	1,032,292	507,544	657,401	335,707	325,278	599,778	-
Balances with other banks	1,154,197	1,154,197	-	-	-	-	-	-	-
Lending to financial institutions	2,274,405	1,274,405	1,000,000	-	-	-	-	-	-
Investments - net	51,278,029	-	6,026,010	-	1,529,262	4,535,792	6,994,690	5,025,777	27,166,498
Advances - net	61,356,143	12,677,945	12,272,173	13,371,636	12,776,155	752,434	2,602,528	3,720,591	3,182,681
Fixed assets	1,896,507	190	950	3,410	18,191	74,564	47,355	302,804	243,671
Intangible assets	133,464	14	67	240	1,280	5,247	3,333	21,309	17,148
Deferred tax assets - net	327,484	-	-	-	59,573	68,336	49,803	72,681	77,091
Other assets - net	5,613,151	5,338,974	72,349	143,334	25,729	15,167	14,397	3,201	-
	129,577,407	22,531,752	20,403,841	14,026,164	15,067,591	5,787,247	10,037,384	9,746,141	30,687,089
									1,290,198
Liabilities									
Bills payable	783,478	783,478	-	-	-	-	-	-	-
Borrowings	36,114,488	25,346,521	1,764,389	7,091,934	-	9,533	49,001	341,418	1,511,692
Deposits and other accounts	71,881,880	14,717,010	19,141,910	9,140,162	11,842,243	4,457,425	4,188,389	8,394,741	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-
Subordinated debt	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-
Other liabilities	6,618,074	2,417,904	2,000,879	582,840	367,717	24,822	57,009	786,539	380,364
	115,397,920	43,264,913	22,907,178	16,814,936	12,209,960	4,491,780	4,294,399	9,522,698	1,892,056
									-
Net assets									
	14,179,487	(20,733,161)	(2,503,337)	(2,788,772)	2,857,631	1,295,467	5,742,985	223,443	28,795,033
									1,290,198
Share capital									
Share capital	10,082,387								
Reserves	829,289								
Unappropriated/ Unremitted profit	2,938,552								
Surplus on revaluation of assets	329,259								
	14,179,487								

42.5.2.1 This includes maturity analysis of lease liabilities based on contractual maturities which is shown below:

(Rupees in '000)									
2019									
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
Liabilities									
Lease liability against right-of-use assets	834,264	-	17,801	13,139	5,054	8,440	54,758	354,709	380,363
									-

(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
Assets									
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
Intangible assets	120,648	58	66	273	978	8,360	7,615	29,448	8,652
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
Liabilities									
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
									-
Net assets	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/ Head office capital account	10,082,387								
Reserves	691,997								
Unappropriated/ Unremitted profit	2,389,386								
Deficit on revaluation of assets	(380,015)								
	12,783,755								

43 GENERAL

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

44 DATE OF AUTHORISATION

These financial statements were approved and authorised for issue on February 26, 2020 by the Board of Directors of the Bank.

Chief Financial Officer

President & Chief Executive Officer

Director

Director

Chairman

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

DURING THE YEAR ENDED DECEMBER 31, 2019

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 / waived	Other financial relief provided	Total (10+11+12)
					Principal	Interest / Mark-up	Other than Interest / Mark-up	Total				
1	2	3	4	5	6	7	8	9	10	11	12	13

(Rupees in '000)

Nil

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

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 / waived	Other financial relief provided	Total (10+11+12)
					Principal	Interest / Mark-up	Other than Interest / Mark-up	Total				
1	2	3	4	5	6	7	8	9	10	11	12	13

(Rupees in '000)

1	Firdous Textile Mills Limited 3rd Floor, Bank House No. 3, Habib Square, M.A. Jinnah Road, Karachi.	Mr. Ehsan Elahi Mr. Sohail Elah Mr. Zahid Elahi	42000-1557756-1 42201-7108362-5 42201-737542-5	Haji Muhammad Hussain Ehsan Elahi Ehsan Elahi"	3,528	-	-	3,528	2,628	-	33,459	36,087
Total:					3,528	-	-	3,3528	2,628	-	33,459	36,087



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 / issuers
(Rupees in '000)							
Vehicles							
Honda City AXK-253	1,560	1,029	531	1,234	703	Auction	Syed Riaz Ahmed
Mountain Bicycle (Sohrab)	3	2	1	1	-	Through Bidding	Mazhar Iqbal
	1,563	1,031	532	1,235	703		
Furniture and fixtures							
Work Stations, table and chairs, counters, safes and lockers (Kemari Warehouse, Karachi)	2,163	2,109	54	54	-	Auction	Khalid Brothers
Partitions, cabinets, blinds, table, chairs & sofa (5th & 6th Floor Sidco Avenue Center, Karachi)	7,524	7,482	42	73	31	Through Bidding	Khalid Brothers
Wallpapers, notice board, counters & containers (Gulberg, Lahore)	2,312	2,246	66	65	(1)	Through Bidding	Mazhar Iqbal
Note counting machine, CCTV, air conditioners, chairs & table (7th Floor Sidco Avenue Center, Karachi)	14,218	13,664	554	600	46	Through Negotiation	BP Industries (Pvt) Ltd.
Data Center Cabling Ducting, Voice Shifting of Existing Cable, chairs & table, air conditioners (1st Floor Sidco Avenue Center, Karachi)	26,876	25,935	941	-	(941)	Through Negotiation	Pakistan Security Printing Corporation (Pvt) Ltd.
	53,093	51,436	1,657	792	(865)		
Electrical, office and computer equipment							
Biometric devices, laptops, printers, scanners (Kemari Warehouse, Karachi)	2,614	2,581	33	33	-	Auction	Khalid Brothers
CCTV, fire alarm system, fire extinguisher, note detecting/ binding machine and shredder machine (Kemari Warehouse, Karachi)	6,312	6,223	89	298	209	Auction	Khalid Brothers
Louwer and pedestal fan, kettle, refrigerator (5th & 6th Floor Sidco Avenue Center, Karachi)	29	29	-	5	5	Through Bidding	Khalid Brothers
Network equipment (Gulberg, Lahore)	36	36	-	-	-	Through Bidding	Mazhar Iqbal
Fax machine, note counting machine, emergency lights, CCTV, heater and metal detector (Gulberg, Lahore)	2,078	2,069	9	29	20	Through Bidding	Mazhar Iqbal
Access control system, CCTV system, fire alarm system (7th Floor Sidco Avenue Center, Karachi)	776	776	-	-	-	Through Negotiation	BP Industries (Pvt) Ltd.
Mobile Phone	85	50	35	85	50	Insurance Claim	Jubilee General Insurance Company Limited
	11,930	11,764	166	450	284		
Building on freehold land							
Token amount for purchase of Allama Iqbal Town Branch, Lahore (property)	3,000	-	3,000	3,000	-	Deal Cancelled Token Money Returned	Mr. Munir Ahmed Khan
	3,000	-	3,000	3,000	-		
2019	69,586	64,231	5,355	5,477	122		
2018	39,570	28,820	10,750	12,230	1,480		

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, 2019

Number of Shareholders	Shareholding		Total Shares
	From	To	
1,495	1	100	66,142
1,879	101	500	495,225
739	501	1,000	533,479
725	1,001	5,000	1,568,227
131	5,001	10,000	897,167
56	10,001	15,000	687,968
27	15,001	20,000	477,546
21	20,001	25,000	463,444
18	25,001	30,000	493,458
8	30,001	35,000	262,176
6	35,001	40,000	223,309
9	40,001	45,000	387,724
7	45,001	50,000	339,560
4	50,001	55,000	208,883
11	55,001	60,000	627,786
3	60,001	65,000	189,912
1	70,001	75,000	70,479
1	75,001	80,000	77,526
1	85,001	90,000	88,979
5	90,001	95,000	458,820
2	95,001	100,000	200,000
4	100,001	105,000	410,157
1	105,001	110,000	108,000
2	110,001	115,000	225,532
1	115,001	120,000	120,000
1	125,001	130,000	129,962
2	145,001	150,000	294,157
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	225,000
1	230,001	235,000	230,720
2	235,001	240,000	471,972
1	245,001	250,000	250,000
1	250,001	255,000	253,843
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	380,001	385,000	385,000
1	405,001	410,000	409,818
1	410,001	415,000	412,000
1	415,001	420,000	419,326
1	425,001	430,000	429,290
1	475,001	480,000	479,739
1	560,001	565,000	563,832
1	620,001	625,000	622,532
1	940,001	945,000	941,599
1	1,150,001	1,155,000	1,154,800
1	1,200,001	1,205,000	1,205,000
1	1,650,001	1,655,000	1,652,306
1	1,690,001	1,695,000	1,690,620
1	2,330,001	2,335,000	2,330,804
1	2,350,001	2,355,000	2,353,784
1	2,635,001	2,640,000	2,635,899
1	2,760,001	2,765,000	2,764,113
1	10,935,001	10,940,000	10,936,420
1	12,500,001	12,505,000	12,500,500
1	17,115,001	17,120,000	17,120,000
1	20,785,001	20,790,000	20,788,998
1	23,840,001	23,845,000	23,841,939
1	35,830,001	35,835,000	35,832,424
1	852,040,001	852,045,000	852,040,531
5,204			1,008,238,648



Category of Shareholding

As At December 31, 2019

S. No.	Shareholding	Number of Shareholders	Number of Shares	%
1	Directors, Chief Executive Officer, and their spouse and minor children	4	36,989,005	3.67
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	2,755,981	0.27
7	Share holders holding 10%	1	852,040,531	84.51
8	General Public : a. local b .Foreign	5,038 1	29,191,786 196	2.90 0.00
9	Others	114	84,570,326	8.39
Total (excluding shareholders holding 10%)		5,204	1,008,238,648	100.00

Additional Disclosure on Board of Directors under Revised Guidelines on Remuneration Practices

S. No.	Name of Directors	Date of Joining the Board	Status of Director (Executive, Non-Executive, Independent)	Member of Board Committee	Other Directorships
1	Dr. Shujaat Nadeem	29-Mar-07	Chairman / Non-Executive Director	• Board IT Committee	Deputy CEO for Business • Samba Financial Group Director • Samba Global Markets Limited • Samba Capital • Co-Investment Offshore Capital Limited • Investment Capital (Cayman) Limited • Access Co-Invest Limited • Samba Funding Limited • Tahbeer Limited Jafza UAE
2	Mr. Shahid Sattar	1-Aug-13	President & CEO / Executive Director	• Board Risk Committee	Director • Instaplant (Pvt.) Ltd.
3.	Ms. Ranya Nashar	6-Feb-15	Non-Executive Director	• Board Nomination and Remuneration Committee	CEO • Samba Financial Group Director • Samba Capital • Samba Global Markets Limited • Samba Funding Limited
4.	Mr. Aiman Gusti	27-Mar-19	Non-Executive Director	• Board Audit Committee • Board Risk Committee • Board IT Committee	Nil
5.	Mr. Timour Pasha	27-Mar-19	Non-Executive Director	• Board Risk Committee	Nil
6.	Mr. Humayun Murad	29-Mar-10	Non-Executive Director	• Board Nomination and Remuneration Committee • Board Risk Committee	Director • Pak Oman Asset Management Company Limited - Pakistan • Index Exchange Co. LLC, UAE • SAMA Finance SAE, Egypt
7.	Mr. Arjumand Ahmed Minai	15-Dec-17	Independent Director	• Board Audit Committee	Director • Marie Stopes Pakistan
8.	Hafiz Mohammad Yousaf	20-Aug-19	Independent Director	• Board Audit Committee • Board Nomination and Remuneration Committee • Board IT Committee	Director • Minky & Associates (Pvt.) Limited • Kot Addu Power Company Limited
9.	Mr. Tariq Javed	27-Dec-19	Independent Director	• Board IT Committee	CEO • Carlyle Square Consultancy Ltd.

Information as required under Code of Corporate Governance

AS AT DECEMBER 31, 2019

Shareholders' category	Number of shares held	%
i. Associated Companies, Undertaking and Related Parties		
SAMBA FINANCIAL GROUP	852,040,531	84.51
ii. Mutual Funds		
M/S. SAFEWAY FUND LIMITED	263	0.00
M/S. ASIAN STOCKS FUND LIMITED	99	0.00
CDC - TRUSTEE AKD OPPORTUNITY FUND	412,000	0.04
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	2,330,804	0.23
iii. Directors, CEO and their spouse(s) and minor children		
SHUJAAT NADEEM	35,832,424	3.55
SHAHID SATTAR	1,154,800	0.11
HUMAYUN MURAD	1,281	0.00
ARJUMAND AHMED MINAI	500	0.00
iv. Executives	295	0.00
v. Public Sector Companies and Corporations	2,635,899	0.26
vi. Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Takaful, Modaraba and Pension Funds	664,974	0.07
vii. NIT & ICP	25,297	0.00
viii. General Public		
a. Local	29,191,491	2.90
b. Foreign	196	0.00
ix. Others	83,947,794	8.33
	<u>1,008,238,648</u>	<u>100.00</u>
x. Shareholders Holding five percent or more Voting Rights in the Listed Company		
SAMBA FINANCIAL GROUP	<u>852,040,531</u>	<u>84.51</u>

During the year, No trade in shares of the Bank was carried out by the Directors, CFO, Company Secretary, their spouses and minor children. Hafiz Mohammad Yousaf - Independent Director, has purchased 500 qualifying shares on February 6, 2020, of Samba Bank Limited after meeting all the regulatory requirements.



















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Samba Bank Limited

Form of Proxy

17th 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 04:00 p.m. on Friday, the 27th March, 2020, at Hotel Serena, Islamabad and at any adjournment thereof.

As witness my / our hand / seal this _____ day of _____ 2020.

Signed by the said _____

in the presence of 1. _____
2. _____

Folio / CDC Account No.

Please affix here Revenue
Stamp of Rs. 5/-

Important:

1. This Proxy Form, duly completed and signed, must be received at the Registered Office of the Bank, 2nd Floor Building # 13-T, F-7 Markaz, near to Post Mall, Islamabad, not less than 48 hours before the time of holding the meeting.
2. No person shall act as proxy unless he himself is a member of the Bank, except that a corporation may appoint a person who is not a member.
3. If a member appoints more than one proxy and more than one instruments of proxy are deposited by a member with the Bank, all such instruments of proxy shall be rendered invalid.

For CDC Account Holders / Corporate Entities:

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

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

AFFIX
CORRECT
POSTAGE

The Company Secretary

Samba Bank Limited

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

سامبا بینک لمیٹڈ

پراکسی فارم

سبز ہواں 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 04 بجے شام، بروز جمعہ 27 مارچ 2020، ہوٹل سرینا، اسلام آباد میں منعقد کیا جا رہا ہے
اور التوا کی صورت میں کہیں بھی منعقد کیا جائے۔

بطور گواہی میرے / ہمارے ہاتھ / یہ مہر _____ کے دن _____ 2020۔

بھیجنے والے کے دستخط :

ان افراد کی موجودگی میں :

1.

2.

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



ڈاک ٹکٹ
چسپاں
کریں

کمپنی سیکریٹری

سامبا بینک لمیٹڈ

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

Samba Bank Limited

ANNUAL GENERAL MEETING

At 04:00 p.m., March 27, 2020

Hotel Serena, Islambad.

ADMISSION SLIP

Name _____

Folio No. (Non CDC) _____ Signature _____

CDC A/c. No. _____ Signature _____

No. of Shares held _____

Verified by: FAMCO Associates (Pvt.) Limited

Note:

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

This Admission Slip is Not Transferable

سامبا بینک لمیٹڈ

سالانہ اجلاس عام

مورخہ 27 مارچ 2020، شام 4:00 بجے
بمقام ہوٹل سرینا، اسلام آباد

داخلہ سِلپ

نام	_____
فولیو نمبر (نان سی ڈی سی)	_____ دستخط _____
سی ڈی سی اکاؤنٹ نمبر	_____ دستخط _____
موجود حصص کی تعداد	_____

تصدیق کنندہ: فیمکو ایسوسی ایٹس (پرائیویٹ) لمیٹڈ

نوٹ:

- حصص یافتگان کے دستخط، کمپنی کے ریکارڈ میں موجود دستخط کے نمونے سے لازماً مشابہت رکھتے ہوں۔
- حصص یافتگان سے درخواست ہے کہ اجلاس میں شرکت کے لیے داخلے کے وقت یہ سِلپ دکھائیں۔

یہ داخلہ سِلپ قابل منتقل نہیں ہے