Annual Report 2013

forging **ahead**

samba سامبا

Company Information

Board of Directors

Dr. Shujaat Nadeem	Chairman/Non Executive Director
Mr. Medhat Fareed Abbas Tawfik	Non Executive Director
Mr. Antoine Mojabber	Non Executive Director
Mr. Beji Tak-Tak	Non Executive Director
Mr. Zahid Zaheer	Independent Director
Mr. Farhat Abbas Mirza	Independent Director
Mr. Humayun Murad	Independent Director
Mr. Javed Iqbal	Independent Director
Mr. Shahid Sattar	President & CEO/Executive Director

Board Audit Committee

Mr. Javed Iqbal	Chairman
Mr. Beji Tak-Tak	Member
Mr. Zahid Zaheer	Member

Board Risk Committee

Mr. Beji Tak-Tak	Chairman
Mr. Shahid Sattar	Member
Mr. Antoine Mojabber	Member
Mr. Humayun Murad	Member

Board Nomination & Remuneration Committee

Dr. Shujaat Nadeem	Chairman
Mr. Medhat Fareed Abbas Tawfik	Member
Mr. Humayun Murad	Member

President & Chief Executive Officer

Mr. Shahid Sattar

Company Secretary

Syed Zia-ul-Husnain Shamsi

Auditors

A.F. Ferguson & Co. — Chartered Accountants

Legal Advisors

Mohsin Tayebaly & Co. — Advocates & Legal Consultants

Head Office

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

Registered Office

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

Share Registrar

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

Website

www.samba.com.pk

Help Line

11 11 SAMBA (72622)

Credit Rating by JCR-VIS

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

Chairman's Message

I am pleased to present the annual financial performance of Samba Bank Limited (SBL) for the year 2013, and would like to share some of my thoughts on the future outlook of the business and the bank.

In the face of macroeconomic pressures and challenges to the banking industry, the bank retained its position and continued to be a profit-making franchise. The growth was prudently kept slow, in line with the banking industry. Despite sluggish economic growth, inflationary pressure and squeezing spreads, the bank successfully curtailed the expected downturn in profitability with after-tax profit of PKR 84.3 million, compared to the last year's figure of PKR 98.6 million, after taking out the one-offs. During 2013, the bank grew its deposits by 8% to PKR 24.6 billion. Over the same period, the loan portfolio increased by 18% to PKR 18.2 billion. Investments grew by 57.3% to PKR 14 billion and Samba Financial Group (SFG), Saudi Arabia made a capital injection of PKR 1.6 billion as advance share subscription money. Cost management through efficient and effective controls and better techniques, despite the rising inflation, contributed significantly in maintaining the profit.

The team at SBL is determined to excel, despite the challenging business conditions, and is well-placed to do so. SBL continued to focus on the basics of banking - balancing the pursuit of growth with disciplined management of costs and risks, keeping a firm grip on liquidity and capital.

During the year, the Board of Directors appointed myself as the new Chairman and also elected a new CEO, under whose leadership the bank has grown significantly in the second half of the year. The bank also continued to benefit from the ongoing support from SFG, Saudi Arabia.

SBL's Corporate & Investment Banking Group showed significant growth, both in terms of revenue and balance sheet strength. The corporate loan portfolio has grown by 19.4% over 2012, net of several large early repayments by existing corporate clients. The Corporate Banking Group added new top-tier corporate clients to its portfolio, maintained the high credit quality of its credit exposures, diversified its risk across approved sectors/industries, and significantly increased cross-selling in line with the board of directors' approved strategy.

The Investment Banking group also demonstrated its best-in-class corporate finance and advisory capability, resulting in the team advising a number of top-tier local and foreign clients on buy-side, sell-side, and restructuring assignments. The Global Transaction Services team also deepened its customised product offering with a full spectrum of transaction banking and cash management solutions to help SBL's corporate clients manage their liquidity and cash flows more efficiently. Over the year, the Financial Institutions Group ensured that the bank's relationships with all the financial institutions, including foreign and local commercial banks, non-banking financial Institutions, insurance companies, asset management companies and micro-finance banks were significantly enhanced.

Consumer Banking at SBL Pakistan is well-poised for growth and sustainability. In an environment where the cost of funds and direct competition from mid-sized banks is growing, the focus of the business has remained on the robust and continuous growth of deposits, particularly with regard to the current and low cost savings account. The business has been able to maintain a cost-efficient deposit mix of 52%, while the overall portfolio's cost of fund was kept below 5.84%. In order to fuel future growth of the low cost deposit mix, the bank's direct sales model has been re-aligned with our branch banking network. The objective was to expedite new-to-bank customer acquisitions and bolster the bank's low cost deposit base. The branch banking deposit book has grown by 16.7%, showing a growth of around PKR 3 billion over 2012 to reach PKR 21 billion. The hallmark of this growth has been the deposit contribution from new-to-bank relationships, particularly those acquired in the last two quarters of 2013. This is a positive indication that the business is gaining higher market share and is set for a smooth turn-around. The cross-sell of fee-based products, which is used to enhance the share of non-funded income in our bottom line, has also been one of the mainstays of business's profitability. All major fee-based avenues have been re-launched and the cross-sell business has fared exceptionally well. In order to enhance the customer touch-point capabilities of the bank, an alternate delivery channel has been set up whereby resources have been dedicated for the cross-sell of allied products through telesales channel. Remedial management and ensuring strong and consistent recoveries remained the management's prime focus for the consumer asset business.

Global Markets had a productive year, during which revenue growth was significant over 2012 results. Despite the high foreign exchange and interest rate volatility in the latter half of the year, SBL increased its profitability by increasing foreign exchange revenue by more than 50% over 2012. The sales and distribution business continued to strengthen, and the Global Markets/Corporate & Investment Banking Group/Consumer Business partnership has seen an increase in activities, with more cross-selling and increased customer business flow expected. Liquidity was well managed, resulting in a sharp increase in profitability.

As a result of the bank's strategic direction, strong liquidity position and capital base, and an impressive and sustainable growth trajectory, the JCR-VIS credit rating agency re-affirmed SBL's medium to long-term credit rating at AA- and its short-term rating at A-1. These long and short-term ratings respectively indicate the bank's high credit quality, moderate risk factor, record of timely payments, and excellent liquidity.

I would like to take this opportunity to thank our customers for their continuing patronage and belief in the 'Samba' brand. I would also like to thank State Bank of Pakistan, Securities and Exchange Commission of Pakistan, other regulatory authorities, Board of Directors, and my colleagues in SFG, Saudi Arabia, for their constant guidance and support. In the end, on behalf of the Board of Directors, I would convey our appreciation to the management and the employees of SBL for their untiring efforts and dedication throughout 2013.

Dr. Shujaat Nadeem
Chairman

Directors' Report

On behalf of the Board of Directors, I am pleased to present the annual report of the Bank along with its audited financial statements and auditors' report for the year ended December 31, 2013.

Economic Highlights

The year 2013 was another challenging year for the country's struggling economy, due to challenges like depleting foreign reserves, rising inflation, rising cost of doing business, power shortages and security issues. These macroeconomic issues had significant impact on the banking industry during 2013.

State Bank of Pakistan (SBP) marginally increased its policy rate by 100 bps in response to rising Consumer Price Index (CPI) inflation, which stood at 9.2% in December 2013 as compared to 7.9% in December 2012. Prolonged and severe energy crises and worsening security conditions remained major contributors in limiting the growth of large-scale manufacturing sector in particular and overall economy in general.

Home remittances showed a rising trend and increased by USD 0.6 billion from USD 13.9 billion in CY 2012 to USD 14.6 billion in CY 2013.

Capital Restructuring Plan

State Bank of Pakistan (SBP) has specified Minimum Capital Requirement (MCR) for all commercial banks operating in Pakistan. As per these requirements, all banks were required to attain minimum capital (net of accumulated losses) of Rs. 10 billion by December 31, 2013 in a phased manner.

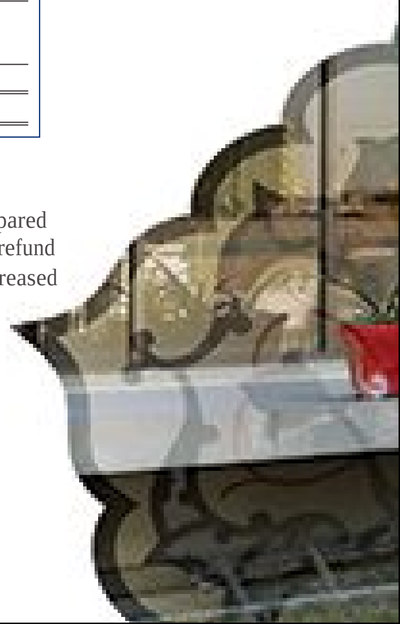
To comply with the MCR, first phase of the capital restructuring plan covering capital reduction was completed in 2013.

Your Bank initiated the second phase of the capital restructuring plan by starting the process of issuance of rights shares during December 2013. Our parent, Samba Financial Group (SFG), Saudi Arabia, remitted in advance its share of Rs. 1.6 billion in the proposed rights issue and also consented to underwrite any portion of the rights issue remaining unsubscribed. Your Bank has got an extension from SBP till March 31, 2014 to comply with MCR. After completion of the allotment of rights shares by March 2014, your Bank will meet the MCR.

(Rupees in '000)

Bank Operating Results and Financial Review	2013	2012
Net mark-up/return/interest income after provisions	1,473,806	1,422,809
Non mark-up/interest income	160,498	154,505
Non mark-up/interest expenses	1,552,643	1,413,280
Profit before taxation	81,661	164,034
Taxation	(2,652)	(136,852)
Profit after taxation	84,313	300,886
Earnings per share - Rupees	0.10	0.37

Despite the challenging environment, your Bank achieved a profit after tax for the year 2013 of Rs. 84.3 million compared to the last year's profit of Rs. 98.6 million, after adjusting some one-off income from 2012 attributed to a major tax refund and material reversal of provision. This translated into the earnings per share of Rs. 0.10 in 2013. Your Bank also increased its balance sheet size to Rs. 40.0 billion in 2013 from Rs. 34.8 billion in 2012, depicting an increase of 15%.



Average earning assets of your Bank grew by 25%, from Rs. 26.5 billion in 2012 to Rs. 33.1 billion in 2013. Accordingly, the interest income also registered an increase of Rs. 152.5 million from Rs. 3,054.0 million in 2012 to Rs. 3,206.5 million in 2013. This growth in earning assets was funded through a 16% growth in the average deposits from Rs. 18.7 billion in 2012 to Rs. 21.6 billion in 2013. Cost of deposits reflects a decrease of 116 bps in 2013 despite the increase in average volumes and linking of minimum profit rate on remunerative deposits with discount rate floor. This was achieved by efficiently managing the deposit mix with core focus on non-remunerative current deposits. This resulted in 4% increase in the net mark-up/interest income of the Bank from Rs. 1,332.2 million in 2012 to Rs. 1,383.9 million in 2013.

Your Bank managed to recover Rs. 109.4 million from legacy bad loans, demonstrating consistent, aggressive, and effective remedial management. Also, the contained additional provisions show prudent risk management in the prevailing lending environment.

Non mark-up/interest income registered a 4% increase in 2013, from Rs. 154.5 million in 2012 to Rs. 160.5 million in 2013.

Despite the business growth and inflationary pressures, your Bank effectively managed its operating costs, which increased only by Rs. 91.4 million, translating into a nominal rise of 6%, in 2013 to Rs. 1.6 billion.

Credit Rating

JCR-VIS Credit Rating Company has reaffirmed your Bank's medium to long term rating of AA- (Double A minus) and short term rating of A-1 (A-One). The outlook on the above rating has also been confirmed as stable. These short and medium to long term ratings denote low credit risk of your Bank due to adequate credit quality with reasonable protection and strong capacity for timely payment of all financial commitments.

Statement of Internal Controls

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

Risk Management Framework

Effective risk management is fundamental in the banking business to achieve consistency and sustainability in the revenue streams and is thus a central part of your Bank's policies. Accordingly, your Bank has a comprehensive risk management framework that establishes risk management principles, provides a definition of risk, enunciates key principles, and describes the governance and policy architecture for risk management, which includes credit, market, liquidity and operational risks that are discussed in more detail in notes 40, 41, 43 and 45 to the annexed financial statements.

Through our risk management framework, we manage enterprise-wide risks, with the objective of maximising the risk-adjusted returns while remaining within the risk parameters approved by the Board. Your Bank's risk management framework is designed to balance corporate governance with well-defined independent risk management functions. Refinements continued to be made in the risk management framework throughout 2013, based on the guiding principles established by the Board Risk Committee.

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

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

- Proper books of accounts of your Bank have been maintained;
- The financial statements prepared by the management of your Bank fairly present its state of affairs, result of its operations, comprehensive income, cash flows, & changes in equity;
- Appropriate accounting policies have been consistently applied in the preparation of financial statements, except for the changes mentioned in note 3.5 of financial statements. Accounting estimates are based on reasonable and prudent judgment;
- International Financial Reporting Standards, as applicable in Pakistan and adopted by the State Bank of Pakistan, have been followed in preparation of your Bank's financial statements, and departures, if any, have been adequately disclosed;
- The system of internal control is sound in design and has been effectively implemented and monitored on best efforts basis;
- There are no doubts about your 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;
- A statement showing your Bank's shareholding pattern as of December 31, 2013 is annexed;
- The book value of investments of Staff Provident Fund is Rs. 183.7 million as per the audited financial statements of the fund for the year ended December 31, 2012.
- There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as of December 31, 2013, except as disclosed in these financial statements.
- Statement of Compliance with Code of Corporate Governance is annexed;
- To maintain SBP's MCR, the profit for the year is required to be retained, and hence no dividend is proposed to be paid for the year; and
- The financial statements of the Bank have been audited without qualification by auditors of your Bank, Messrs A.F. Ferguson & Company, Chartered Accountants.

Election of Directors

During the year 2013, the new Board of Directors of the Bank was elected at the 10th Annual General Meeting held on March 27, 2013. The Board welcomes Dr. Shujaat Nadeem as the Chairman and the newly elected members Mr. Medhat Fareed Abbas Tawfik and Mr. Antoine Mojabber. The Board also thanks the previous Chairman Syed Sajjad Razvi and non-executive Director Mr. Zaki Abdulmohsen Al-Mousa for their valuable contributions for this franchise.

Appointment of new Chief Executive Officer

The Board designated Mr. Shahid Sattar as the new President and Chief Executive Officer of your Bank with effect from August 01, 2013, and he assumed his responsibilities with effect from September 07, 2013 upon the retirement of Mr. Tawfiq A. Husain.

Appointment of new Company Secretary

Syed Zia-ul-Husnain Shamsi has been appointed as the new Company Secretary by the Board of Directors with effect from October 21, 2013.

Appointment of new Chief Financial Officer

Mr. Imran Butt has been appointed as the Acting Chief Financial Officer in place of Mr. Azfar Naqvi who resigned effective December 31, 2013.

Meetings of the Board

Five (5) Board meetings and ten (10) Board Sub-Committee meetings were held during the year under review. The Board granted leave of absence to the Directors who did not attend the meetings. The number of meetings attended by each Director is:

	Board Meetings	Audit Committee Meetings	Risk Committee Meetings	Nomination & Remuneration Committee Meetings
Number of meetings held	5	4	4	2
Number of meetings attended				
Syed Sajjad Razvi*	1	-	-	-
Dr. Shujaat Nadeem	5	-	-	2
Mr. Zaki Abdulmohsen Al-Mousa*	1	-	-	-
Mr. Beji Tak-Tak	4	4	4	-
Mr. Farhat Abbas Mirza	4	-	-	-
Mr. Javed Iqbal	5	4	-	-
Mr. Humayun Murad	5	-	4	2
Mr. Medhat Fareed Abbas Tawfiq	4	-	-	2
Mr. Zahid Zaheer	5	4	-	-
Mr. Tawfiq A. Husain**	3	-	3	-
Mr. Shahid Sattar	2	-	2	-
Mr. Antoine Mojabber	4	-	2	-

* Retired w.e.f. March 27, 2013
** Retired w.e.f. September 06, 2013

Share Acquisitions by Directors and Executives
The Pattern of shareholding and additional information regarding pattern of shareholding is attached separately. During the year, no trade in the shares of your Bank was carried out by the Directors, CFO and Company Secretary and their spouses and minor children, except for two Directors, Dr. Shujaat Nadeem, who purchased 6,400,000 shares of your Bank, and Mr. Shahid Sattar, who purchased 259,000 shares of your Bank. Both Dr. Shujaat Nadeem and Mr. Shahid Sattar have purchased these shares after meeting all regulatory and disclosure requirements.

Auditors
The present external auditors Messrs A.F. Ferguson & Company, Chartered Accountants retire and, being eligible, offer themselves for re-appointment. The Board of Directors, on the suggestion of the Audit Committee, recommends Messrs A.F. Ferguson & Company, Chartered Accountants (local representative of PricewaterhouseCoopers) to be appointed for the next year.

Change of Registered Office
Shareholders in their Extraordinary General Meeting held during January 2014 approved the shifting of your Bank's registered office from the province of 'Sindh' to 'Federal Capital Territory'. Consequently, the registered office will be shifted to 'Federal Capital Territory' with effect from March 01, 2014. All the regulatory requirements in this regard have been met by the Bank.

Events after the Balance Sheet Date
There have not been any material events that occurred subsequent to the date of the Balance Sheet that require adjustments to the enclosed financial statements.

Future Outlook
Pakistan's economic environment and prevailing business challenges are expected to persist in 2014. Despite various challenges facing the economy and the business sector, your Bank will continue with its strategy of stable and sustained growth through robust risk management and effective control processes. Management will concentrate on improving upon the deposit mix, service standards, and operational efficiencies. To increase its revenue, your Bank will continue building good quality and better yielding loans and earning assets on one hand, and managing the cost of funds on the other. To further grow and widen its revenue base, your Bank will focus on value-added product offerings, cross-sell, and acquiring new-to-bank customers.

Acknowledgment
I wish to thank our customers for their continuing support and patronage, State Bank of Pakistan and other regulatory authorities for their understanding and guidance, and SFG, Saudi Arabia for their commitment and support. I also thank all our staff members for their hard work and dedication to keep your Bank on a solid growth trajectory despite the challenging business conditions.

In conclusion, the confidence shown by all stakeholders in the management of your Bank is sincerely appreciated and will inspire the team to take your Bank to the next level, providing better return to the shareholders.

On behalf of the Board,

Shahid Sattar
President and Chief Executive Officer
February 26, 2014
Karachi

Six Years' Performance Highlights

Rs. in Millions

	2008	2009	2010	2011	2012	2013
Statement of Financial Position						
Assets						
Advances - gross	8,606	12,343	14,747	18,375	17,843	20,561
Investments - gross	4,231	6,224	11,332	9,899	9,013	14,104
Lendings to financial institutions	2,313	3,123	1,389	803	2,777	791
Cash and balances with treasury and other banks	1,106	1,669	2,446	1,523	4,342	2,913
Operating fixed assets	1,158	1,112	1,001	904	832	862
Deferred tax asset - net	1,080	1,550	1,601	1,436	1,409	1,484
Other assets - gross	969	855	944	1,276	1,266	1,810
Total assets - gross of provisions	19,463	26,876	33,460	34,216	37,482	42,525
Provision against advances - specific and general	(2,443)	(2,620)	(2,609)	(2,544)	(2,398)	(2,292)
Provision for diminution in the value of investments	(402)	(416)	(241)	(235)	(118)	(113)
Provision held against bad and doubtful other assets	(131)	(106)	(99)	(106)	(112)	(119)
Total assets - net of provisions	16,487	23,734	30,511	31,331	34,854	40,001
Liabilities						
Customer deposits and other accounts	9,860	12,521	14,872	17,669	22,754	24,633
Borrowings	438	3,141	6,535	3,996	2,477	2,987
Bills payable	55	78	116	529	251	919
Other liabilities	672	918	1,062	955	856	1,331
Total liabilities	11,025	16,658	22,585	23,149	26,338	29,870
Net assets	5,462	7,076	7,926	8,182	8,516	10,131
Share capital	8,770	8,770	14,335	14,335	14,335	8,082
Advance against proposed issue of shares	-	2,189	-	-	-	1,614
Reserves	43	43	43	90	151	167
Unappropriated profit/(accumulated losses)	(3,337)	(3,929)	(6,442)	(6,252)	(6,012)	291
Equity	5,476	7,073	7,936	8,173	8,474	10,154
(Deficit)/surplus on revaluation of assets - net of tax	(14)	3	(10)	9	42	(23)
	5,462	7,076	7,926	8,182	8,516	10,131
Profit & Loss Account						
Mark-up/return/interest earned	1,758	1,879	2,384	3,352	3,054	3,207
Mark-up/rerurn/interest expensed	(1,071)	(1,259)	(1,350)	(1,944)	(1,722)	(1,823)
Net mark-up/interest income	687	620	1,034	1,408	1,332	1,384
Fee, commission, brokerage and Income from dealing in foreign currencies	61	113	133	83	112	152
Dividend income and (loss)/gain on sales of securities - net	17	4	44	23	38	-
Other income and unrealised (loss)/gain on revaluation of investments	47	25	144	47	4	8
Non mark-up/interest income	125	142	321	153	154	160
Revenue	812	762	1,355	1,561	1,486	1,544
Non mark-up/interest expenses	(1,510)	(1,456)	(1,462)	(1,397)	(1,459)	(1,551)
(Charge)/reversal/recovery of provision/against write-offs	(313)	(374)	(24)	37	137	88
Profit/(Loss) before taxation	(1,011)	(1,068)	(131)	201	164	81
Taxation	269	475	11	36	137	3
Profit/(Loss) after taxation	(742)	(593)	(120)	237	301	84
Other Information						
Return on equity (RoE)	-12.7%	-9.5%	-1.6%	2.9%	3.6%	0.9%
Return on assets (RoA)	-4.0%	-2.9%	-0.4%	0.8%	0.9%	0.2%
Profit before tax to revenue ratio	-124.5%	-140.2%	-9.6%	12.9%	11.0%	5.3%
Advances to deposits ratio (ADR)	62.5%	77.7%	81.6%	89.6%	67.9%	*74.2%
Efficiency ratio (cost to revenue)	185.9%	191.1%	107.9%	89.5%	98.2%	100.4%
Earnings Per Share (EPS)** - rupees	(0.85)	(0.68)	(0.10)	0.16	0.37	0.10
Market value per share - rupees	4.94	3.31	1.96	1.45	2.85	4.72
Number of employees	1,026	787	810	760	732	614
Number of branches	28	28	28	28	28	28

* ADR as per SBP BSD Circular No. 28 of 2008 dated Oct 26, 2008 is 38.26%.

** EPS for years from 2008 to 2011 have not been restated for reduction of shares in 2013.

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. They are designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and can only provide reasonable, and not absolute, assurance against material misstatement or loss.

The responsibility for adherence to controls mainly lies with the business from where the risk arises. For monitoring the effectiveness of internal control systems, the bank has set roles for certain functions such as Audit & Risk Review (ARR), Compliance and the Control & Operations Risk Management Department (CORMD). 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 ensures that the bank complies with regulatory requirements and Know Your Customer / Anti Money Laundering Policy. Also, the CORMD function within the Risk Management Group carries out quality assurance reviews of processes and transactions of branch banking operations, to ensure compliance of policies and fulfillment of regulatory requirements. In order to institutionalize a robust control and risk management culture, Key Risk Indicators (KRIs) for respective control areas have been identified along with tolerance limits. Further, the Bank's KRI inventory is regularly updated to reflect latest trends with breaches being promptly reported. Also, a Risk and Controls Self Assessment (RCSA) regime has been rolled out and will be gradually embedded throughout the bank. An accountability process is in place to ensure effectiveness of the overall control environment. Further, management gives due consideration to recommendations made by internal and external auditors and regulators, especially for improvements in internal control systems and processes, and takes timely action to implement their recommendations.

To implement Internal Control Guidelines, as required by State Bank of Pakistan via BSD Circular No. 7 of 2004, the bank has completed a detailed exercise of documenting and benchmarking existing internal processes and controls, relating to financial reporting on the basis of international standards with leading accounting professionals providing consultancy services. This project will assist in further improving internal controls across the bank and ensure compliance with the SBP requirement for external auditors' opinion and report regarding efficacy of bank's internal control over financial reporting. As per SBP roadmap, SBL ICFR Programme is set to fully comply with SBP's guidelines on the ICFR Programme and SBL has completed all stages. Further, the management is discussing internally the latest changes advised by SBP through OSED Circular No. 01 dated February 07, 2014 on ICFR project and will comply with the requirements accordingly.

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

Dated: February 26, 2014
Karachi

Statement of Compliance with the Code of Corporate Governance for the year ended December 31, 2013

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

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

1. The Bank encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes four Independent Directors, four Non-Executive Directors and an Executive Director:

Independent Directors:	Mr. Farhat Abbas Mirza Mr. Humayun Murad Mr. Javed Iqbal Mr. Zahid Zaheer
Executive Director:	Mr. Shahid Sattar
Non-Executive Directors:	Dr. Shujaat Nadeem Mr. Antoine Mojabber Mr. Beji Tak-Tak Mr. Medhat Fareed Abbas Tawfik

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

2. The Directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Bank (excluding the listed subsidiaries of listed holding companies where applicable).

3. All the resident Directors of the Bank are registered as taxpayers and none of them have defaulted in payment of any loan to a banking company, a Development Financial Institution or a Non-banking Financial Institution or, being member of a stock exchange, has been declared as a defaulter by that stock exchange.

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. No casual vacancy occurred on the Board during the period under review.

6. The Board has developed a vision/mission statement, overall corporate strategies and significant policies of the Bank. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including determination of remuneration and terms and conditions of employment of the Chief Executive Officer, have been taken by the Board.

8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated within stipulated time.

9. The Bank is in process to arrange the training program for the directors in order to comply with the requirements of Code of Corporate Governance 2012. However, the Directors have been provided with the copies of the Listing Regulation of the Stock Exchanges, the Bank's Memorandum and Articles of Association,

Prudential Regulations of State Bank of Pakistan and the Code of Corporate Governance 2012. The Directors are well conversant with their duties and responsibilities.

10. The Board has approved remuneration and terms of employment of the Chief Financial Officer and Company Secretary of the Bank.

11. The Directors' report for this year has been prepared in compliance with the requirements of the Code and describes the salient matters required to be disclosed.

12. The financial statements of the Bank were duly endorsed by the Chief Executive Officer and the Chief Financial Officer before approval of the Board.

13. The Directors, Chief Executive Officer and executives do not hold any interest in the shares of the Bank other than that disclosed in the pattern of shareholding.

14. The Bank has complied with all the corporate and financial reporting requirements of the Code.

15. The Board has formed an Audit Committee. It comprises of three members. One member of the committee is a non-executive director and two are independent directors. The Chairman of the Audit Committee is an independent director.

16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Bank as required by the Code. The terms of reference of the Committee have been formed and advised to the Committee for compliance.

17. The Board has formed a Nomination and Remuneration Committee. It comprises of three members, of whom two are non-executive directors and one is independent director. The Chairman of the committee is a non-executive director.

18. The Board has set up an effective internal audit function within the Bank. The position of Head of Internal Audit Function remained vacant during the year. However, subsequent to the year end the Board has filled this vacancy by appointing the Chief Internal Auditor with effect from January 1, 2014.

19. The statutory auditors of the Bank have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Bank and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s).

22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).

23. We confirm that all other material principles enshrined in the Code have been complied.

Dr. Shujaat Nadeem
Chairman

Notice of the Eleventh Annual General Meeting

Notice is hereby given that the Eleventh Annual General Meeting of Samba Bank Limited (the Bank) will be held at 10:00 a.m. on Friday, March 28, 2014, at Grand Regency, 1 Club Road, Islamabad, to transact the following business:

Ordinary Business

1. To confirm the minutes of the Extraordinary General Meeting held on January 8, 2014.

2. To receive, consider and adopt the Audited Accounts for the year ended December 31, 2013 together with the Directors' and Auditors' Reports thereon.

3. To consider the appointment of external auditors namely M/s A.F. Ferguson & Co., Chartered Accountants, for the year 2014 and to fix their remuneration. M/s A.F. Ferguson & Co., Chartered Accountants being eligible have offered themselves re-appointment.

Other Business

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

By Order of the Board

March 07, 2014
Karachi

Syed Zia-ul-Husnain Shamsi
Head of Legal & Company Secretary

Notes:

1. Share Transfer Books of the Bank will remain closed from March 22, 2014 to March 28, 2014 (both days inclusive). Transfer received in order at Bank's Registrar, M/s. Famco Associates (Pvt.) Limited, 8-F, Next to Hotel Faran, Nursery, Block-6, P.E.C.H.S. Karachi- Pakistan, upto close of business on March 21, 2014 will be considered in time for the purpose of Annual General Meeting.

2. A member eligible to attend and vote at this meeting may appoint another member as his/her proxy to attend vote and speak at the meeting instead of him/her. Proxies, in order to be effective, must be received at the Bank's Registered Office, not less than 48 hours before the time for holding the meeting and must be duly stamped, signed and witnessed.

3. CDC account holders will be required to follow the under mentioned guidelines as laid down in Circular number 1 dated January 26, 2000 of the Securities and Exchange Commission of Pakistan for attending the meeting.

4. CDC shareholders, entitled to attend and vote at this meeting, must bring with them their Computerized National Identity Cards (CNIC)/Passport in original along with Participants' ID Numbers and their Account Numbers to prove his/her identity, and in case of Proxy, must enclose an attested copy of his/her CNIC or Passport.

5. In case of a corporate entity the Board of Directors' resolution/ power of attorney with the specimen signature of the nominee shall be submitted with the proxy form to the company, and the same shall be produced in original at the time of the meeting to authenticate the identity of the nominee.

6. Shareholders are requested to notify any change in their addresses to the Bank's Shares Registrar, M/s. Famco Associates (Pvt.) Limited, 8-F, Next to Hotel Faran, Nursery, Block-6, P.E.C.H.S. Karachi - Pakistan, immediately.

Auditors' Review Report to the Members on Statement of Compliance with the best Practices of the Code of Corporate Governance

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Samba Bank Limited ('the Bank') for the year ended December 31, 2013 to comply with Regulation G-1 of the Prudential Regulations for Corporate/Commercial Banking issued by the State Bank of Pakistan, Regulation No. 35 of Chapter XI contained in the Listing Regulations issued by the Karachi Stock Exchange, the Lahore Stock Exchange and the Islamabad Stock Exchange where the Bank is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Bank. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Bank's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Bank's personnel and review of various documents prepared by the Bank to comply with the Code.

As part of our audit of the financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of 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 Code requires the Bank to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Bank's compliance, in all material respects, with the best practices contained in the Code as applicable to the Bank for the year ended December 31, 2013.

Further, we highlight below instances of non-compliance with the requirements of the Code as reflected in the paragraph reference where these are stated in the Statement of Compliance:

	Paragraph Reference	Description
i.	9	The Bank did not arrange any training program for its directors during the year under review. However, the Bank is in the process of arranging a training program.
ii.	18	The position of head of internal audit remained vacant during the year. However, the Board has now filled this vacancy by appointing the Chief Internal Auditor with effect from January 1, 2014.

A. F. Ferguson & Co.
Chartered Accountants
Dated: March 06, 2014
Karachi

Financial Statements

For the year ended December 31, 2013

Auditors' Report to the Members

We have audited the annexed statement of financial position of Samba Bank Limited as at December 31, 2013 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the 'financial statements') for the year then ended, in which are incorporated the un-audited certified returns from the branches except for twelve branches which have been audited by us and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the bank's management to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with the approved accounting standards and the requirements of the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984). Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the International Standards on Auditing as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and after due verification, which in the case of loans and advances covered more than sixty percent of the total loans and advances of the bank, we report that:

(a) in our opinion, proper books of account have been kept by the bank as required by the Companies Ordinance, 1984 (XLVII of 1984), and the returns referred to above received from the branches have been found adequate for the purposes of our audit;

(b) in our opinion:

(i) the statement of financial position and profit and loss account together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us the statement of financial position, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with the approved accounting standards as applicable in Pakistan, and give the information required by the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), in the manner so required and give a true and fair view of the state of the bank's affairs as at December 31, 2013, and its true balance of profit, its comprehensive income, its cash flows and changes in equity for the year then ended; and

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

A. F. Ferguson & Co.
Chartered Accountants

Audit Engagement Partner: Rashid A. Jafer

Dated: March 06, 2014
Karachi

Statement of Financial Position
AS AT DECEMBER 31, 2013

	Note	2013	2012
		(Rupees in '000)	
ASSETS			
Cash and balances with treasury banks	6	2,795,889	2,052,832
Balances with other banks	7	117,483	2,289,653
Lendings to financial institutions	8	790,672	2,777,162
Investments - net	9	13,991,462	8,894,957
Advances - net	10	18,269,396	15,444,776
Operating fixed assets	11	861,709	832,375
Deferred tax asset - net	12	1,483,569	1,409,372
Other assets - net	13	1,691,360	1,152,710
		40,001,540	34,853,837
LIABILITIES			
Bills payable	14	918,662	250,709
Borrowings	15	2,987,399	2,477,466
Deposits and other accounts	16	24,632,610	22,753,644
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities	17	1,331,691	856,135
		29,870,362	26,337,954
NET ASSETS		10,131,178	8,515,883
REPRESENTED BY:			
Share capital	18	8,082,387	14,334,734
Advance against proposed issue of right shares		1,613,502	-
Reserves		167,424	150,561
Unappropriated profit / (Accumulated losses)		291,091	(6,011,639)
		10,154,404	8,473,656
(Deficit) / surplus on revaluation of assets - net of tax	19	(23,226)	42,227
		10,131,178	8,515,883
CONTINGENCIES AND COMMITMENTS	20		

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

President & Chief Executive Officer | Chairman | Director | Director

Profit and Loss Account

FOR THE YEAR ENDED DECEMBER 31, 2013

	Note	2013	2012
		(Rupees in '000)	
Mark-up / return / interest earned	21	3,206,548	3,054,034
Mark-up / return / interest expensed	22	1,822,677	1,721,825
Net mark-up / return / interest income		1,383,871	1,332,209
Reversal of provision against loans and advances - net	10.4	(82,827)	(86,607)
Reversal of provision for diminution in the value of investments	9.3	(5,164)	-
Recoveries against debts written-off		(1,944)	(3,993)
		(89,935)	(90,600)
Net mark-up / return / interest income after provisions		1,473,806	1,422,809
Non mark-up / interest income			
Fee, commission and brokerage income		94,849	73,851
Dividend income		2,816	1,379
Income from dealing in foreign currencies		56,935	38,235
(Loss) / gain on sale of securities - net	23	(2,530)	37,023
Unrealised (loss) / gain on revaluation of investments classified as held for trading	9.8	(1,089)	9
Other income	24	9,517	4,008
Total non mark-up / interest income		160,498	154,505
		1,634,304	1,577,314
Non mark-up / interest expenses			
Administrative expenses	25	1,550,837	1,458,244
Other provisions / write offs - net	26	1,806	(46,110)
Other charges	27	-	1,146
Total non mark-up / interest expenses		1,552,643	1,413,280
		81,661	164,034
Extraordinary items / unusual items		-	-
Profit before taxation		81,661	164,034
Taxation - Current year	28	33,787	16,040
- Prior years	28	-	(165,892)
- Deferred	28	(36,439)	13,000
		(2,652)	(136,852)
Profit after taxation		84,313	300,886
Accumulated losses brought forward		(6,011,639)	(6,252,347)
Accumulated losses adjusted against reduction of share capital	18.3	6,252,347	-
Capital reduction and right shares issuance cost		(17,067)	-
Transfer to statutory reserve		(16,863)	(60,178)
Accumulated earnings / (losses) carried forward		291,091	(6,011,639)
		(Rupees)	
Earnings per share	29	0.10	0.37

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

President & Chief Executive Officer	Chairman	Director	Director

Statement of Comprehensive Income

FOR THE YEAR ENDED DECEMBER 31, 2013

(Rupees in '000)

	2013	2012
Profit for the year	84,313	300,886
Other comprehensive income	-	-
Total comprehensive income for the year transferred to equity	84,313	300,886
Components of comprehensive income not reflected in equity		
(Deficit) / surplus on revaluation of available for sale financial assets - net of tax	(65,453)	32,730
Total comprehensive income for the year	18,860	333,616

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

President & Chief Executive Officer | Chairman | Director | Director

Cash Flow Statement

FOR THE YEAR ENDED DECEMBER 31, 2013

	Note	2013	2012
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		81,661	164,034
Less: dividend income		(2,816)	(1,379)
		78,845	162,655
Adjustments for non-cash charges and other items:			
Depreciation / impairment		110,950	143,824
Amortisation of intangible assets		8,006	6,085
Reversal of provision against loans and advances - net		(82,827)	(86,607)
Loss / (gain) on sale of securities - net		2,530	(37,023)
Other provisions / write offs - net		1,806	(46,110)
Reversal of provision for diminution in the value of investments		(5,164)	-
Gain on disposal of property and equipment - net		(9,517)	(2,567)
		25,784	(22,398)
		104,629	140,257
(Increase) / decrease in operating assets			
Lendings to financial institutions		1,986,490	(1,973,703)
Investments - held for trading securities		(2,874,022)	(18,202)
Advances		(2,741,793)	473,158
Other assets (excluding advance taxation)		(567,958)	169,909
		(4,197,283)	(1,348,838)
Increase / (decrease) in operating liabilities			
Bills payable		667,953	(278,296)
Borrowings from financial institutions		509,933	(1,518,566)
Deposits and other accounts		1,878,966	5,084,347
Other liabilities (excluding current taxation)		472,961	(42,271)
		3,529,813	3,245,214
		(562,841)	2,036,633
Income tax paid		(11,225)	(8,747)
Net cash (used in) / generated from operating activities		(574,066)	2,027,886
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investments in available for sale securities		(2,323,060)	863,368
Dividend income		2,816	1,379
Investments in operating fixed assets		(155,764)	(85,999)
Proceed from sale of investment in associates		-	6,998
Sale proceeds from disposal of property and equipment		16,931	6,163
Net cash (used in) / generated from investing activities		(2,459,077)	791,909
CASH FLOWS FROM FINANCING ACTIVITIES			
Advance against proposed issue of right shares		1,613,502	-
Capital reduction and right shares issuance cost paid		(9,472)	-
Net cash generated from financing activities		1,604,030	-
(Decrease) / Increase in cash and cash equivalents		(1,429,113)	2,819,795
Cash and cash equivalents at the beginning of the year		4,342,485	1,522,690
Cash and cash equivalents at the end of the year	30	2,913,372	4,342,485

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

President & Chief Executive Officer	Chairman	Director	Director

Statement of Changes in Equity

FOR THE YEAR ENDED DECEMBER 31, 2013

	(Rupees in '000)					
	Share capital	Capital reserve	Statutory reserve	Advance against proposed issue of right shares	Unappropriated profit / (losses)	Total
Balance as at December 31, 2011	14,334,734	20,935	69,448	-	(6,252,347)	8,172,770
Profit after taxation for the year ended December 31, 2012	-	-	-	-	300,886	300,886
Transfer to statutory reserve	-	-	60,178	-	(60,178)	-
Balance as at December 31, 2012	14,334,734	20,935	129,626	-	(6,011,639)	8,473,656
Accumulated losses adjusted against reduction of share capital - note 18.3	(6,252,347)	-	-	-	6,252,347	-
Advance against proposed issue of right shares	-	-	-	1,613,502	-	1,613,502
Capital reduction and right shares issuance cost	-	-	-	-	(17,067)	(17,067)
Profit after taxation for the year ended December 31, 2013	-	-	-	-	84,313	84,313
Transfer to statutory reserve	-	-	16,863	-	(16,863)	-
Balance as at December 31, 2013	8,082,387	20,935	146,489	1,613,502	291,091	10,154,404

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

President & Chief Executive Officer   Chairman   Director   Director

Notes to and forming part of the Financial Statements
FOR THE YEAR ENDED DECEMBER 31, 2013

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 all the stock exchanges of Pakistan. The principal office is located at M.D.M. Wafai road, Karachi. The registered office is currently also located at above address; however effective from March 01, 2014, the registered office will be shifted to Islamabad. The Bank is a subsidiary of SAMBA Financial Group of Saudi Arabia, which holds 80.68% shares of the Bank as at December 31, 2013 (2012: 80.68%). The Bank operates 28 branches (December 31, 2012: 28 branches) inside Pakistan.

1.2 JCR-VIS has determined the Bank's medium to long-term rating as 'AA-' with stable outlook and the short-term rating as 'A-1'.

2. BASIS OF PRESENTATION

In accordance with the directives of the Federal Government regarding the shifting of the Banking system to Islamic modes, the State Bank of Pakistan has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these financial statements as such but are restricted to the amount of facility actually utilised and the appropriate portion of mark-up thereon.

3. STATEMENT OF COMPLIANCE

3.1 These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (SBP). Wherever the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or the directives issued by the SECP and SBP differ with the requirements of IFRSs, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the requirements of the said directives prevail.

3.2 The SBP has deferred the applicability of the International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for Banking Companies through BSD Circular Letter No. 10 dated August 26, 2002 till further instructions. Further, the SECP has deferred the applicability of International Financial Reporting Standard (IFRS) 7 ' Financial Instruments: Disclosures' through its notification S.R.O 411(I)/2008 dated April 28, 2008. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.

3.3 SBP vide its BSD Circular No. 07 dated April 20, 2010 has clarified that for the purpose of preparation of financial statements in accordance with the International Accounting Standard - 1 (Revised) 'Presentation of Financial Statements', two statement approach shall be adopted i.e. separate 'Profit and Loss Account' and 'Statement of Comprehensive Income' shall be presented, and Balance Sheet shall be renamed as 'Statement of Financial Position'. Furthermore, the surplus / (deficit) on revaluation of Available for Sale (AFS) securities, may be included in the 'Statement of Comprehensive Income'. Accordingly, the above requirements have been adopted in the preparation of these financial statements.

3.4 IFRS 8 'Operating Segments' is effective for the accounting periods beginning on or after January 1, 2009. All banking companies in Pakistan are required to prepare their annual financial statements in line with the format prescribed under BSD Circular No. 4 dated February 17, 2006, 'Revised Forms of Annual Financial Statements', effective from the accounting year ended December 31, 2006. The management of the Bank believes that as the SBP has defined the segment categorisation in the above mentioned circular, the SBP requirements prevail over the requirements specified in IFRS 8. Accordingly, segment information disclosed in these financial statements is based on the requirements laid down by the SBP.

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

The following standards and amendments to existing standards and interpretations have been published and are mandatory for the accounting periods beginning on January 1, 2013:

IAS 1, 'Financial statement presentation' has been amended effective January 1, 2013. The main change resulting from these amendments is a requirement for entities to group items presented in 'Other Comprehensive Income' (OCI) on the basis of whether they are potentially reclassifiable to the profit or loss subsequently (reclassification adjustments). The specified change has been made in the statement of comprehensive income for the year.

There are certain other new and amended standards and interpretations that are mandatory for accounting periods beginning on or after January 1, 2013 but are considered not to be relevant or do not have any significant effect on the Bank's operations and are therefore not disclosed in these financial statements.

3.6 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following standards and amendments to existing standards and interpretations have been published and are mandatory for accounting periods beginning on or after January 1, 2014 and have not been early adopted by the Bank.

IFRS 12, Disclosures of interests in other entities', includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The amendments may impact the financial statements of the Bank which has not yet been quantified.

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, 2014 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.

3.7 Early adoption of standards

The Bank has not early adopted any new or amended standards in 2013.

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 and commitments in respect of foreign exchange contracts and derivative financial instruments have been marked to market and are carried at fair value.

These financial statements have been presented in Pakistani Rupees, which is the Bank's functional and presentational currency. The amounts are rounded to the nearest thousand Rupees.

4.2 Critical accounting estimates and judgments

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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 in current and deposit accounts.

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 difference between the sale and contracted repurchase price is accrued on a time proportion basis 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 not recognised in the financial statements as investments and the amount extended to the counter party is included in lendings. The difference between the purchase and contracted resale price is accrued on a time proportion basis over the period of the contract and recorded as income.

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, other than those in associates, if any, that do not fall under the 'held for trading' or 'held to maturity' categories.

(d) Associates

Associates are all entities over which the Bank has significant influence but not control.

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.

5.3.3 Initial recognition and measurement

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

5.3.4 Subsequent measurement

Subsequent to initial recognition investments are valued as follows:

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

In accordance with the requirements specified by the SBP, quoted securities other than those classified as 'held to maturity' and 'investments in associates', are subsequently re-measured to market value. Unquoted equity securities are valued at the lower of cost and break-up value. Break-up value of equity securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements.
Surplus / deficit arising on revaluation of quoted securities which are classified as 'available for sale', is included in the statement of comprehensive income but is kept in a separate account which is shown in the statement of financial position below equity. Surplus / deficit arising on revaluation of quoted securities which are classified as 'held for trading' is taken to the profit and loss account.

(b) Held-to-maturity

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

(c) Associates

Investment in associates is carried at cost, less accumulated impairment losses, if any.

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 of. Provision for diminution in the value of term finance certificates is made as per the requirements of the Prudential Regulations issued by the SBP. In the event of impairment of available for sale securities, the cumulative loss that had been recognised directly in surplus on revaluation of securities on the balance sheet below equity is removed thereof and recognised in the profit and loss account. For investments classified as held to maturity, the impairment loss is recognised in the profit and loss account.

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

5.4 Advances

(a) Loans and advances

Advances are stated at cost less specific and general provisions. Specific provision for non-performing advances is determined keeping in view the Bank's policy subject to the minimum requirement set out by the Prudential Regulations and other directives issued by the SBP and charged to the profit and loss account. General provision against consumer 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. During the year, SBP has issued Prudential Regulation (PRs) for Small and Medium Enterprises. The PRs require the Bank to maintain a general provision against financings to Small Enterprises. However, this change does not have any impact on these financial statements.

(b) Net investment in finance leases

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

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

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

5.5 Operating fixed assets and depreciation

(a) Property and Equipment

(i) Owned Assets

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

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repair and maintenance is charged to the profit and loss account as and when incurred.

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

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

(ii) Leased assets

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

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

The finance charges are allocated to the accounting periods in a manner so as to provide a constant periodic rate of return on the outstanding liability.

Depreciation on assets held under finance lease is charged in a manner consistent with that for depreciable assets which are owned by the Bank.

(b) Intangible assets

Intangible assets having definite useful lives are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Amortisation is charged 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 rates specified in note 11.3 to these financial statements. Amortisation is charged from the month in which the asset is available for use. No amortisation is charged for the month in which the asset is disposed of. The residual value, useful life and amortisation method are reviewed and adjusted, if appropriate, at each balance sheet date.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably.

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

(c) Capital work-in-progress

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

5.6 Non-current assets held for sale

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

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

5.7 Impairment

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

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

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

5.8 Taxation

(a) Current

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

(b) Deferred

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

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

The carrying amount of the deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilised.

The Bank also recognises deferred tax asset / liability on (deficit) / surplus on revaluation of securities which is adjusted against the related (deficit) / surplus in accordance with the requirements of the revised International Accounting Standard (IAS-12) dealing with income taxes.

5.9 Provisions

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

Other provisions are recognised when the Bank has a legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and are adjusted to reflect the current best estimate.

5.10 Staff retirement benefits

(a) Defined contribution plan

The Bank operates a contributory provident fund scheme covering all its permanent employees. Equal monthly contributions are made both by the Bank and the employees in respect of this benefit.

(b) Compensated absences

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

5.11 Borrowings / deposits and their cost

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

5.12 Proposed dividend and transfers between reserves

Dividends and appropriations to reserves, except appropriations which are required by law, made subsequent to the balance sheet date are considered as non-adjusting events and are recorded in the financial statements in accordance with the requirements of International Accounting Standard (IAS) 10, 'Events after the Balance Sheet Date' in the year in which they are approved / transfers are made.

5.13 Revenue recognition

- Mark-up income / interest on advances and returns on investments are recognised on a time proportion basis using the effective interest method except that mark-up / income / return on classified advances and investments is recognised on receipt basis in accordance with the requirements of the Prudential Regulations issued by the SBP. Interest / return / mark-up on rescheduled / restructured advances and investments is recognised as permitted by the Prudential Regulations issued by the SBP, except where, in the opinion of the management, it would not be prudent to do so.

- Fee, commission and brokerage income are accounted for on an accrual / time proportion basis.

- Dividend income from investments is recognised when the Bank's right to receive the dividend has been established.

- Financing method is used in accounting for income from lease financing. Under this method, the unearned lease income (excess of the sum of total lease rentals and estimated residual value over the cost of the leased assets) is deferred and taken to income over the term of the lease so as to produce a constant periodic rate of return on the outstanding net investment in the lease.

- Unrealised lease income in respect of non-performing finance leases and markup / return on non-performing advances is held in the 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) Functional and presentational currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Bank operates. The financial statements are presented in Pakistani Rupees, which is the Bank's functional and presentational currency.

(b) 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.

(c) Translation gains and losses

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

(d) 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 rupees terms at the exchange rate prevailing at the reporting date.

5.15 Segment reporting

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

(a) Business segments

(i) Corporate finance

Corporate banking includes services provided in connection with mergers and acquisition, underwriting, privatisation, securitisation, research, debts (government and high yield) and equity syndication, IPO and secondary private placements.

(ii) Trading and sales

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 project finance, real estate, export finance, trade finance, factoring, leasing, lending, guarantees, bills of exchange and deposits.

(b) Geographical segments

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

5.16 Acceptances

Acceptances comprise undertakings by the Bank to pay bills of exchange drawn on customers. The Bank expects most acceptances to be simultaneously settled with the reimbursement from the customers. Acceptances are accounted for as off balance sheet transactions and are disclosed as contingent liabilities and commitments.

5.17 Earnings / (loss) per share

The Bank presents basic and diluted earnings per share (EPS) / basic and diluted loss per share for its shareholders. Basic EPS / basic loss per share 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 / diluted loss per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding after including the effects of all dilutive potential ordinary shares, if any.

5.18 Financial instruments

5.18.1 Financial assets and liabilities

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

5.18.2 Off-setting of financial instruments

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

5.18.3 Derivatives

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

5.19 Fiduciary assets

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

6. CASH AND BALANCES WITH TREASURY BANKS

	Note	2013	2012
		(Rupees in '000)	
In hand			
Local currency		294,585	319,658
Foreign currency		159,305	137,662
		453,890	457,320
With State Bank of Pakistan in			
Local currency current account	6.1	1,815,078	1,135,337
Foreign currency current account (Cash Reserve Account)	6.2	129,760	111,722
Foreign currency deposit account (USD Settlement Account)		7,987	16,298
Foreign currency deposit account (Special Cash Reserve Account)	6.2	389,174	332,155
		2,341,999	1,595,512
		2,795,889	2,052,832

6.1 The local currency account is maintained with the State Bank of Pakistan (SBP) as per the requirements of Section 36 of the State Bank of Pakistan Act, 1956. This section requires banking companies to maintain a local currency cash reserve in current account opened with the SBP at a sum not less than such percentage of its time and demand liabilities in Pakistan as may be prescribed by the SBP.

6.2 This mainly represents reserve required to be maintained as per BSD Circular No. 14 dated June 21, 2008, with the SBP at an amount equivalent to atleast 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. During the year the SBP has not remunerated these deposit accounts (2012: Nil).

7. BALANCES WITH OTHER BANKS

	Note	2013	2012
		(Rupees in '000)	
In Pakistan			
On current account		6,284	13,334
On saving account		12	12
Outside Pakistan			
On current account	7.1	111,187	2,276,307
		117,483	2,289,653

7.1 The above amount includes balance with SAMBA Financial Group (a related party) amounting Rs 14.703 million (2012: Rs 12.097 million).

8. LENDINGS TO FINANCIAL INSTITUTIONS

	Note	2013	2012
		(Rupees in '000)	
Call money lendings	8.2	100,000	1,300,000
Repurchase agreement lendings (reverse repo)	8.3	690,672	1,477,162
		790,672	2,777,162

8.1 All lendings to financial institutions are in local currency.

8.2 This represents lending to commercial bank in the inter bank money market. This lending carries mark-up at the rate of 9.50% per annum (2012: 8.50% to 9.75% per annum) and will mature on February 13, 2014 (2012: various dates, latest by April 04, 2013).

8.3 Securities held as collateral against lendings to financial institutions

Particulars	2013			2012		
	(Rupees in '000)					
	Held by bank	Further given as collateral	Total	Held by bank	Further given as collateral	Total
Market treasury bills (face value) - note 8.3.1	700,000	-	700,000	1,500,000	-	1,500,000

8.3.1 These represent short-term lendings to financial institutions against investment securities. These carry mark-up ranging from 10.05% to 10.40% per annum (2012: 9.25% per annum) and will mature on various dates latest by January 13, 2014 (2012: January 04, 2013).

9. INVESTMENTS - NET

(Rupees in '000)

	2013			2012		
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
9.1 Investments by type						
Held for trading securities						
Market Treasury Bills	2,414,194	493,386	2,907,580	33,803	-	33,803
Available for sale securities						
Market Treasury Bills	4,754,303	-	4,754,303	6,766,775	-	6,766,775
Pakistan Investment Bonds	2,333,302	-	2,333,302	1,709,277	-	1,709,277
Units of open ended mutual funds	9,082	-	9,082	-	-	-
Ordinary shares - listed	75,530	-	75,530	84,612	-	84,612
Ordinary shares - unlisted	52,346	-	52,346	52,346	-	52,346
	7,224,563	-	7,224,563	8,613,010	-	8,613,010
Held to maturity securities						
Market Treasury Bills	59,200	-	59,200	-	-	-
Pakistan Investment Bonds	3,955,214	-	3,955,214	304,094	-	304,094
Investments at cost	13,653,171	493,386	14,146,557	8,950,907	-	8,950,907
Less: provision for diminution in the value of investments - note 9.3	(112,914)	-	(112,914)	(118,078)	-	(118,078)
Investments - net of provisions	13,540,257	493,386	14,033,643	8,832,829	-	8,832,829
(Deficit) / surplus on revaluation of available for sale securities - net - note 19	(41,092)	-	(41,092)	62,119	-	62,119
(Deficit) / surplus on revaluation of held for trading securities - note 9.8	(838)	(251)	(1,089)	9	-	9
Total investments - net of provisions	13,498,327	493,135	13,991,462	8,894,957	-	8,894,957

9.2 Investments by segment

	Note	2013	2012
		(Rupees in '000)	
Federal government securities	9.9		
Market Treasury Bills		7,721,083	6,800,578
Pakistan Investment Bonds		6,288,516	2,013,371
		14,009,599	8,813,949
Fully paid-up ordinary shares			
Listed companies	9.5	75,530	84,612
Unlisted companies	9.6	52,346	52,346
		127,876	136,958
Units of open ended mutual fund	9.7	9,082	-
Investments at cost		14,146,557	8,950,907
Less: Provision for diminution in the value of investments	9.3	(112,914)	(118,078)
Investments - net of provisions		14,033,643	8,832,829
(Deficit) / surplus on revaluation of available for sale securities - net	19	(41,092)	62,119
(Deficit) / surplus on revaluation of held for trading securities	9.8	(1,089)	9
Total investments - net of provisions		13,991,462	8,894,957

9.3 Particulars of provision for diminution in the value of investments

		2013	2012
Opening balance		118,078	234,676
Amounts written off		-	(116,598)
Reversal of provision for diminution in the value of investments		(5,164)	-
Closing balance		112,914	118,078

9.3.1 Particulars of provision for diminution in the value of investments by type

		2013	2012
Available for sale securities			
Ordinary shares - listed	9.5	70,568	75,732
Ordinary shares - unlisted	9.6	42,346	42,346
		112,914	118,078

9.3.2 Particulars of provision for diminution in the value of investments by segment

		2013	2012
Fully paid-up ordinary shares			
Listed companies	9.5	70,568	75,732
Unlisted companies	9.6	42,346	42,346
		112,914	118,078

9.4 Quality of available for sale securities

	Note	2013 Market value Rupees in '000	2013 Rating (where available)	2012 Market value Rupees in '000	2012 Rating (where available)
Market Treasury Bills		7,697,433	-	6,803,849	-
Pakistan Investment Bonds		6,260,031	-	1,729,038	-
Ordinary shares - listed					
B.R.R. Guardian Modaraba		1,730	-	962	-
ECOPACK Limited		8,898	-	4,262	-
First Dawood Mutual Fund	9.4.1	-	2-Star	266	2-Star
Haji Muhammad Ismail Mills Limited	9.4.2	3,297	-	3,075	-
Nazir Cotton Mills Limited	9.4.1	-	-	-	-
Pakistan PVC Limited	9.4.2	4,967	-	6,536	-
World Call Telecom Limited		1,067	D	1,088	D
First Tawakkal Modaraba	9.4.1	-	-	-	-
Hamid Textile Mills Limited	9.4.1	-	-	-	-
Islamic Investment Bank Limited	9.4.1	-	-	-	-
Tristar Shipping Lines Limited	9.4.1	-	-	-	-
Ordinary shares - unlisted*					
Crescent Bahuman Limited		-	-	-	-
Crescent Industrial Chemical Limited		-	-	-	-
Pak Asian Fund Limited		10,000	-	10,000	-
Union Communication (Private) Limited		-	-	-	-
Vision Network Television Limited		-	-	-	-
Units of open ended mutual fund					
JS Value Fund Limited		12,304	4-Star	7,853	AA+

* Represents book value net of provision

9.4.1 These are listed securities for which no market quotation was available at the year end.

9.4.2 Although these securities have a market value as at December 31, 2013, they have been fully provided by the Bank on a subjective basis.

9.5 Particulars of investments held in listed securities

Number of ordinary shares / certificates 2013	Number of ordinary shares / certificates 2012	Paid-up value per share / certificate in Rupees	Name of investee company / modaraba / mutual fund		2013 (Rupees in '000)	2012 (Rupees in '000)
Available for sale						
314,500	314,500	10	B.R.R. Guardian Modaraba		1,906	1,906
-	872,500	10	JS Value Fund Limited *		-	9,082
549,910	549,910	10	ECOPACK Limited		15,761	15,761
41,500	41,500	10	First Dawood Mutual Fund		341	341
1,008,225	1,008,225	10	Haji Muhammad Ismail Mills Limited		9,362	9,362
4,097,499	4,097,499	10	Nazir Cotton Mills Limited		29,014	29,014
1,045,725	1,045,725	10	Pakistan PVC Limited		11,665	11,665
430,100	430,100	10	World Call Telecom Limited		4,323	4,323
36,500	36,500	10	First Tawakkal Modaraba		104	104
1,125,406	1,125,406	10	Hamid Textile Mills Limited		2,757	2,757
60,581	60,581	10	Islamic Investment Bank Limited		285	285
131,000	131,000	10	Tristar Shipping Lines Limited		12	12
					75,530	84,612
			Less: Provision for diminution in the value of investments	9.3.2	(70,568)	(75,732)
			Add: Surplus on revaluation of listed securities	19	6,732	5,285
					11,694	14,165

* This has been converted from closed end scheme to an open ended scheme.

9.6 Particulars of investments held in unlisted securities

Number of ordinary shares / certificates 2013	Number of ordinary shares / certificates 2012	Break-up value per share in Rupees 2013	Break-up value per share in Rupees 2012	Based on the latest available financial statements as at	% holding	Name of investee company / fund	2013 (Rupees in '000)	2012 (Rupees in '000)
Available for Sale Shareholding upto 10%								
1,000,000	1,000,000	16.92	16.87	Jun-13	8.89%	Pak Asian Fund Limited (Chief Executive Officer: Mr. Ashfaq Ahmed Berdi)	10,000	10,000
50,000	50,000	6.86	8.57	Jun-12	0.33%	Union Communication (Private) Limited (Chief Executive Officer: Mr. Khalid Mehmood)	500	500
3,184,600	3,184,600	(5.03)	1.07	Jun-12	3.90%	Crescent Bahuman Limited (Chief Executive Officer: Mr. Nasir Shafi)	31,846	31,846
1,000,000	1,000,000	10.00	10.00	Jun-07	0.97%	Crescent Industrial Chemicals Limited (Chief Executive Officer: Mr. Tariq Shafi)	10,000	10,000
							52,346	52,346
						Provision for diminution in the value of investments - note 9.3.2	(42,346)	(42,346)
							10,000	10,000

9.7 Particulars of investments held in open ended mutual funds

Number of units 2013	Number of units 2012	Net asset value per unit in Rupees 2013	Net asset value per unit in Rupees 2012	Name of open ended mutual fund	2013 (Rupees in '000)	2012 (Rupees in '000)
Available for Sale						
87,250	-	141	-	JS Value Fund Limited	9,082	-
				Add: Surplus on revaluation of open ended mutual funds - note 19	3,222	-
					12,304	-

9.8 Unrealised (loss) / gain on revaluation of investments classified as held for trading

	2013	2012
	(Rupees in '000)	
Federal government securities		
Market Treasury Bills	(1,089)	9

9.9 Particulars of Federal government securities

Market Treasury Bills have a tenor of upto one year. The yield on these instruments ranges from 8.85 % to 10.25 % per annum (2012: 9.25% to 11.88% per annum) with maturities of upto June 12, 2014 (2012: upto September 19, 2013).

Pakistan Investment Bonds are issued by the Government of Pakistan for a period ranging from of 3 to 10 years. These securities carry profit at rates ranging from 11.25% to 12% per annum (2012: 8% to 12% per annum) with maturities from August 18, 2014 to July 19, 2022 (2012: June 30, 2013 to August 18, 2021).

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

10. ADVANCES - NET

	Note	2013	2012
		(Rupees in '000)	
Loans, cash credits, running finances, etc.			
In Pakistan		19,484,574	17,232,494
Net investment in finance leases			
In Pakistan	10.2	452,650	461,122
Bills discounted and purchased (excluding treasury bills)			
Payable in Pakistan		102,302	128,429
Payable outside Pakistan		522,348	20,890
Advances - gross		20,561,874	17,842,935
Provision against advances - specific and general	10.4	(2,292,478)	(2,398,159)
Advances - net of provision		18,269,396	15,444,776
10.1 Particulars of advances - gross			
10.1.1 In local currency		19,986,864	17,773,233
In foreign currency		575,010	69,702
		20,561,874	17,842,935
10.1.2 Short-term (upto one year)		15,473,378	11,585,541
Long-term (over one year)		5,088,496	6,257,394
		20,561,874	17,842,935

10.2 Net investment in finance leases

(Rupees in '000)

	2013				2012			
	Not later than one year	Later than one year and less than five years	Over five years	Total	Not later than one year	Later than one year and less than five years	Over five years	Total
Lease rentals receivable	403,049	-	-	403,049	409,311	-	-	409,311
Residual value	53,906	-	-	53,906	56,188	-	-	56,188
Minimum lease payments	456,955	-	-	456,955	465,499	-	-	465,499
Finance charge for future periods	(4,305)	-	-	(4,305)	(4,377)	-	-	(4,377)
Present value of minimum lease payments	452,650	-	-	452,650	461,122	-	-	461,122

10.3 Advances include Rs 2,340.626 million (2012: Rs 2,451.481 million) which have been placed under non-performing status as detailed below:

(Rupees in '000)

Category of classification	2013								
	Advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
Classified portfolio									
Substandard	1,292	-	1,292	323	-	323	323	-	323
Doubtful	-	-	-	-	-	-	-	-	-
Loss	2,339,334	-	2,339,334	2,288,013	-	2,288,013	2,288,013	-	2,288,013
	2,340,626	-	2,340,626	2,288,336	-	2,288,336	2,288,336	-	2,288,336

(Rupees in '000)

Category of classification	2012								
	Advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
Classified portfolio									
Substandard	5,046	-	5,046	1,182	-	1,182	1,182	-	1,182
Doubtful	-	-	-	-	-	-	-	-	-
Loss	2,446,435	-	2,446,435	2,392,283	-	2,392,283	2,392,283	-	2,392,283
	2,451,481	-	2,451,481	2,393,465	-	2,393,465	2,393,465	-	2,393,465

10.3.1 The Bank has availed no benefit of forced sale value while determining the provisioning requirements against non-performing advances as at December 31, 2013 (2012: Rs. 0.077 million).

10.4 Particulars of provision against advances

	Note	2013 Specific	2013 General	2013 Total	2012 Specific	2012 General	2012 Total
		(Rupees in '000)					
Opening balance		2,393,465	4,694	2,398,159	2,532,178	11,400	2,543,578
Charge for the year		27,145	-	27,145	39,283	-	39,283
Reversals		(109,420)	(552)	(109,972)	(119,184)	(6,706)	(125,890)
		(82,275)	(552)	(82,827)	(79,901)	(6,706)	(86,607)
Amounts written off	10.5	(22,854)	-	(22,854)	(58,812)	-	(58,812)
Closing balance		2,288,336	4,142	2,292,478	2,393,465	4,694	2,398,159

10.4.1 General provision as at December 31, 2013 represents provision against consumer finance portfolio as required by the Prudential Regulations issued by the State Bank of Pakistan.

10.4.2 Particulars of provisions against advances

	2013 Specific	2013 General	2013 Total	2012 Specific	2012 General	2012 Total
	(Rupees in '000)					
In local currency	2,288,336	4,142	2,292,478	2,393,465	4,694	2,398,159

10.5 Particulars of write-offs

		Note	2013	2012
			(Rupees in '000)	
10.5.1	Against provisions	10.4	22,854	58,812
10.5.2	Write-offs of Rs 500,000 and above	10.6	15,626	44,377
	Write-offs of below Rs 500,000		7,228	14,435
			22,854	58,812

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, 2013 is given in Annexure-1 to these financial statements. These loans are written off as a book entry without prejudice to the Bank's right of recovery against the customers.

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

(Rupees in '000)

	Note	2013	2012
Debts due by directors, executives or officers of the Bank or any of them either severally or jointly with any other persons	10.7.1		
Balance at beginning of the year		269,631	329,153
Loans granted during the year		116,324	37,029
Repayments during the year		(92,170)	(96,551)
		293,785	269,631
Debts due by companies or firms in which the directors of the Bank are interested as directors, partners or in the case of private companies as members			
Balance at beginning of the year		-	-
Loans granted during the year		-	-
Repayments during the year		-	-
Balance at end of the year		-	-
Debts due by subsidiary companies, controlled firms, managed modarabas and other related parties			
Balance at beginning of the year		-	41,500
Loans granted during the year		-	-
Repayments during the year		-	(23,000)
Written off during the year		-	(18,500)
Balance at end of the year		-	-

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

11. OPERATING FIXED ASSETS

	Note	2013	2012
Capital work-in-progress	11.1	28,646	21,215
Property, plant and equipment	11.2	536,072	543,510
Intangible assets	11.3	23,264	15,895
		587,982	580,620
Non-current assets held for sale	11.5	273,727	251,755
		861,709	832,375

11.1 Capital work-in-progress

	2013	2012
Civil works	3,195	21,215
Advances to suppliers and contractors	25,451	-
	28,646	21,215

11.2 Property and equipment

(Rupees in '000)

Description	2013											
	Cost					Accumulated depreciation / impairment						
	Balance as at January 1, 2013	Additions	Transfers to assets held for sale (Note 11.5)	Disposals	Balance as at December 31, 2013	Balance as at January 1, 2013	Charge for the year	Transfers to assets held for sale (Note 11.5)	Disposals	Balance as at December 31, 2013	Net book value as at December 31, 2013	Rate per annum %
Owned:												
Freehold land	194,835	-	(8000)	-	186,835	-	-	-	-	-	186,835	-
Buildings on freehold land	141,073	-	(25,479)	-	115,594	90,489	5,458	(11,507)	-	84,440	31,154	5
Furniture and fixtures	407,192	37,880	-	(12,929)	432,143	247,566	58,594	-	(11,831)	294,329	137,814	10
Electrical, office & computer equipment	533,281	32,742	-	(24,780)	541,243	473,460	31,900	-	(24,575)	480,785	60,458	20 / 33
Vehicles	121,178	62,336	-	(17,988)	165,526	42,534	14,998	-	(11,817)	45,715	119,811	20
	1,397,559	132,958	(33,479)	(55,697)	1,441,341	854,049	110,950	(11,507)	(48,223)	905,269	536,072	

(Rupees in '000)

Description	2012											
	Cost					Accumulated depreciation / impairment						
	Balance as at January 1, 2012	Additions	Transfers to assets held for sale (Note 11.5)	Disposals	Balance as at December 31, 2012	Balance as at January 1, 2012	Charge for the year	Transfers to assets held for sale (Note 11.5)	Disposals	Balance as at December 31, 2012	Net book value as at December 31, 2012	Rate per annum %
Owned:												
Freehold land	449,399	-	(254,564)	-	194,835	-	21,196*	(21,196)	-	-	194,835	-
Buildings on freehold land	141,073	-	-	-	141,073	85,031	5,458	-	-	90,489	50,584	5
Furniture and fixtures	389,021	27,726	-	(9,555)	407,192	192,998	59,451	-	(4,883)	247,566	159,626	10
Electrical, office & computer equipment	505,557	36,472	-	(8,748)	533,281	449,654	32,357	-	(8,551)	473,460	59,821	20 / 33
Vehicles	105,092	22,734	-	(6,648)	121,178	36,615	10,113	-	(4,194)	42,534	78,644	20
	1,590,142	86,932	(254,564)	(24,951)	1,397,559	764,298	128,575	(21,196)	(17,628)	854,049	543,510	

* Represents impairment on land transferred to non-current assets held for sale.

11.3 Intangible assets

(Rupees in '000)

Description	2013									
	Cost				Accumulated amortisation					
	Balance as at January 1, 2013	Additions	Disposals	Balance as at December 31, 2013	Balance as at January 1, 2013	Charge for the year	Disposals	Balance as at December 31, 2013	Net book value as at December 31, 2013	Rate per annum %
Computer software	62,351	15,375	-	77,726	46,456	8,006	-	54,462	23,264	20

(Rupees in '000)

Description	2012									
	Cost				Accumulated amortisation					
	Balance as at January 1, 2012	Additions	Disposals	Balance as at December 31, 2012	Balance as at January 1, 2012	Charge for the year	Disposals	Balance as at December 31, 2012	Net book value as at December 31, 2012	Rate per annum %
Computer software	54,587	7,764	-	62,351	40,371	6,085	-	46,456	15,895	20

11.4 Disposal of fixed assets

Details of disposal of fixed assets to executives and other persons are given below:

(Rupees in '000)

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain/ (loss)	Mode of disposal	Particulars of buyers / insurer
Owned vehicles							
Toyota Altis AQP-613	1,479	960	519	1,129	610	Through Tender	Tariq Bakshi
Toyota Altis AQP-614	1,479	960	519	1,072	553	Through Tender	Auto One
Toyota Gli AQP-074	1,055	685	370	1,118	748	Through Tender	Wasim Mirza
Toyota Gli AQP-318	1,055	685	370	1,010	640	Through Tender	Auto One
Toyota Gli APK-763	1,005	663	342	931	589	Through Tender	Syed Riaz Ahmed
Toyota Vigo CN-8280	2,212	1,460	752	1,606	854	Through Tender	Nobel Motors
Honda City LEA-08-9121	872	576	296	797	501	Through Tender	Sajid Mehmood Siddiqui
Toyota Altis AQP-615	1,479	976	503	1,053	550	Through Tender	Zahid Qadri
Honda City HC-420	793	524	269	653	384	Through Tender	M. Rashid Nawaz
Honda City LZ-51	845	557	288	875	587	As per Policy	Akhtar Abbas Ali
Honda Accord ARE-565	3,752	2,476	1,276	1,276	-	As per Policy	Tawfiq A. Husain
Toyota Gli AQP-338	1,055	696	359	900	541	As per Policy	Ibrahim Kaliya
Honda City AQT-328	907	599	308	850	542	As per Policy	M. Afaq Hussain Siddiqui
	17,988	11,817	6,171	13,270	7,099		
Furniture and fixtures							
Furniture, table & chairs etc	5,130	5,130	-	185	185	Through Tender	Haider & Co
Items having book value less than Rupees 250,000 and cost less than Rupees 1,000,000	7,799	6,701	1,098	529	(569)	Negotiation/Tender	Various
	12,929	11,831	1,098	714	(384)		
Electrical, office and computer equipment							
Generator	1,578	1,578	-	619	619	Through Tender	Hi Power
ATM machines	10,419	10,419	-	89	89	Negotiation	NCR Corporation
Items having book value less than Rupees 250,000 and cost less than Rupees 1,000,000	12,783	12,578	205	2,239	2,034	Write-off / Negotiation / Insurance claim	Various
	24,780	24,575	205	2,947	2,742		
2013	55,697	48,223	7,474	16,931	9,457		
2012	24,951	17,628	7,323	6,163	(1,160)		

11.4.1 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 disclosed above.

11.5 Non-current assets held for sale

The non-current assets of the Bank include two vacant properties (land) situated in Lahore and Faisalabad having carrying value of Rs 33.168 million, one vacant property (land and building) situated in lahore having a carrying value of Rs 21.972 million and a property with semi-constructed building in Lahore having carrying value of Rs 218.587 million. These have been classified as 'Non-current assets held for sale' as at December 31, 2013 as a formal plan to dispose off these properties is in place and initial contacts with the potential buyers have been established. It is expected that the process of sale of these properties will be completed in the near future.

(Rupees in '000)

	2013	2012
11.6 Carrying amount of temporarily idle property (Nacon House)	1,277,284	-
11.7 The gross carrying amount (cost) of fully depreciated/amortised assets that are still in use:		
Building	32,428	32,428
Computer & Equipment	434,832	381,750
Furniture & Fixture	136,709	73,982
Intangible	39,953	29,688
	643,922	517,848

12. DEFERRED TAX ASSET - NET

	Note	2013	2012
		(Rupees in '000)	
Taxable temporary differences			
Net investment in finance leases		(135,445)	(133,422)
Surplus on revaluation of securities	19	-	(19,892)
Accelerated tax depreciation		-	(5,303)
Deductible temporary differences			
Recognised tax losses	12.1	865,000	788,460
Provision against loans and advances, investments and other assets		732,150	779,529
Deficit on revaluation of securities	19	17,866	-
Accelerated tax depreciation		3,998	-
Deferred tax asset recognised		1,483,569	1,409,372

12.1 This includes deferred tax asset recognised on unabsorbed tax losses. The Bank has unabsorbed tax losses (including unabsorbed depreciation and amortisation) amounting to Rs. 2,984.181 million (December 31, 2012: Rs. 3,224.51 million) as at December 31, 2013. Based on this, the management has recognised deferred tax debit balance of Rs. 865 million (December 31, 2012: Rs. 788.46 million) against the total available tax benefit of Rs. 1,044.46 million (December 31, 2012: Rs. 1,128.58 million). The amount of this benefit has been determined based on the projected financial statements for the future periods. The determination of future taxable profit is most sensitive to certain key assumptions such as cost to income ratio of the Bank, deposit composition, kibor rates, growth of deposits and advances, investment returns, product mix of advances, potential provision against assets and branch expansion plan. Any significant change in the key assumptions may have an effect on the realisibility of the deferred tax asset.

13. OTHER ASSETS - NET

	Note	2013	2012
		(Rupees in '000)	
Income / mark-up accrued			
- in local currency		580,836	280,315
- in foreign currencies		-	286
Advances, deposits, prepaid rent and other prepayments		136,385	143,425
Taxation (payments less provisions)		641,320	663,882
Fee and commission receivable		51,042	50,647
Unrealised gain on forward foreign exchange contracts		293,610	20,215
Others	13.1	106,819	106,142
		1,810,012	1,264,912
Provisions held against bad and doubtful other assets	13.2	(118,652)	(112,202)
Other assets (net of provisions)		1,691,360	1,152,710

13.1 This includes an amount of Rs 32.389 million (2012: Rs 32.389 million) receivable from InterAsia Leasing Limited.

13.2 Provisions held against bad and doubtful other assets

	Note	2013	2012
Opening balance		112,202	106,082
Charge for the year		20,222	6,120
Reversals		(13,772)	-
	26	6,450	6,120
Amounts written-off during the year		-	-
Closing balance		118,652	112,202

14. BILLS PAYABLE

	2013	2012
In Pakistan	918,662	250,709

15. BORROWINGS

	2013	2012
In Pakistan	2,987,399	2,477,466

15.1 Particulars of borrowings

	2013	2012
In local currency	2,987,399	2,477,466

15.2 Details of borrowings secured / unsecured

	Note	2013	2012
		(Rupees in '000)	
Secured			
Borrowings from SBP under export refinance scheme	15.2.1	2,430,431	2,405,931
Borrowings from SBP under LTFF	15.2.2	41,664	49,199
Repurchase agreement borrowings	15.2.3	492,968	-
		2,965,063	2,455,130
Unsecured			
Call money borrowings		-	-
Bankers Equity Limited (Under liquidation)	15.2.4	22,336	22,336
		22,336	22,336
		2,987,399	2,477,466

15.2.1 The Bank enters into agreements with the SBP for extending export finance to customers. As per the terms of the agreements, the Bank has granted SBP the right to recover the outstanding amount from the Bank at the time of maturity of finances by directly debiting the current account maintained with SBP. This facility is secured against demand promissory note executed in favour of SBP. These borrowings carry mark-up at the rate of 8.4% per annum (2012: 8.5% per annum), are payable on a quarterly basis and have a maturity period of upto six months.

15.2.2 These represent borrowing from SBP to provide refinance to customers and carries mark-up ranging from 7.2% to 8.4% (2012: 7.2%) per annum and will mature latest by January 15, 2019 (2012: January 27, 2015).

15.2.3 This represents funds borrowed from interbank market against government securities and carries mark-up at the rate of 10.05% per annum (2012: Nil) and will mature on February 20, 2014 (2012: Nil).

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

16. DEPOSITS AND OTHER ACCOUNTS

	Note	2013	2012
		(Rupees in '000)	
Customers			
Fixed deposits		10,448,161	10,904,220
Savings deposits		9,052,421	5,706,431
Current accounts - non-remunerative		4,834,168	5,333,684
Others - non-remunerative		53,840	49,731
		24,388,590	21,994,066
Financial Institutions			
Remunerative deposits		72,482	639,842
Non-remunerative deposits		171,538	119,736
	16.2	244,020	759,578
		24,632,610	22,753,644
16.1 Particulars of deposits and other accounts			
In local currency		22,114,765	20,458,414
In foreign currencies		2,517,845	2,295,230
		24,632,610	22,753,644

16.2 These accounts include deposits of SAMBA Financial Group amounting to Rs 158.964 million (2012: Rs 94.727 million).

17. OTHER LIABILITIES

	Note	2013	2012
		(Rupees in '000)	
Mark-up / return / interest payable			
- in local currency		174,565	226,166
- in foreign currencies		336	247
Accrued expenses		206,633	182,225
Unclaimed dividends		4,255	4,255
Provision against off-balance sheet obligations	17.2	143,621	148,621
Lease key money		54,472	56,754
Unrealised loss on forward exchange contracts		370,775	12,635
Others	17.1	377,034	225,232
		1,331,691	856,135

17.1 This includes Rs 310.576 million (2012: Rs 185.719 million) net payable to SAMBA Financial Group (SFG).

17.2 Provision against off-balance sheet obligations

	Note	2013	2012
Opening balance		148,621	205,336
Charge for the year		-	-
Reversals		(5,000)	(55,965)
		(5,000)	(55,965)
Payments made during the year		-	(750)
Closing balance	17.2.1	143,621	148,621

17.2.1 This includes:

a) A provision of Rs 71.134 million (2012: 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 of Samba Bank Limited, on behalf of Mr. Reyaz Shafi favouring 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 conditions had not been met by the beneficiary. 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 (2012: 71.134 million) was made by Crescent Investment Bank Limited in respect of this matter, which is being maintained.

b) A provision of Rs 14.130 million (2012: Rs 14.130 million) made in respect of guarantees amounting to Rs 14.130 million issued by Crescent Investment Bank Limited, an amalgamated entity of Samba Bank Limited, on behalf of Mohammad Amin Muhammad Bashir Limited (MAMB) favouring the Collector of Customs. The guarantees have been called twice by the Collector of Customs along with mark-up at the rate of 14 percent per annum. MAMB has filed a petition before the Honourable Supreme Court, which is still pending therefore, no payment has been made in respect of these guarantees. As a matter of prudence, a full provision of Rs 14.130 million (2012: Rs 14.130 million) was made in respect of this matter by Crescent Investment Bank Limited, which is being maintained.

c) A provision is maintained in respect of a guarantee amounting to Rs 105.525 million (2012: Rs 105.525 million) 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 and in case of a default by the company. The company has shown gradual and visible improvement in the affair of its business, hence, after obtaining necessary approval from SBP, the account was upgraded from Loss to Doubtful and accordingly, 50% of the provisoning was reversed. Currently, provisioning of Rs 52.76 million (2012: Rs 52.76 million) is being maintained.

d) A 100% provision in respect of letter of guarantee facilities aggregating Rs 4.745 million (2012: Rs 4.745 million) issued on behalf of Farooq Habib Textile Mills and Zahoor Textile Mills Limited favoring Ministry of Commerce. The customers pertain to Ex-Doha Bank Portfolio. In 1993, the court decided the Writ Petitions in favor of the customers. During the course of follow up for reversal of the guarantees, the Ministry of Commerce informed the Bank that they had filed an intra court appeal which has also been decided in favor of the customers. As per the terms of the court decision, the customers were required to file certain documentations with the Ministry prior to release of the guarantees. The customers have provided the Ministry with the required documents. However, response from the Ministry is awaited. The provision will be reversed, once the original instruments are received from the Ministry.

18. SHARE CAPITAL

18.1 Authorised capital

Number of Shares 2013	Number of Shares 2012		(Rupees in '000) 2013	(Rupees in '000) 2012
1,500,000,000	1,500,000,000	Ordinary shares of Rs 10 each	15,000,000	15,000,000

18.2 Issued, subscribed and paid-up capital

Number of shares 2013: Issued for cash	2013: Issued for consideration other than cash	2013: Total	2012: Issued for cash	2012: Issued for consideration other than cash	2012: Total	Ordinary shares of Rs 10 each	(Rupees in '000) 2013	(Rupees in '000) 2012
1,211,916,074	221,557,340	1,433,473,414	1,211,916,074	221,557,340	1,433,473,414	At the beginning of the year	14,334,734	14,334,734
-	-	-	-	-	-	Issued during the year	-	-
(528,598,616)	(96,636,150)	(625,234,766)	-	-	-	Reduction during the year (Note 18.3)	(6,252,347)	-
683,317,458	124,921,190	808,238,648	1,211,916,074	221,557,340	1,433,473,414	Balance as at December 31	8,082,387	14,334,734

18.2.1 Shares held by the related parties of the bank

	Number of shares 2013	Number of shares 2012
Directors, their spouses and minor children		
Mr. Humayun Murad	281	500
Mr. Farhat Abbas Mirza	70,479	125,000
Mr. Javed Iqbal	2,819	5,000
Mr. Zahid Zaheer	281	500
Dr. Shujaat Nadeem	4,674,924	1,891,338
Mr. Shahid Sattar	146,032	-
	4,894,816	2,022,338
Associated Companies, undertakings and related parties		
Samba Financial Group (SFG)	652,047,421	1,156,456,310
	656,942,237	1,158,478,648

18.3 Reduction of share capital and issuance of right shares

State Bank of Pakistan (SBP) has specified Minimum Capital Requirement (MCR) for all commercial banks operating in Pakistan to be attained by December 31, 2013 in a phased manner.

To comply with the MCR, capital restructuring plan of bank including capital reduction (through cancellation of shares having face value of Rs. 6,252.347 million against accumulated losses) and issuance of further capital by way of right shares amounting to Rs. 2 billion was approved in August 2012 by the Board of Directors and subsequently by the shareholders in their Extraordinary General meeting held on January 17, 2013.

During 2013, bank has reduced its capital in line with the relevant resolutions passed in the above mentioned meetings, and after receiving the following:

a) No objection from the State Bank Of Pakistan vide its letter dated August 24, 2012;
b) Order from the Honorable High Court of Sindh, dated August 05, 2013; and
c) Approval from the Securities and Exchange Commission Of Pakistan (SECP) vide its letter dated April 01, 2013 and its subsequent acknowledgement of filing vide letter dated September 06, 2013.

The Bank is currently in the process of issuing right shares. To support the Bank its parent, Samba Financial Group (SFG) has, in advance, remitted its share of Rs. 1.614 billion in the proposed right issue on January 23, 2013 and also consented to underwrite any unsubscribed portion of the right issue. After completing the required regulatory requirements the Bank has also obtained the approval from Securities and Exchange Commission of Pakistan and all three Stock Exchanges for the issuance of right shares of the Bank on January 31, 2014 and February 04, 2014, respectively. The entire process of the allotment of right shares is expected to be completed by March 31, 2014.

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

	Note	2013	2012
		(Rupees in '000)	
Available for sale			
Federal government securities		(51,046)	56,834
Ordinary shares - listed	9.5	6,732	5,285
Open ended mutual fund	9.7	3,222	-
	9.1	(41,092)	62,119
Related deferred tax	12	17,866	(19,892)
		(23,226)	42,227

20. CONTINGENCIES AND COMMITMENTS

20.1 Direct credit substitutes

	Note	2013	2012
Favouring banks and other financial institutions		111,080	190,666
Favouring others		263,816	245,076
		374,896	435,742

20.2 Transaction-related contingent liabilities / commitments

	Note	2013	2012
Guarantees in favour of			
Government	20.2.1	2,369,085	2,272,022
Others		83,099	29,145
		2,452,184	2,301,167

20.2.1 This includes guarantees amounting to Rs 15.385 million (2012: 15.385 million) given on behalf of SAMBA Financial Group - a related party.

20.3 Trade-related contingent liabilities

	2013	2012
Favouring others	5,965,633	4,712,774

20.4 Other contingencies

	2013	2012
Claims against the Bank not acknowledged as debt	156,590	161,733

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

20.5 Contingencies in respect of taxation

The Income tax department has raised a demand of 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 for assessment years 1999-2000, 2000-2001 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, 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. Additionally, the tax department has raised demands of Rs 29.052 million for the assessment years 2009, 2010 and 2011 mainly on account of Federal Excise Duty.

Presently, the Bank is contesting these issues at various 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 its tax advisors, the management is confident that the eventual outcome of the aforementioned matters will be in favour of the Bank. Accordingly, no provision has been made in these financial statements in respect of the above mentioned demands of Rs 1,101.176 million (2012: Rs 1,101.176 million) raised by the income tax authorities.

20.6 Commitments in respect of forward exchange contracts

	2013	2012
	(Rupees in '000)	
Purchase	21,281,001	3,224,067
Sale	19,703,449	3,723,994

20.7 Commitments to extend credit

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

20.8 Capital commitments

Commitments for capital expenditure as at December 31, 2013 amounted to Rs. 34.583 million (2012: Rs. 15.082 million).

	2013	2012
	(Rupees in '000)	
21. MARK-UP / RETURN / INTEREST EARNED		
On loans and advances to:		
- Customers	1,449,508	1,639,060
On investments:		
- Held for trading securities	300,096	197,958
- Available for sale securities	1,137,948	800,246
- Held to maturity securities	112,652	18,947
	1,550,696	1,017,151
On deposits with financial institutions	128	152
On securities purchased under resale agreements	130,848	333,906
On call lendings	75,368	63,765
	3,206,548	3,054,034
22. MARK-UP / RETURN / INTEREST EXPENSED		
Deposits	1,252,925	1,305,017
Securities sold under repurchase agreements	234,281	112,265
Other short-term borrowings	21,446	7,267
SBP LTFF Refinance	3,366	3,995
SBP export refinance	191,435	212,438
Others	119,224	80,843
	1,822,677	1,721,825
23. (LOSS) / GAIN ON SALE OF SECURITIES - NET		
Government securities	(2,530)	19,778
Ordinary shares - listed	-	12,690
Ordinary shares - unlisted	-	4,555
	(2,530)	37,023
24. OTHER INCOME		
Gain on disposal of property and equipment - net	9,517	2,567
Others	-	1,441
	9,517	4,008

25. ADMINISTRATIVE EXPENSES

	Note	2013	2012
		(Rupees in '000)	
Salaries, allowances and benefits		675,529	656,425
Contribution to provident fund plan	32	22,575	21,746
Non-executive directors' fees, allowances and other expenses		9,526	8,822
Rent, taxes, insurance, electricity, etc.		266,645	255,061
Legal and professional charges		25,280	14,345
Communications		95,403	97,454
Group shared service cost		91,169	66,658
Repairs and maintenance		71,674	62,186
Stationery and printing		16,281	24,724
Advertisement and publicity		17,662	15,330
Auditors' remuneration	25.1	6,259	7,624
Depreciation / impairment	11.2	110,950	143,824
Amortisation of intangible assets	11.3	8,006	6,085
Travelling and conveyance		25,125	19,799
Charges paid to Central Depository Company of Pakistan Limited		267	169
Security services		28,539	23,536
Workers' welfare fund	25.2	1,667	3,345
Fee and commission paid		16,831	14,239
Others		61,449	16,872
		1,550,837	1,458,244

25.1 Auditors' remuneration

		2013	2012
Statutory audit fee		1,705	1,550
Fee for quarterly and annual group reporting		1,936	1,760
Fee for the review of the half yearly financial statements		385	350
Fee for the review carried out in connection with reporting on internal control on financial reporting framework		-	2,000
Special certifications and others		1,353	1,230
Out-of-pocket expenses		880	734
		6,259	7,624

25.2 Under the Worker's Welfare Ordinance (WWF), 1971 the Bank is liable to pay WWF @ 2% of profit before tax as per the accounts or declared income as per the income tax return, whichever is higher.

26. OTHER PROVISIONS / WRITE OFFS - NET

	Note	2013	2012
Provision against bad and doubtful other assets - net	13.2	6,450	6,120
Reversal against off balance sheet obligations	17.2	(5,000)	(55,965)
Fixed assets written-off		60	3,727
Others		296	8
		1,806	(46,110)

27. OTHER CHARGES

	(Rupees in '000) 2013	2012
Penalties imposed by the State Bank of Pakistan	-	1,146
	-	1,146

28. TAXATION

	2013	2012
For the year		
Current	33,787	16,040
Deferred	(36,439)	13,000
For prior years		
Current	-	(165,892)
	(2,652)	(136,852)

28.1 Relationship between tax expense and accounting profit

Numerical reconciliation between the average tax rate and the applicable tax rate has not been presented as the Bank has accumulated losses in prior periods which have been adjusted with the taxable income for the current year. Current tax charge for the year represents minimum tax on turnover as stipulated in the Income Tax Ordinance, 2001.

29. EARNINGS PER SHARE

	Note	(Rupees in '000) 2013	2012
Profit after taxation		84,313	300,886
		Number of shares	
Weighted average number of ordinary shares	18 / 29.2	808,238,648	808,238,648
		Rupees	
Earnings per share		0.10	0.37

29.1 Diluted earnings per share has not been presented as the Bank does not have any convertible instruments in issue at December 31, 2013 and 2012 which would have any effect on the earnings per share if the option to convert is exercised.

29.2 The weighted average number of shares at December 31, 2012 have been decreased to reflect the capital reduction made during the year.

30. CASH AND CASH EQUIVALENTS

	Note	(Rupees in '000) 2013	2012
Cash and balances with treasury banks	6	2,795,889	2,052,832
Balances with other banks	7	117,483	2,289,653
		2,913,372	4,342,485

31. STAFF STRENGTH

	Note	(Number) 2013	2012
Permanent		409	450
Temporary / on contractual basis		-	-
Bank's own staff strength at the end of the year		409	450
Outsourced	31.1	205	282
Total number of employees at the end of the year		614	732

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

32. DEFINED CONTRIBUTION PLAN

The Bank operates a contributory provident fund plan for 350 employees (2012: 389 employees). Both employer and employees contribute 8.33% (2012: 8.33%) of the basic salaries to the fund every month. The expense charged in respect of this benefit is disclosed in note 25 to these financial statements.

33. COMPENSATION OF DIRECTORS AND EXECUTIVES

(Rupees in '000)

	2013			2012		
	President and Chief Executive Officer	Directors	Executives	President and Chief Executive Officer	Directors	Executives
Fees	-	9,526	-	-	8,822	-
Managerial remuneration	24,474	-	201,139	15,288	-	171,357
Contribution to defined contribution plan	2,039	-	15,299	1,274	-	13,585
Rent and house maintenance	11,013	-	84,762	6,880	-	77,111
Utilities	2,447	-	20,114	1,529	-	17,136
Medical	2,447	-	20,114	1,529	-	17,136
Cash reimbursement	-	-	19,943	-	-	14,720
Bonus	5,500	-	44,819	5,500	-	36,560
Conveyance	-	-	306	-	-	240
Other allowances	2,663	-	-	1,274	-	-
	50,583	9,526	406,496	33,274	8,822	347,845
Number of persons - Note 33.3	2	4	147	1	4	140

33.1 The Chief Executive Officer and certain executives of the Bank are provided with free use of the Bank's maintained cars.

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

33.3 The President Mr. Tawfiq A. Husain retired on September 6, 2013 and Mr. Shahid Sattar who joined the Bank on August 1, 2013 assumed his responsibilites as the CEO effective from September 7, 2013.

34. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with approved accounting standards as applicable in Pakistan requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and income and expenses. It also requires management to exercise judgment in application of its accounting policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Significant accounting estimates and areas where judgments were made by the management in the application of accounting policies are as follows:

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

35. FAIR VALUE OF FINANCIAL INSTRUMENTS AND DERIVATIVE INSTRUMENTS

35.1 On-balance sheet financial instruments

The fair value of traded investments is based on quoted market prices, except for tradable securities classified as 'held to maturity'. Held to maturity securities are carried at amortised cost in order to comply with the requirements specified by the State Bank of Pakistan. The fair value of these investments amounts to Rs 4,044.920 million (2012: Rs 297.621 million).

Fair value of unquoted equity investments is determined on the basis of break up value of these investments as per the latest available audited financial statements.

Fair value of fixed term loans, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments. The provision for impairment in respect of loans and advances has been calculated in accordance with the Bank's accounting policy as stated in note 5.4 to these financial statements.

The repricing and maturity profile and effective rates are stated in notes 42 and 44 to these financial statements.

In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values, since assets and liabilities are either short-term in nature or, in the case of customer loans, are frequently repriced.

35.2 Off-balance sheet financial instruments

(Rupees in '000)

	2013		2012	
	Book value	Fair value	Book value	Fair value
Forward purchase of foreign exchange	21,281,001	20,911,010	3,224,067	3,213,782
Forward sale of foreign exchange	19,703,449	19,410,623	3,723,994	3,706,129

35.3 Derivative instruments

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

36. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

(Rupees in '000)

Particulars	2013				
	Corporate finance	Trading & sales	Retail banking	Commercial banking	Total
Total income (net of interest expense and provisions)	19,819	296,189	774,027	542,463	1,632,498
Total operating expenses	14,618	123,779	1,111,610	300,830	1,550,837
Net (loss) / income (before tax)	5,201	172,410	(337,583)	241,633	81,661
Segment assets (gross)	7,347	19,179,565	1,903,730	21,494,150	42,584,792
Segment non-performing loans	-	-	612,337	1,728,289	2,340,626
Segment provision held *	-	(118,252)	(617,967)	(1,847,033)	(2,583,252)
Segment liabilities	55	882,879	22,578,649	6,408,779	29,870,362
Segment return on net assets (%)	70.79%	0.90%	-26.26%	1.23%	0.20%
Segment cost of funds (%)	8.30%	8.38%	5.43%	8.30%	6.27%

(Rupees in '000)

Particulars	2012				
	Corporate finance	Trading & sales	Retail banking	Commercial banking	Total
Total income (net of interest expense and provisions)	8,586	210,268	810,174	594,396	1,623,424
Total operating expenses	13,851	116,601	1,036,671	292,267	1,459,390
Net (loss) / income (before tax)	(5,265)	93,667	(226,497)	302,129	164,034
Segment assets (gross)	15,221	16,787,764	2,227,454	18,511,045	37,541,484
Segment non-performing loans	-	-	647,434	1,804,047	2,451,481
Segment provision held *	-	(123,123)	(647,268)	(1,917,256)	(2,687,647)
Segment liabilities	641	12,990	18,798,196	7,526,127	26,337,954
Segment return on net assets (%)	-34.59%	0.56%	-14.33%	1.82%	0.47%
Segment cost of funds (%)	9.71%	10.17%	6.87%	9.71%	7.37%

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

37. TRUST ACTIVITIES

The Bank is currently not engaged in any trust activities.

38. RELATED PARTY TRANSACTIONS

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

Banking transactions with related parties are entered in the normal course of business. Remuneration to key management personnel is in accordance with employee agreements and services rules. These agreements also provide for disbursement of advances on terms softer than those offered to the customers of the Bank.

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

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

Details of transactions with related parties are given below:

(Rupees in '000)

	2013				2012			
	Key management personnel	Parent Company	Associates	Others	Key management personnel	Parent Company	Associates	Others
BALANCES OUTSTANDING- GROSS								
Advances								
At January 1	26,205	-	-	-	66,438	-	41,500	-
Disbursed during the year	50,902	-	-	-	3,109	-	-	-
Repaid during the year	(5,460)	-	-	-	(29,808)	-	(23,000)	-
Adjustments	-	-	-	-	(13,534)	-	-	-
Written off during the year	-	-	-	-	-	-	(18,500)	-
At December 31	71,647	-	-	-	26,205	-	-	-
Provision held against advances	-	-	-	-	-	-	-	-
Deposits								
At January 1	118,733	-	-	6,851	128,537	-	3,222	16,149
Received during the year	1,060,216	-	-	318,771	632,660	-	-	713,845
Withdrawn during the year	(1,021,294)	-	-	(322,518)	(643,700)	-	-	(723,143)
Adjustments	(78,016)	-	-	-	1,236	-	(3,222)	-
At December 31	79,639	-	-	3,104	118,733	-	-	6,851
Others								
Guarantees	-	15,385	-	-	-	15,385	-	-
Balances in nostro accounts	-	14,703	-	-	-	12,097	-	-
Reversal of provision against investments	-	-	-	-	-	-	98,383	-
Proceeds from sale of investments	-	-	-	-	-	-	7,000	-
Sundry payable (including Group Shared Service cost)-net	-	310,576	-	-	-	185,719	-	-
Balances in vostro accounts	-	158,964	-	-	-	94,727	-	-
TRANSACTIONS DURING THE YEAR								
Remuneration and benefits	153,534	-	-	-	135,006	-	-	-
Directors fee	9,526	-	-	-	8,822	-	-	-
Commission income on guarantees	-	402	-	-	-	253	-	-
Counter confirmation charges on guarantees	-	5,471	-	-	-	5,055	-	-
Mark-up/return/interest expensed	5,417	-	-	263	5,670	-	-	496
Mark-up/return/interest income	1,634	-	-	-	1,562	-	-	-
Disposal of fixed assets	1,276	-	-	-	1,100	-	-	-
Group Services cost	-	91,169	-	-	-	66,658	-	-
Sale of government securities	-	-	-	106,566	222,500	-	-	341,329
Purchase of government securities	-	-	-	153,181	222,500	-	-	519,104
Purchase of shares (number of shares)	6,459,000	-	-	-	1,891,338	-	-	-
Mark-up written off	-	-	-	-	-	-	32,791	-
Advance againt issue of right shares	-	1,613,502	-	-	-	-	-	-

Forex transactions during the year - Samba Financial Group

(Currency in '000)

2013				
CURRENCY	READY / SPOT / TOM		FORWARD	
	BUY	SELL	BUY	SELL
AED	3,200	-	-	-
AUD	-	-	-	-
CAD	5,822	5,148	1,051	52
CHF	20	-	-	-
EUR	17,895	35	18,295	-
GBP	12,152	22	9,480	-
JPY	120,909	292,190	-	-
SAR	750	5	-	-
SEK	-	-	-	-
USD	88,101	68,817	50	40,117

Forex deals outstanding as at the year end December 31, 2013

(Currency in '000)

2013				
CURRENCY	READY / SPOT / TOM		FORWARD	
	BUY	SELL	BUY	SELL
EUR	-	-	250	-
GBP	-	-	600	-
SAR	-	-	-	-
USD	-	-	-	1,320

Forex transactions during the year December 31, 2012 - Samba Financial Group

(Currency in '000)

2012				
CURRENCY	READY / SPOT / TOM		FORWARD	
	BUY	SELL	BUY	SELL
AED	850	-	-	-
AUD	510	-	20	-
CAD	1,558	6,049	-	-
CHF	15	-	-	-
EUR	44,240	4,420	27,355	900
GBP	13,173	710	11,265	-
JPY	-	-	-	500,448
SAR	2,800	-	-	-
SEK	40	-	-	-
USD	59,984	80,572	7,562	52,665

Forex deals outstanding as at the year end December 31, 2012

(Currency in '000)

2012				
CURRENCY	READY / SPOT / TOM		FORWARD	
	BUY	SELL	BUY	SELL
EUR	-	-	100	-
GBP	-	-	300	-
SAR	-	1,000	-	-
USD	267	-	-	618

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

39. CAPITAL ASSESSMENT AND ADEQUACY

39.1 Scope of Applications

The State Bank of Pakistan (SBP) has introduced new guidelines with respect to the disclosure of capital adequacy related information in the financial statements of banks vide its communication dated February 4, 2014. These guidelines are based on the requirements of Basel III which were introduced earlier by the SBP in August 2013 for implementation by banks in Pakistan. The SBP has specified a transitional period till 2018 for implementation of Basel III. The disclosures below have been prepared on the basis of these new guidelines. The comparative information is as per Basel II requirements which were applicable last year.

39.2 Capital Structure

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

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

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

b) Additional Tier 1 capital (AT1), which includes instruments issued by the Bank which meet the specified criteria after deduction of remaining 50% investment in the equity of subsidiary companies engaged in banking and financial activities and other specified deductions.

Presently the Bank does not have any AT1 capital.

- Tier II capital, which includes general provisions for loan losses (upto a maximum of 1.25% of credit risk weighted assets), reserves on revaluation of fixed assets and equity investments after deduction of deficit on available for sale investments (upto a maximum of 45%).

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

The required capital adequacy ratio is achieved by the Bank through:
(a) Adequate level of paid up capital;
(b) Adequate risk profile of asset mix;
(c) Ensuring better recovery management; and
(d) Maintaining acceptable profit margins.

39.3 Capital Adequacy Ratio

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

Rupees in '000

Particulars	2013 Amount	2013 Pre - Basel III treatment	2012 Amount
Common Equity Tier 1 capital (CET1): Instruments and reserves			
Fully Paid-up Capital/ Capital deposited with SBP	9,695,889	-	14,334,734
Balance in Share Premium Account	-	-	-
Reserve for issue of Bonus Shares	-	-	-
General/ Statutory Reserves	167,424	-	150,561
Gain/(Losses) on derivatives held as Cash Flow Hedge	-	-	-
Unappropriated/unremitted profits/ (losses)	291,091	-	(6,011,639)
Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-	-	-
CET 1 before Regulatory Adjustments	10,154,404	-	8,473,656
Common Equity Tier 1 capital: Regulatory adjustments			
Goodwill (net of related deferred tax liability)	-	-	-
All other intangibles (net of any associated deferred tax liability)	23,264	-	15,895
Shortfall of provisions against classified assets	-	-	-
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	865,000	-
Defined-benefit pension fund net assets	-	-	-
Reciprocal cross holdings in CET1 capital instruments	-	-	-
Cash flow hedge reserve	-	-	-
Investment in own shares/ CET1 instruments	-	-	-
Securitization gain on sale	-	-	-
Capital shortfall of regulated subsidiaries	-	-	-
Deficit on account of revaluation from bank's holdings of property/ AFS	23,226	-	-
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	-	-
Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-	-
Amount exceeding 15% threshold	-	-	-
of which: significant investments in the common stocks of financial entities	-	-	-
of which: deferred tax assets arising from temporary differences	-	-	-
National specific regulatory adjustments applied to CET1 capital	-	-	-
Investment in TFCs of other banks exceeding the prescribed limit	-	-	-
Any other deduction specified by SBP	-	-	-
Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	-	-	-
Total regulatory adjustments applied to CET1	46,490	-	15,895
Common Equity Tier 1 (a)	10,107,914	-	8,457,761

Rupees in '000

Particulars	2013 Amount	2013 Pre - Basel III treatment	2012 Amount
Additional Tier 1 (AT 1) Capital			
Qualifying Additional Tier-1 instruments plus any related share premium	-	-	-
of which: Classified as equity	-	-	-
of which: Classified as liabilities	-	-	-
Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	-	-	-
of which: instrument issued by subsidiaries subject to phase out	-	-	-
AT1 before regulatory adjustments	-	-	-
Additional Tier 1 Capital: regulatory adjustments			
Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	-	-	-
Investment in own AT1 capital instruments	-	-	-
Reciprocal cross holdings in Additional Tier 1 capital instruments	-	-	-
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-	-
Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital	-	-	-
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	-	-
Total of Regulatory Adjustment applied to AT1 capital	-	-	-
Additional Tier 1 capital	-	-	-
Additional Tier 1 capital recognized for capital adequacy (b)	-	-	-
Tier 1 Capital (CET1 + admissible AT1) (c=a+b)	10,107,914	-	8,457,761
Tier 2 Capital			
Qualifying Tier 2 capital instruments under Basel III	-	-	-
Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)	-	-	-
Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)	-	-	-
of which: instruments issued by subsidiaries subject to phase out	-	-	-
General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	4,142	-	4,694
Revaluation Reserves			
of which: Revaluation reserves on Property	-	-	-
of which: Unrealized Gains/Losses on AFS	-	-	19,002
Foreign Exchange Translation Reserves	-	-	-
Undisclosed/Other Reserves	-	-	-
T2 before regulatory adjustments	4,142	-	23,696

Rupees in '000

Particulars	2013 Amount	2013 Pre - Basel III treatment	2012 Amount
Tier 2 Capital: regulatory adjustments			
Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	-	-	-
Reciprocal cross holdings in Tier 2 instruments	-	-	-
Investment in own Tier 2 capital instrument	-	-	-
Investments in the capital instruments of banking, financial and insurance entities	-	-	-
that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-	-
Amount of Regulatory Adjustment applied to T2 capital	-	-	-
Tier 2 capital (T2)	-	-	-
Tier 2 capital recognized for capital adequacy	-	-	-
Excess Additional Tier 1 capital recognized in Tier 2 capital	-	-	-
Total Tier 2 capital admissible for capital adequacy (d)	4,142	-	23,696
TOTAL CAPITAL (T1 + admissible T2) (e=c+d)	10,112,056	-	8,481,457
Total Risk Weighted Assets (i=f+g+h)	23,859,452	-	19,311,097
Total Credit Risk Weighted Assets (f)	20,198,713	-	15,769,435
Risk weighted assets in respect of amounts subject to Pre-Basel III Treatment			
of which: recognized portion of investment in capital of banking, financial and insurance entities where holding is more than 10% of the issued common share capital of the entity	-	-	-
of which: deferred tax assets	-	-	-
of which: Defined-benefit pension fund net assets	-	-	-
Total Market Risk Weighted Assets (g)	814,088	-	827,325
Total Operational Risk Weighted Assets (h)	2,846,651	-	2,714,337
Capital Ratios and buffers (in percentage of risk weighted assets)			
CET1 to total RWA (a/i)	42.36%		43.80%
Tier-1 capital to total RWA (c/i)	42.36%		43.80%
Total capital to RWA (e/i)	42.38%		43.92%
Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)	0%		0%
of which: capital conservation buffer requirement	0%		0%
of which: countercyclical buffer requirement	0%		0%
of which: D-SIB or G-SIB buffer requirement	0%		0%
CET1 available to meet buffers (as a percentage of risk weighted assets)	42.36%		43.80%

Particulars	2013 Amount	2013 Pre - Basel III treatment	2012 Amount
			Rupees in '000
National minimum capital requirements prescribed by SBP			
CET1 minimum ratio	5.00%		
Tier 1 minimum ratio	6.50%		
Total capital minimum ratio	10.00%		
Amounts below the thresholds for deduction (before risk weighting)			
Non-significant investments in the capital of other financial entities	9,082	-	-
Significant investments in the common stock of financial entities	-	-	-
Deferred tax assets arising from temporary differences (net of related tax liability)	618,569	-	620,912
Applicable caps on the inclusion of provisions in Tier 2			
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	4,142	-	4,694
Cap on inclusion of provisions in Tier 2 under standardized approach	-	-	-
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	-	-
Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	-	-

39.4 Capital Adequacy

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

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

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

The Banks are required to maintain Minimum Capital Requirement (MCR) as prescribed by the State Bank of Pakistan through its BSD Circular No. 7 dated April 15, 2009 which required the minimum paid up capital (net of accumulated losses) to be raised to Rs 10 billion by the year ended December 31, 2013. As at December 31, 2013 the regulatory capital (net of losses) amounts to Rs 9.696 billion inclusive of advance share subscription money amounting to Rs. 1.614 billion received from Samba Financial Group. The SBP had allowed this advance share subscription money to be treated as share capital for the purpose of meeting MCR. Furthermore, as detailed in note 18.3 the Bank has successfully reduced its capital and the proposed right share issue is also expected to be completed in the near future. The Bank vide its letter dated November 27, 2013 had also requested the SBP to allow extension to the Bank for meeting its MCR of Rs 10 billion (free of losses) as at December 31, 2013 upto March 31, 2014. The SBP vide its letter No. BPRD/BA & CP/643/18820/2013 dated December 16, 2013 has granted extension to the Bank for meeting the minimum paid up capital requirement till March 31, 2014. After completion of the allotment of right shares, the Bank will meet the MCR of Rs 10 billion. In addition, the Banks are also required to maintain a minimum Capital Adequacy Ratio (CAR) of 10 percent of the risk weighted exposure of the Bank. The Bank's CAR as at December 31, 2013 is approximately 42.38 percent (2012: 43.92 percent) of its risk weighted exposure.

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

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

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

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

39.4.1 Risk-weighted exposures

(Rupees in '000)

	Capital Requirement 2013	Capital Requirement 2012	Risk Weighted Assets 2013	Risk Weighted Assets 2012
Credit Risk				
Portfolios subject to standardised approach (Simple)				
On-balance sheet exposure				
Banks	21,780	173,808	217,804	1,738,082
Corporate	1,133,203	814,081	11,332,029	8,140,805
Public sector entities (PSE's)	33,323	59,847	333,232	598,466
Retail	6,212	6,093	62,117	60,932
Residential mortgage	9,309	8,411	93,095	84,114
Past due loans	3,677	4,176	36,772	41,763
Investments	4,515	2,917	45,150	29,165
Operating fixed assets	83,845	81,648	838,445	816,480
All other assets	510,667	254,187	5,106,674	2,541,867
Off-balance sheet exposure				
Banks	21,733	1,776	217,328	17,755
Corporate	172,799	152,604	1,727,994	1,526,037
Public sector entities (PSE's)	18,116	17,095	181,158	170,952
Retail	-	-	-	-
Others	692	302	6,917	3,016
Market Risk				
Capital Requirement for portfolios subject to Standardised Approach				
Interest rate risk	79,001	74,893	790,013	748,925
Foreign exchange risk	2,408	7,840	24,075	78,400
Equity position risk	-	-	-	-
Operational Risk				
Capital Requirement for operational risks	284,665	271,434	2,846,651	2,714,337
	2,385,945	1,931,111	23,859,452	19,311,097

(Rupees in '000)

Capital Adequacy Ratio	2013	2012
Total eligible regulatory capital held (a)	10,112,056	8,481,457
Total Risk Weighted Assets (b)	23,859,452	19,311,097
Capital Adequacy Ratio (a) / (b)	42.38%	43.92%

39.4.2 Risk-Weighted Exposures

(Rupees in '000)

	2013		2012	
	Book Value	Risk Adjusted Value	Book Value	Risk Adjusted Value
Credit Risk				
Balance Sheet Items				
Cash and other liquid Assets	3,604,044	197,804	5,819,647	1,478,082
Money at call	100,000	20,000	1,300,000	260,000
Investments	13,991,462	45,150	8,894,957	29,165
Loans and Advances	18,269,396	11,857,243	15,444,776	8,926,080
Fixed Assets	861,709	838,445	832,375	816,480
Other Assets	3,174,929	5,106,674	2,562,082	2,541,867
	40,001,540	18,065,316	34,853,837	14,051,674
Off Balance Sheet items				
Loan Repayment Guarantees	374,896	235,853	435,742	312,683
Purchase and Resale Agreements	-	-	-	-
Performance Bonds etc	2,452,184	1,219,218	2,301,167	1,133,710
Revolving underwriting Commitments	-	-	-	-
Stand By Letters of Credit	6,000,216	462,596	4,727,856	255,211
Outstanding Foreign Exchange Contracts				
-Purchase	21,281,001	52,849	3,224,067	7,987
-Sale	19,703,449	162,881	3,723,994	8,170
	49,811,746	2,133,397	14,412,826	1,717,761
Credit risk-weighted exposures		20,198,713		15,769,435
Market Risk				
General market risk		814,088		827,325
Specific market risk		-		-
Market risk-weighted exposures		814,088		827,325
Operational Risk		2,846,651		2,714,337
Total Risk-Weighted Exposures		23,859,452		19,311,097

39.5 Capital Structure Reconciliation

39.5.1 Reconciliation of each financial statement line item to item under regulatory scope of reporting

(Rupees in '000)

Particulars	2013 Balance sheet as in published financial statements	2013 Under regulatory scope of consolidation
Assets		
Cash and balances with treasury banks	2,795,889	2,795,889
Balances with other banks	117,483	117,483
Lendings to financial institutions	790,672	790,672
Investments	13,991,462	13,991,462
Advances	18,269,396	18,269,396
Operating fixed assets	861,709	861,709
Deferred tax assets	1,483,569	1,483,569
Other assets	1,691,360	1,691,360
Total assets	40,001,540	40,001,540
Liabilities & Equity		
Bills payable	918,662	918,662
Borrowings	2,987,399	2,987,399
Deposits and other accounts	24,632,610	24,632,610
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	-	-
Other liabilities	1,331,691	1,331,691
Total liabilities	29,870,362	29,870,362
Share capital/ Head office capital account	9,695,889	9,695,889
Reserves	167,424	167,424
Unappropriated/ Unremitted profit/ (losses)	291,091	291,091
Minority Interest	-	-
Surplus/ (deficit) on revaluation of assets	(23,226)	(23,226)
Total liabilities & equity	40,001,540	40,001,540

39.5.2 Reconciliation of balance sheet to eligible regulatory capital

(Rupees in '000)

Particulars	Reference	2013 Balance sheet as in published financial statements	2013 Under regulatory scope of consolidation
Assets			
Cash and balances with treasury banks		2,795,889	2,795,889
Balances with other banks		117,483	117,483
Lendings to financial institutions		790,672	790,672
Investments		13,991,462	13,991,462
of which:			
- non-significant capital investments in capital of other financial institutions exceeding 10% threshold	a	-	-
- significant capital investments in financial sector entities exceeding regulatory threshold	b	-	-
- mutual Funds exceeding regulatory threshold	c	-	-
- reciprocal crossholding of capital instrument	d	-	-
- others	e	-	-
Advances		18,269,396	18,269,396
- shortfall in provisions/ excess of total EL amount over eligible provisions under IRB	f	-	-
- general provisions reflected in Tier 2 capital	g	4,142	4,142
Fixed Assets		861,709	861,709
of which: Intangibles	k	23,264	23,264
Deferred Tax Assets		1,483,569	1,483,569
of which:			
- DTAs excluding those arising from temporary differences	h	865,000	865,000
- DTAs arising from temporary differences exceeding regulatory threshold	i		-
Other assets		1,691,360	1,691,360
of which:			
- goodwill	j	-	-
- defined-benefit pension fund net assets	l	-	-
Total assets		40,001,540	40,001,540
Liabilities & Equity			
Bills payable		918,662	918,662
Borrowings		2,987,399	2,987,399
Deposits and other accounts		24,632,610	24,632,610
Sub-ordinated loans		-	-
- eligible for inclusion in AT1	m	-	-
- eligible for inclusion in Tier 2	n	-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities of which		-	-
- DTLs related to goodwill	o	-	-
- DTLs related to intangible assets	p	-	-
- DTLs related to defined pension fund net assets	q	-	-
- other deferred tax liabilities	r	-	-
Other liabilities		1,331,691	1,331,691
Total liabilities		29,870,362	29,870,362

(Rupees in '000)

Particulars	Reference	2013 Balance sheet as in published financial statements	2013 Under regulatory scope of consolidation
Share capital		9,695,889	9,695,889
- of which: amount eligible for CET1	s	9,695,889	9,695,889
- of which: amount eligible for AT1	t	-	-
Reserves of which:		167,424	167,424
- portion eligible for inclusion in CET1	u	167,424	167,424
- portion eligible for inclusion in Tier 2	v	-	-
Unappropriated profit/ (losses)	w	291,091	291,091
Minority Interest of which:		-	-
- portion eligible for inclusion in CET1	x	-	-
- portion eligible for inclusion in AT1	y	-	-
- portion eligible for inclusion in Tier 2	z	-	-
(Deficit) / Surplus on revaluation of assets of which		(23,226)	(23,226)
- Revaluation reserves on Property	aa	-	-
- Unrealized Gains/Losses on AFS		-	-
- In case of Deficit on revaluation (deduction from CET1)	ab	(23,226)	(23,226)
Total liabilities & Equity		40,001,540	40,001,540

39.5.3 Basel III Disclosure

(Rupees in '000)

	Particulars	Source based on reference number from step 2	2013 Component of regulatory capital reported by bank
	Common Equity Tier 1 capital (CET1): Instruments and reserves		
1	Fully Paid-up Capital/ Capital deposited with SBP		9,695,889
2	Balance in Share Premium Account	(s)	-
3	Reserve for issue of Bonus Shares		-
4	General/ Statutory Reserves	(u)	167,424
5	Gain/(Losses) on derivatives held as Cash Flow Hedge		-
6	Unappropriated/unremitted profits/(losses)	(w)	291,091
7	Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	(x)	-
8	CET 1 before Regulatory Adjustments		10,154,404
	Common Equity Tier 1 capital: Regulatory adjustments		
9	Goodwill (net of related deferred tax liability)	(j) - (o)	-
10	All other intangibles (net of any associated deferred tax liability)	(k) - (p)	23,264
11	Shortfall of provisions against classified assets	(f)	-
12	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	{(h) - (r)} * x%	-
13	Defined-benefit pension fund net assets	{(l) - (q)} * x%	-
14	Reciprocal cross holdings in CET1 capital instruments	(d)	-
15	Cash flow hedge reserve		-
16	Investment in own shares / CET1 instruments		-

(Rupees in '000)

	Particulars	Source based on reference number from step 2	2013 Component of regulatory capital reported by bank
17	Securitization gain on sale		-
18	Capital shortfall of regulated subsidiaries		-
19	Deficit on account of revaluation from bank's holdings of property/ AFS	(ab)	23,226
20	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	(a) - (ac) - (ae)	-
21	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	(b) - (ad) - (af)	-
22	Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	(i)	-
23	Amount exceeding 15% threshold of which:		-
	- significant investments in the common stocks of financial entities		-
	- deferred tax assets arising from temporary differences		-
24	National specific regulatory adjustments applied to CET1 capital		-
25	Investment in TFCs of other banks exceeding the prescribed limit		-
26	Any other deduction specified by SBP		-
27	Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions		-
28	Total regulatory adjustments applied to CET1		46,490
	Common Equity Tier 1		10,107,914
	Additional Tier 1 (AT 1) Capital		
29	Qualifying Additional Tier-1 instruments plus any related share premium of which:		
	- Classified as equity	(t)	-
	- Classified as liabilities	(m)	-
30	Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	(y)	-
	- of which: instrument issued by subsidiaries subject to phase out		-
31	AT1 before regulatory adjustments		-
	Additional Tier 1 Capital: regulatory adjustments		
32	Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)		-
33	Investment in own AT1 capital instruments		-
34	Reciprocal cross holdings in Additional Tier 1 capital instruments		-
35	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	(ac)	-
36	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	(ad)	-
37	Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from Tier-1 capital		-
38	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions		-

(Rupees in '000)

	Particulars	Source based on reference number from step 2	2013 Component of regulatory capital reported by bank
39	Total of Regulatory Adjustment applied to AT1 capital		-
40	Additional Tier 1 capital		-
41	Additional Tier 1 capital recognized for capital adequacy		-
	Tier 1 Capital (CET1 + admissible AT1)		10,107,914
	Tier 2 Capital		
42	Qualifying Tier 2 capital instruments under Basel III		-
43	Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)	(n)	-
44	Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)	(z)	-
	- of which: instruments issued by subsidiaries subject to phase out		-
45	General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	(g)	4,142
46	Revaluation Reserves eligible for Tier 2 of which:		-
	- portion pertaining to Property	portion of (aa)	-
	- portion pertaining to AFS securities		-
47	Foreign Exchange Translation Reserves	(v)	-
48	Undisclosed/Other Reserves		-
49	T2 before regulatory adjustments		4,142
	Tier 2 Capital: regulatory adjustments		
50	Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from Tier-2 capital		-
51	Reciprocal cross holdings in Tier 2 instruments		-
52	Investment in own Tier 2 capital instrument		-
53	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	(ae)	-
54	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	(af)	-
55	Amount of Regulatory Adjustment applied to T2 capital		-
56	Tier 2 capital (T2)		-
57	Tier 2 capital recognized for capital adequacy		-
58	Excess Additional Tier 1 capital recognized in Tier 2 capital		-
59	Total Tier 2 capital admissible for capital adequacy		4,142
	TOTAL CAPITAL (T1 + admissible T2)		10,112,056

39.6 Main Features Template of Regulatory Capital Instruments

	Main Features	Common Shares
1	Issuer	Samba Bank Limited
2	Unique identifier (eg KSE Symbol or Bloomberg identifier etc.)	SBL
3	Governing law(s) of the instrument	Companies Ordinance 1984, Listing regulations of all Stock Exchanges of Pakistan and the Banking Companies Ordinance 1962
	Regulatory treatment	
4	Transitional Basel III rules	Common Equity Tier 1
5	Post-transitional Basel III rules	Common Equity Tier 1
6	Eligible at solo / group / group & solo	Solo
7	Instrument type	Ordinary shares
8	Amount recognised in regulatory capital (Currency in PKR thousands, as of reporting date) including Rs 1,613,502 being the advance monies received against the proposed issue of right shares.	9,695,889
9	Par value of instrument	Rs 10
10	Accounting classification	Shareholders' equity
11	Original date of issuance	January 13, 2006
12	Perpetual or dated	Perpetual
13	Original maturity date	N/A
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	Coupons / dividends	
17	Fixed or floating dividend/ coupon	Floating dividend
18	Coupon rate and any related index/ benchmark	N/A
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Nonconvertible
24	If convertible, conversion trigger (s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down feature	No
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Residual interest
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A

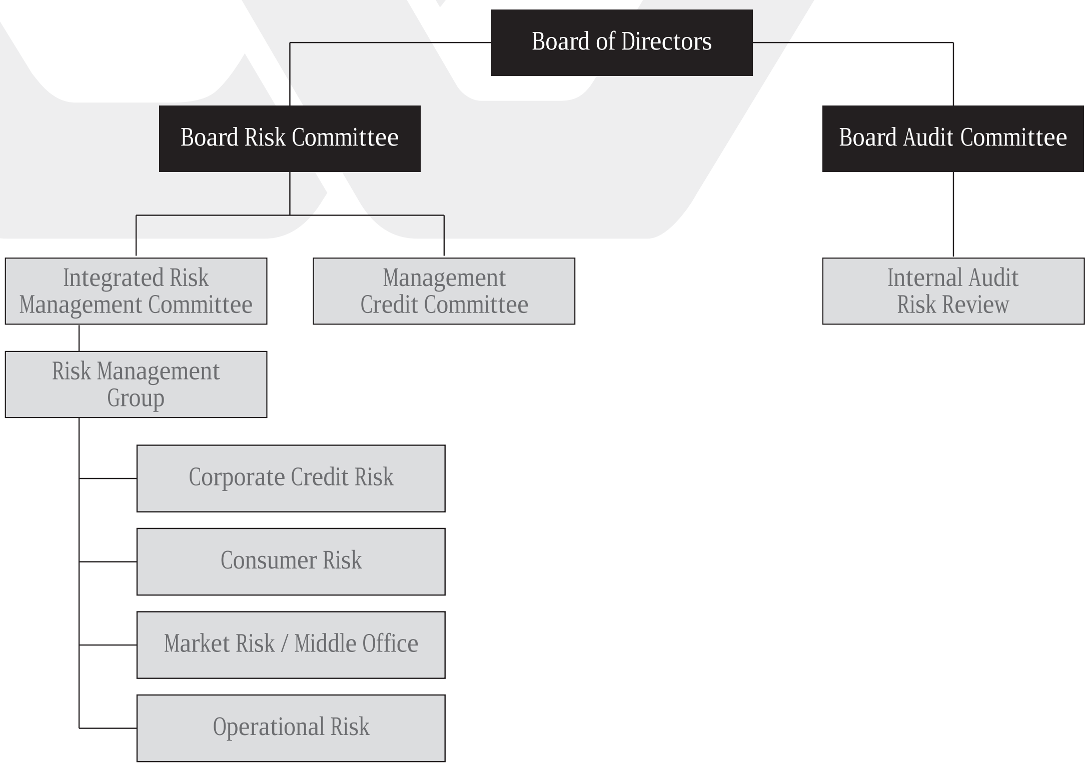
40. RISK MANAGEMENT

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

The types and degree of risk an organization may be exposed to depend 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 organizational 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 specialized committees such as Integrated Risk Management Committee (IRMC), Management Credit Committee (MCC) and Asset and Liability Committee (ALCO) 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. 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 Bank.



40.1 Credit Risk

Credit Risk is the risk of loss as a result of failure by a customer or counterparty to meet its contractual obligations. Credit Risk arises from all transactions that give rise to actual, contingent or potential claims against any counterparty, borrower or obligor. The principal source of credit risk arises from loans and advances to Financial Institutions and Corporations.

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

Specific credit risk management objectives are:

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

(b) CRM Organization and Structure

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

(c) Credit Approval Authorities and Standardised Procedures

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

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

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

(d) Credit Risk Portfolio Management

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

The corporate portfolio is monitored through the Integrated Risk Management Committee (IRMC) which includes risk managers and President & CEO. The major functions of the IRMC pertaining to Credit Risk Management include:

- To establish and review the lending policies and standards that conforms to the regulations and the corporate policies.
- Manage and monitor the overall credit risk exposure of the Bank, in terms of the pre-defined limits.

- Develop and implement standards of credit quality.
- Regularly review, monitor and evaluate the quality of credit portfolio in the light of the approved limits.
- Review and approve the overall provisioning of the corporate portfolio.

(e) Risk Rating

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

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

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

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

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

(f) Mitigants

A range of initiatives are used to mitigate credit risk.

Credit Principles and Policy

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

Counter Party Limits and Risk Rating

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

Concentration Risk

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

Collateral

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

Early Warning Mechanism

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

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

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

Target Market (TM) Document

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

Rapid Portfolio Reviews (RPR)

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

(g) Remedial Management and Allowances for Impairment

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

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

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

41. SEGMENTAL INFORMATION

41.1 Segment by class of business

	2013					
	Gross advances		Deposits		Contingencies & commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Chemical and pharmaceuticals	2,220,359	10.81	1,308,703	5.32	313,363	0.64
Agriculture, forestry, hunting and fishing	1,729	0.01	184,710	0.75	-	-
Textile	6,047,534	29.41	141,076	0.57	446,637	0.89
Cement	314,063	1.53	536	0.00	254,164	0.51
Sugar	318,289	1.55	49	0.00	-	-
Footwear and leather garments	592,682	2.88	4,091	0.02	94,641	0.19
Automobile and transportation services	1,328	0.01	1,046,706	4.25	263,816	0.53
Construction	1,291,645	6.28	-	-	85,024	0.17
Wholesale and retail trade	105,819	0.51	-	-	13,287	0.03
Financial	-	-	50,236	0.20	21,777	0.04
Insurance	829	0.00	34,797	0.14	-	-
Electronics and electrical appliances	38,977	0.19	174,122	0.71	2,834	0.01
Power (electricity), gas, water and sanitary	3,191,342	15.52	198,258	0.80	-	-
Individuals	1,174,297	5.71	15,918,245	64.62	-	-
Manufacturing	2,222,441	10.81	-	-	440,813	0.88
Transport, storage and communication	-	-	-	-	2,271	0.00
Services	717,603	3.49	-	-	1,000	0.00
Paper and allied	485	0.00	-	-	-	-
Oil Marketing and refinery	1,666,159	8.10	-	-	4,528,958	9.06
Others	656,293	3.19	5,571,081	22.62	43,499,751	87.05
	20,561,874	100.00	24,632,610	100.00	49,968,336	100.00

	2012					
	Gross advances		Deposits		Contingencies & commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Chemical and pharmaceuticals	2,288,880	12.83	412,368	1.81	421,416	2.89
Agriculture, forestry, hunting and fishing	1,729	0.01	65,227	0.29	-	-
Textile	4,116,667	23.07	33,934	0.15	160,058	1.10
Cement	398,000	2.23	69	0.00	52,763	0.36
Sugar	21,236	0.12	60	0.00	-	-
Footwear and leather garments	552,081	3.09	6,540	0.03	34,532	0.24
Automobile and transportation services	1,328	0.01	2,683,881	11.80	243,339	1.67
Financial	-	-	749,637	3.29	21,777	0.15
Insurance	829	0.00	9,941	0.04	-	-
Electronics and electrical appliances	38,977	0.22	26,693	0.12	550	0.00
Power (electricity), gas, water and sanitary	3,683,864	20.65	237,646	1.04	-	-
Individuals	1,275,946	7.15	15,381,424	67.60	-	-
Manufacturing	995,000	5.58	-	-	-	-
Transport, storage and communication	24,038	0.13	-	-	11,000	0.08
Services	251,759	1.41	-	-	-	-
Paper and allied	574	0.00	-	-	300	0.00
Oil Marketing Companies	1,000,000	5.60	-	-	4,273,789	29.32
Others	3,192,027	17.89	3,146,224	13.83	9,355,035	64.19
	17,842,935	100.00	22,753,644	100.00	14,574,559	100.00

41.2 Segment by sector

	2013					
	Gross advances		Deposits		Contingencies & commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public / Government	2,466,158	11.99	1,595,740	6.48	4,528,959	9.06
Private	18,095,716	88.01	23,036,870	93.52	45,439,377	90.94
	20,561,874	100.00	24,632,610	100.00	49,968,336	100.00

	2012					
	Gross advances		Deposits		Contingencies & commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public / Government	3,792,333	21.25	438,833	1.93	6,186,269	42.45
Private	14,050,602	78.75	22,314,811	98.07	8,388,290	57.55
	17,842,935	100.00	22,753,644	100.00	14,574,559	100.00

(Rupees in '000)

	2013		2012	
	Classified advances	Specific provisions held	Classified advances	Specific provisions held
41.3 Details of non-performing advances and specific provisions by class of business segment				
Chemical and pharmaceuticals	1,155	855	1,155	855
Agriculture, forestry, hunting and fishing	950	585	950	585
Textile	641,793	635,927	687,435	681,569
Sugar	21,236	21,236	21,236	21,236
Construction	15,144	15,144	-	-
Manufacturing	243,892	239,715	-	-
Footwear and leather garments	3,703	2,713	4,301	3,109
Automobile and transportation services	1,328	1,228	1,328	1,228
Insurance	829	729	829	729
Electronics and electrical appliances	38,977	38,677	38,977	38,677
Power (electricity), gas, water, sanitary	591,383	591,383	591,383	591,383
Individuals	610,456	582,214	647,063	613,844
Services	4,293	2,977	4,293	2,977
Others	165,487	154,953	452,531	437,273
	2,340,626	2,288,336	2,451,481	2,393,465
41.4 Details of non-performing advances and specific provisions by sector				
Public / Government	-	-	-	-
Private	2,340,626	2,288,336	2,451,481	2,393,465
	2,340,626	2,288,336	2,451,481	2,393,465

41.5 Geographical segment analysis

	2013 (Rupees in '000)			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
Pakistan	81,661	40,001,540	10,131,178	49,968,336

	2012 (Rupees in '000)			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
Pakistan	164,034	34,853,837	8,515,883	14,574,559

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

41.6 Credit Risk – General Disclosures

The Bank has adopted standardised approach, under Basel III. According to the regulatory statement submitted under the standardised approach, the portfolio has been divided into Claims on Public Sector Entities in Pakistan (PSEs), claims on corporate (excluding equity exposure) and claims categorised as retail portfolio. Claims on corporate constitute 84% of the total exposure, 13% represents claims on PSEs, 1% represents retail non-mortgages and the remaining 2% exposure pertains to claims categorised as mortgage residential portfolio.

41.7 Credit Risk: Standardised approach

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

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

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

Most of the Bank's asset base is short or medium term. Therefore, the Bank uses the entity's rating to assess the risk of exposure without any adjustments.

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

(Rupees in '000)

Exposure	Rating category No.	Amount outstanding	Deduction CRM*	Net Amount
Corporate	1-4	8,723,432	-	8,723,432
Banks	1-5	911,351	-	911,351
Sovereigns (local govt. securities)	N/A	6,348,426	-	6,348,426
Unrated		11,107,429	26,683	11,080,746
Total		27,090,638	26,683	27,063,955

* CRM= Credit Risk Mitigation

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

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

Main types of collateral taken by the bank are:
- Cash margin
- Lien on deposits / government securities
- Hypothecation on stocks / assets
- Mortgage on properties

41.8 Market risk

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

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

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

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

Differentiation between Trading and Banking Book

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

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

41.9 Market Risk Management

41.9.1 Objectives

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

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

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

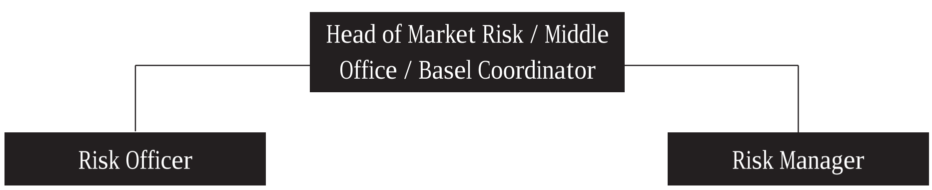
The Bank has established quantitative limits related to market risk and has also set limits for the maximum amount of losses arising from market activities as under:

41.9.2 Price Risk Management

Trading book is controlled through:
- Factor Sensitivity and associated limits
- Value at Risk (VaR) limits
- Trading - Action Triggers

Banking Book is controlled through:
- Factor Sensitivity and associated limits
- DV01 limits
- Triggers – Simplified action triggers

41.9.3 Structure and Organization of the market risk management



41.9.4 Market Risk Management Function

- Monitoring compliance with all the market risk management policies and procedures of the treasury function as approved by the Board of Directors.
- Identifying and specifying all relevant market factors for each risk-taking unit.
- Monitoring the day-to-day dealings of the front office against the pre-determined tolerable limits.
- Ensuring that the following are reflected in the periodic (at least quarterly) profit and loss account:
  - All transactions executed; and
  - Current independent market data used with respect to revaluation.
- Dealer limits monitoring and excess reporting.
- Test-reviews of recorded telephone conversations for Treasury deal confirmations and related telephone recordings through MYNA (computer software) voice recording process.
- 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 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 Programme (BCP) for market risk.
- Finalising methodologies to calculate risks under Pillar I & II for ICAAP Framework.
- Jointly developing, with business, standard stress test scenarios and reviewing the standard stress test library at least annually.
- Reviewing the Bank's capital adequacy.

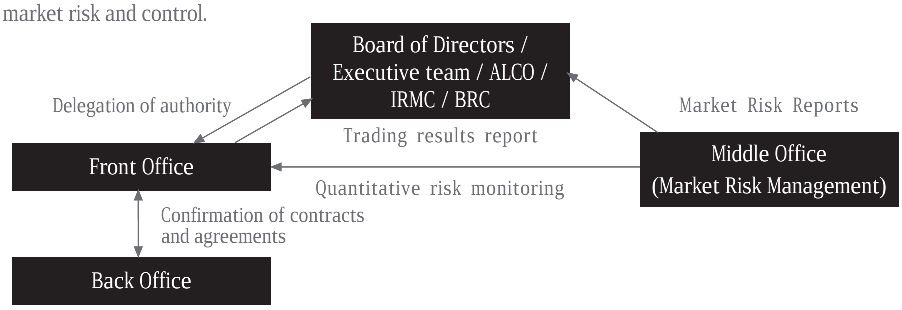
41.9.5 Scope and nature of Risk Reporting

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

41.9.6 Market Risk Management System

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

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



41.10 Market Risk Measurement Model

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

Market risk for trading and non-trading activities is measured using a uniformed market risk measurement model. The principal model used for these activities is historical simulation (HS) model (holding period, 10 days; confidence interval, 99%; and observation period 365 business days). The HS model calculates VaR amount by estimating the profit and loss on the current portfolio by applying actual fluctuations in the market rates and prices over a fixed period in the past. This method is capable of capturing certain statistically infrequent movements, e.g., a fat tail, and accounts for the characteristics of financial instruments with non-linear behaviour. However, the Bank is not using this model to calculate Basel Ill regulatory capital adequacy ratios.

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

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

41.11 Foreign exchange risk

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

(Rupees in '000)

	2013			
	Assets	Liabilites	Off-balance sheet items	Net foreign currency exposure
Pakistan Rupee	38,629,116	32,753,618	(1,500,387)	4,375,111
United States Dollar	1,202,964	(2,661,971)	1,433,855	5,298,790
Great Britain Pound	38,972	(125,118)	91,466	255,556
Japanese Yen	91	-	-	91
Euro	114,357	(89,536)	(24,934)	178,959
Other currencies	16,040	(6,631)	-	22,671
	40,001,540	29,870,362	-	10,131,178

(Rupees in '000)

	2012			
	Assets	Liabilites	Off-balance sheet items	Net foreign currency exposure
Pakistan Rupee	31,909,706	23,813,032	492,347	8,589,021
United States Dollar	2,851,664	2,346,373	(578,523)	(73,232)
Great Britain Pound	47,391	94,116	47,369	644
Japanese Yen	959	-	-	959
Euro	33,345	84,296	38,807	(12,144)
Other currencies	10,772	137	-	10,635
	34,853,837	26,337,954	-	8,515,883

41.12 Equity position risk

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

42. MISMATCH OF INTEREST RATE SENSITIVE ASSETS AND LIABILITIES

Yield risk is the risk of decline in earnings due to adverse movement of the yield curve. Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Bank is exposed to interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off-balance sheet instruments that mature or re-price in a given period. The Bank monitors this risk and manages it by repricing of assets and liabilities with the objective of limiting the potential adverse effects on the profitability of the Bank.

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

(Rupees in '000)

2013

	Effective yield/ interest rate %	Total	Exposed to yield / interest rate risk									Non-interest bearing financial instruments
			Upto one month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	-	2,795,889	-	-	-	-	-	-	-	-	-	2,795,889
Balances with other banks	0.05%	117,483	36,826	-	-	-	-	-	-	-	-	80,657
Lendings to financial institutions	9.88%	790,672	690,672	100,000	-	-	-	-	-	-	-	-
Investments - net	10.15%	13,991,462	993,721	1,971,970	4,731,742	591,640	606,160	4,726,964	149,049	186,218	-	33,998
Advances - net	10.01%	18,269,396	10,154,169	5,440,362	1,450,706	800,410	92,300	82,372	137,715	67,943	26,207	17,212
Other assets	-	1,691,360	-	-	-	-	-	-	-	-	-	1,691,360
		37,656,262	11,875,388	7,512,332	6,182,448	1,392,050	698,460	4,809,336	286,764	254,161	26,207	4,619,116
Liabilities												
Bills payable	-	918,662	-	-	-	-	-	-	-	-	-	918,662
Borrowings	10.74%	2,987,399	502,807	2,230,431	200,000	11,358	12,876	3,036	4,555	-	-	22,336
Deposits and other accounts	6.00%	24,632,610	3,984,971	3,078,500	10,307,347	2,109,646	-	82,200	10,400	-	-	5,059,546
Other liabilities	-	1,331,691	-	-	-	-	-	-	-	-	-	1,331,691
		29,870,362	4,487,778	5,308,931	10,507,347	2,121,004	12,876	85,236	14,955	-	-	7,332,235
On-balance sheet gap		7,785,900	7,387,610	2,203,401	(4,324,899)	(728,954)	685,584	4,724,100	271,809	254,161	26,207	(2,713,119)
Cumulative Yield / Interest Risk Sensitivity Gap			7,387,610	9,591,011	5,266,112	4,537,158	5,222,742	9,946,842	10,218,651	10,472,812	10,499,019	

(Rupees in '000)

2012

	Effective yield/ interest rate %	Total	Exposed to yield / interest rate risk									Non-interest bearing financial instruments
			Upto one month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	-	2,052,832	-	-	-	-	-	-	-	-	-	2,052,832
Balances with other banks	0.05%	2,289,653	836,280	-	-	-	-	-	-	-	-	1,453,373
Lendings to financial institutions	9.36%	2,777,162	2,677,162	-	100,000	-	-	-	-	-	-	-
Investments - net	10.74%	8,894,957	33,812	3,964,036	-	3,346,081	652,453	205,760	511,079	157,571	-	24,165
Advances - net	10.37%	15,444,776	8,724,028	3,120,632	2,188,401	1,020,631	91,001	81,520	114,736	60,959	12,180	30,688
Other assets	-	345,403	-	-	-	-	-	-	-	-	-	345,403
		31,804,783	12,271,282	7,084,668	2,288,401	4,366,712	743,454	287,280	625,815	218,530	12,180	3,906,461
Liabilities												
Bills payable	-	250,709	-	-	-	-	-	-	-	-	-	250,709
Borrowings	11.31%	2,477,466	9,839	862,231	1,543,700	9,840	19,680	9,840	-	-	-	22,336
Deposits and other accounts	6.33%	22,753,644	5,520,591	2,927,290	7,381,025	759,445	22,300	-	-	-	-	6,142,993
Other liabilities	-	650,760	-	-	-	-	-	-	-	-	-	650,760
		26,132,579	5,530,430	3,789,521	8,924,725	769,285	41,980	9,840	-	-	-	7,066,798
On-balance sheet gap		5,672,204	6,740,852	3,295,147	(6,636,324)	3,597,427	701,474	277,440	625,815	218,530	12,180	(3,160,337)
Cumulative Yield / Interest Risk Sensitivity Gap			6,740,852	10,035,999	3,399,675	6,997,102	7,698,576	7,976,016	8,601,831	8,820,361	8,832,541	

43. LIQUIDITY RISK

Liquidity risk management

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

Liquidity risk is being monitored through the following:

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

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

(b) Stress Scenario

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

(c) Scope and nature of Risk Reporting

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

(d) Mitigating Liquidity risk and processes for continuous monitoring

The following tools are being used in order to monitor the liquidity risk
- Market Access Report (MAR)
- Stress Scenario
- Liquidity Ratios
- Significant Funding Sources (large funds providers)
- Contingency Funding Plans

44. MATURITIES OF ASSETS AND LIABILITIES

44.1 Maturities of assets and liabilities based on expected maturities

(Rupees in '000)

2013

	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	2,795,889	1,051,482	375,419	283,939	431,755	215,526	221,233	216,535	-	-
Balances with other banks	117,483	117,483	-	-	-	-	-	-	-	-
Lendings to financial institutions	790,672	690,672	100,000	-	-	-	-	-	-	-
Investments - net	13,991,462	993,721	1,971,970	4,731,742	625,638	606,160	4,726,964	149,049	186,218	-
Advances - net	18,269,396	7,226,023	4,909,842	2,057,297	1,008,949	105,110	810,349	2,038,428	87,207	26,191
Operating fixed assets	861,709	18,844	38,334	281,595	59,819	87,905	63,388	76,224	36,508	199,092
Deferred tax assets	1,483,569	-	-	-	117,000	225,000	39,000	-	1,102,569	-
Other assets	1,691,360	869,032	133,763	14,844	-	-	-	673,721	-	-
	40,001,540	10,967,257	7,529,328	7,369,417	2,243,161	1,239,701	5,860,934	3,153,957	1,412,502	225,283
Liabilities										
Bills payable	918,662	918,662	-	-	-	-	-	-	-	-
Borrowings	2,987,399	502,807	2,230,431	200,000	11,358	12,876	3,036	26,891	-	-
Deposits and other accounts	24,632,610	5,865,130	4,480,522	3,045,252	4,765,759	2,129,159	2,207,229	2,139,559	-	-
Other liabilities	1,331,691	696,299	122,465	4,256	-	-	-	508,671	-	-
	29,870,362	7,982,898	6,833,418	3,249,508	4,777,117	2,142,035	2,210,265	2,675,121	-	-
Net assets	10,131,178	2,984,359	695,910	4,119,909	(2,533,956)	(902,334)	3,650,669	478,836	1,412,502	225,283
Represented by:										
Share capital	8,082,387									
Advance against proposed issue of right shares	1,613,502									
Reserves	167,424									
Accumulated earnings	291,091									
	10,154,404									
Deficit on revaluation of assets - net of tax	(23,226)									
	10,131,178									

(Rupees in '000)

2012

	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	2,052,832	910,570	248,741	211,268	248,222	145,411	144,310	144,310	-	-
Balances with other banks	2,289,653	2,289,653	-	-	-	-	-	-	-	-
Lendings to financial institutions	2,777,162	2,677,162	-	100,000	-	-	-	-	-	-
Investments - net	8,894,957	33,812	3,964,036	-	3,370,246	652,453	205,760	511,079	157,571	-
Advances - net	15,444,776	6,440,271	1,827,189	2,434,717	765,371	290,972	101,633	3,477,937	94,522	12,164
Operating fixed assets	832,375	12,306	37,761	34,987	308,829	83,739	55,643	55,038	42,336	201,736
Deferred tax assets	1,409,372	-	-	-	79,197	102,097	121,667	36,455	1,069,956	-
Other assets	1,152,710	318,910	123,646	20,587	91	165	80	689,231	-	-
	34,853,837	12,682,684	6,201,373	2,801,559	4,771,956	1,274,837	629,093	4,914,050	1,364,385	213,900
Liabilities										
Bills payable	250,709	250,709	-	-	-	-	-	-	-	-
Borrowings	2,477,466	9,839	862,231	1,543,700	9,840	19,680	9,840	22,336	-	-
Deposits and other accounts	22,753,644	7,230,015	4,042,459	3,147,622	3,070,056	1,769,364	1,747,064	1,747,064	-	-
Other liabilities	856,135	460,250	536	-	185,719	-	-	209,630	-	-
	26,337,954	7,950,813	4,905,226	4,691,322	3,265,615	1,789,044	1,756,904	1,979,030	-	-
Net assets	8,515,883	4,731,871	1,296,147	(1,889,763)	1,506,341	(514,207)	(1,127,811)	2,935,020	1,364,385	213,900
Represented by:										
Share capital	14,334,734									
Reserves	150,561									
Accumulated losses	(6,011,639)									
	8,473,656									
Surplus on revaluation of assets - net of tax	42,227									
	8,515,883									

Maturities of assets and liabilities reflect their carrying values at which these are reported in the statement of financial position. The maturities of assets and liabilities having contractual maturities have been determined on the basis of the remaining period at the reporting date to the contractual maturity date. Assets and liabilities not having a contractual maturity are assumed to mature on the expected date of realisation / settlement.

44.2 Maturities of assets and liabilities based on contractual maturities

(Rupees in '000)

2013

	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	2,795,889	2,795,889	-	-	-	-	-	-	-	-
Balances with other banks	117,483	117,483	-	-	-	-	-	-	-	-
Lendings to financial institutions	790,672	690,672	100,000	-	-	-	-	-	-	-
Investments - net	13,991,462	993,721	1,971,970	4,731,742	625,638	606,160	4,726,964	149,049	186,218	-
Advances - net	18,269,396	9,381,492	4,640,408	979,562	200,648	105,111	810,349	2,038,428	87,207	26,191
Operating fixed assets	861,709	18,844	38,334	281,595	59,819	87,905	63,388	76,224	36,508	199,092
Deferred tax assets	1,483,569	-	-	-	117,000	225,000	39,000	-	1,102,569	-
Other assets	1,691,360	869,032	133,763	14,844	-	-	-	673,721	-	-
	40,001,540	14,867,133	6,884,475	6,007,743	1,003,105	1,024,176	5,639,701	2,937,422	1,412,502	225,283
Liabilities										
Bills payable	918,662	918,662	-	-	-	-	-	-	-	-
Borrowings	2,987,399	502,807	2,230,431	200,000	11,358	12,876	3,036	26,891	-	-
Deposits and other accounts	24,632,610	18,096,938	3,078,500	1,259,055	2,109,647	-	78,070	10,400	-	-
Other liabilities	1,331,691	696,299	122,465	4,256	-	-	-	508,671	-	-
	29,870,362	20,214,706	5,431,396	1,463,311	2,121,005	12,876	81,106	545,962	-	-
Net assets	10,131,178	(5,347,573)	1,453,079	4,544,432	(1,117,900)	1,011,300	5,558,595	2,391,460	1,412,502	225,283
Represented by:										
Share capital	8,082,387									
Advance against proposed issue of right shares	1,613,502									
Reserves	167,424									
Accumulated earnings	291,091									
	10,154,404									
Deficit on revaluation of assets - net of tax	(23,226)									
	10,131,178									

(Rupees in '000)

2012

	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	2,052,832	2,052,832	-	-	-	-	-	-	-	-
Balances with other banks	2,289,653	2,289,653	-	-	-	-	-	-	-	-
Lendings to financial institutions	2,777,162	2,677,162	-	100,000	-	-	-	-	-	-
Investments - net	8,894,957	33,812	3,964,036	-	3,370,246	652,453	205,760	511,079	157,571	-
Advances - net	15,444,776	8,093,117	1,620,583	1,608,294	145,554	290,972	101,633	3,477,937	94,522	12,164
Operating fixed assets	832,375	12,306	37,761	34,987	308,829	83,739	55,643	55,038	42,336	201,736
Deferred tax assets	1,409,372	-	-	-	79,197	102,097	121,667	36,455	1,069,956	-
Other assets	1,152,710	318,910	123,646	20,587	91	165	80	689,231	-	-
	34,853,837	15,477,792	5,746,026	1,763,868	3,903,917	1,129,426	484,783	4,769,740	1,364,385	213,900
Liabilities										
Bills payable	250,709	250,709	-	-	-	-	-	-	-	-
Borrowings	2,477,466	9,840	862,230	1,543,700	9,840	19,680	9,840	22,336	-	-
Deposits and other accounts	22,753,644	17,370,015	2,927,290	1,674,594	759,445	22,300	-	-	-	-
Other liabilities	856,135	460,250	536	-	185,719	-	-	209,630	-	-
	26,337,954	18,090,814	3,790,056	3,218,294	955,004	41,980	9,840	231,966	-	-
Net assets	8,515,883	(2,613,022)	1,955,970	(1,454,426)	2,948,913	1,087,446	474,943	4,537,774	1,364,385	213,900
Represented by:										
Share capital	14,334,734									
Reserves	150,561									
Accumulated losses	(6,011,639)									
	8,473,656									
Surplus on revaluation of assets - net of tax	42,227									
	8,515,883									

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

45. OPERATIONAL RISK

Operational risk is the risk of direct or indirect loss due to an event or action resulting from the failure of technology, processes, infrastructure, personnel or other risks having an operational risk impact. The Bank seeks to ensure that key operational risks are managed in a timely and effective manner through a framework of policies, procedures and tools to identify, assess, monitor, control and report such risks.

The Bank has set up an Operational Risk & Controls Department (CORMD), housed within the Risk Management Group which is entrusted with managing controls and processes in an efficient and effective manner. CORMD also reports to the Bank's Integrated Risk Management Committee (IRMC) that reviews all risk areas of the Bank, on a holistic basis, and its main activities include:

- Operational Risk Management
- Quality Assurance Reviews
- Central Reconciliation
- General Ledger (GL) Proofing and Verification
- Policies & Procedure reviews
- System Audit to ensure Product Versus GL reconciliations
- System Parameters and Users Access Maintenance Management
- Business Continuity Planning
- Fraud Risk Management and;
- Information Security

Furthermore, CORMD's operational framework has been developed keeping in view all applicable regulatory requirements, institutional policies, procedures and best practices instituted by the parent company, Samba Financial Group. For effective operational risk management, the Bank has also developed an Operational Risk Policy that outlines the Bank's operational risk management approach including infrastructure and contains business unit level risk mitigation guidelines.

The Bank has also developed its business continuity plan in accordance with the best practices developed and implemented by the Samba Financial Group. Department level Business continuity plans have also been developed and are being tested in a modular format.

With respect to Basel-III for operational risk, the Bank currently uses the Basic Indicator Approach (BIA) allowed under the Standardised Approach for determining the operational charge for MCR calculation purposes. Furthermore, the Bank has no immediate plan to move beyond the Standardised Approach.

In order to institutionalise a robust control and risk management culture, Key Risk Indicators (KRIs) for respective control areas have been identified along with tolerance limits. Further, the Bank's KRI inventory is regularly updated to reflect latest trends with breaches being promptly reported. Also, a Risk and Controls Self Assessment (RCSA) regime has been rolled out and will be gradually embedded throughout the Bank.

Furthermore, the Bank is implementing Internal Control over Financial Reporting (ICFR). As per the SBP roadmap, the Bank ICFR Programme is set to fully comply with the SBP's guidelines on the ICFR Programme and the Bank has completed all stages. Further, the management is discussing internally the latest changes advised by the SBP through OSED Circular No. 01 dated February 07, 2014 on ICFR project and will comply the requirements accordingly.

The Bank has well defined policies and procedures in place for each unit duly vetted by CORMD & Country Compliance Departments to ensure that business is executed in a systematic and structured manner. All recent releases of laws and regulations are incorporated into the procedures / policies of relevant units on a timely basis.

In addition to the above, institution wide risk, fraud and business continuity awareness is being promoted through regular communications and training workshops that are conducted regularly.

46. DATE OF AUTHORISATION

These financial statements were approved and authorised for issue on February 26, 2014 by the Board of Directors of the Bank.

47. GENERAL

47.1 Corresponding figures have been re-arranged and reclassified, wherever necessary, for better presentation. However, there are no material reclassifications to report in these financial statements.

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

President & Chief Executive Officer	Chairman	Director	Director

ANNEXURE - 1

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

DURING THE YEAR ENDED DECEMBER 31, 2013

S.No.	Name and address of the borrower	Name of the individuals / partners / directors	CNIC No.	Father's / Husband's name	Outstanding liabilities at the beginning of the year				Principal written off	Interest / Mark-up written off	Other financial relief provided	Total
					Principal	Interest / Mark-up	Others	Total				
					(Rupees in '000)							
1	CRESCENT KNITWEAR LTD*	AMIR HUSSAIN ZAIDI ZAHEER A. SHEIKH ABUL RAUF IMRAN UR REHMAN MUHAMMAD SHABAZ	244-93-655431 244-29-053276 255-90-022974 275-93-391125 35202-2669187-3	MURAD HUSSAIN ZAIDI BASHIR AHMED SARDAR MUHAMMAD MALIK ABDUL REHMAN MUHAMMAD SHARIF	10,911	12,866	-	23,777	10,911	12,866	-	23,777
2	ELAHI KNITS (PVT) LTD.	UMER ELAHI NIFFER ALAMGIR MRS.	35202-5072781-5 35202-9636634-4	ALAMGIR ELAHI ALAMGIR ELAHI	34,715	-	-	34,715	4,715	-	-	4,715
				Grand Total	45,626	12,866	-	58,492	15,626	12,866	-	28,492

* In Crescent Knitwear Ltd the agreed amount of Rs 18 million was received in December 2012 and remaining liabilities were written off in 2013.

Pattern of Shareholding

AS AT DECEMBER 31, 2013

Number of Shareholders	Shareholding		Total Shares Held
	From	To	
1,592	1	100	69,661
2,027	101	500	530,709
911	501	1,000	647,372
1,064	1,001	5,000	2,371,844
293	5,001	10,000	1,993,439
154	10,001	15,000	1,915,351
56	15,001	20,000	994,495
35	20,001	25,000	777,496
51	25,001	30,000	1,419,730
10	30,001	35,000	327,360
13	35,001	40,000	491,281
16	40,001	45,000	682,414
10	45,001	50,000	472,436
7	50,001	55,000	366,708
39	55,001	60,000	2,206,158
5	60,001	65,000	311,675
5	65,001	70,000	338,509
8	70,001	75,000	569,701
2	75,001	80,000	156,451
3	80,001	85,000	253,722
5	85,001	90,000	440,137
5	90,001	95,000	459,966
4	95,001	100,000	399,516
7	100,001	105,000	714,592
1	105,001	110,000	108,500
11	110,001	115,000	1,242,638
4	115,001	120,000	474,049
2	120,001	125,000	248,100
2	130,001	135,000	265,760
1	135,001	140,000	137,149
1	140,001	145,000	140,958
5	145,001	150,000	735,855
1	155,001	160,000	159,181
4	165,001	170,000	672,596
1	170,001	175,000	173,848
2	175,001	180,000	351,822
5	180,001	185,000	910,910
1	185,001	190,000	186,244
1	190,001	195,000	191,476
5	195,001	200,000	991,821
1	200,001	205,000	202,710
1	205,001	210,000	210,000
1	210,001	215,000	211,437
1	215,001	220,000	218,245
1	225,001	230,000	225,532
3	230,001	235,000	694,665
2	235,001	240,000	472,795

Number of Shareholders	Shareholding		Total Shares Held
	From	To	
2	250,001	255,000	504,372
3	280,001	285,000	845,748
2	295,001	300,000	595,664
1	305,001	310,000	308,379
2	310,001	315,000	624,225
1	325,001	330,000	325,532
1	340,001	345,000	343,923
1	345,001	350,000	350,000
1	365,001	370,000	365,852
1	370,001	375,000	372,184
2	390,001	395,000	789,364
3	395,001	400,000	1,200,000
1	405,001	410,000	409,818
1	415,001	420,000	419,326
1	425,001	430,000	429,290
1	430,001	435,000	431,500
3	450,001	455,000	1,356,040
1	455,001	460,000	457,831
1	475,001	480,000	479,739
2	560,001	565,000	1,127,664
1	580,001	585,000	583,729
1	620,001	625,000	622,532
2	650,001	655,000	1,308,362
1	940,001	945,000	941,599
1	955,001	960,000	959,945
1	965,001	970,000	967,000
1	1,000,001	1,005,000	1,000,238
1	1,035,001	1,040,000	1,037,451
1	1,060,001	1,065,000	1,061,599
1	1,115,001	1,120,000	1,119,332
1	1,125,001	1,130,000	1,129,945
1	1,200,001	1,205,000	1,203,496
2	1,280,001	1,285,000	2,560,244
1	1,420,001	1,425,000	1,425,000
1	1,465,001	1,470,000	1,467,527
1	1,480,001	1,485,000	1,483,991
1	1,690,001	1,695,000	1,690,620
1	1,915,001	1,920,000	1,917,445
1	2,550,001	2,555,000	2,553,784
1	2,635,001	2,640,000	2,635,899
1	2,805,001	2,810,000	2,805,368
1	3,465,001	3,470,000	3,469,974
1	3,745,001	3,750,000	3,750,000
1	4,495,001	4,500,000	4,496,589
1	4,670,001	4,675,000	4,674,924
1	6,895,001	6,900,000	6,895,804
1	11,935,001	11,940,000	11,936,420
1	14,180,001	14,185,000	14,183,601
1	15,645,001	15,650,000	15,646,346
1	20,785,001	20,790,000	20,788,998
1	652,045,001	652,050,000	652,047,421
6,443	← Total →		808,238,648

Samba Bank Limited

Category of Shareholding

AS AT DECEMBER 31, 2013

S.No.	Shareholders' category	No. of Shareholders	No. of Shares	%
1	Directors, Chief Executive Officer, and their spouse and minor children.	6	4,894,816	0.61
2	Executive	-	-	-
3	Associated Companies, undertakings and related parties.	1	652,047,421	80.68
4	NIT and ICP	3	6,921,101	0.86
5	Banks, Development Financial Institutions, Non Banking Financial Institutions.	26	17,716,538	2.19
6	Insurance Companies	8	2,737,538	0.34
7	Modarabas and Mutual Funds	17	1,132,410	0.14
8	Shareholders holding 10% (excluding associated companies, undertakings and related parties.	-	-	-
9	General Public :			
	a. Local	6,235	50,525,943	6.25
	b. Foreign	3	15,390	0.00
10	Other Companies	144	72,247,491	8.94
	Total	6,443	808,238,648	100.00

Samba Bank Limited

Information as required under Code of Corporate Governance

AS AT DECEMBER 31, 2013

Shareholders' category	Number of Shares held	%
Associated Companies, Undertakings and Related Parties		
SAMBA Financial Group	652,047,421	80.68
Mutual Funds		
CDC - Trustee Safeway Mutual Fund	1,119,332	0.14
M/s. Safeway Fund Limited	263	0.00
	1,119,595	0.14
Directors, CEO and Their Spouse(s) and minor children		
Dr. Shujaat Nadeem	4,674,924	0.58
Mr. Shahid Sattar	146,032	0.02
Mr. Farhat Abbas Mirza*	70,479	0.01
Mr. Javed Iqbal**	2,819	0.00
Mr. Humayun Murad	281	0.00
Mr. Zahid Zaheer	281	0.00
	4,894,816	0.61
* Joint account with Mrs. Najma Mirza		
** Joint account with Mrs. Nishat Iqbal		
Executives	-	-
Public Sector Companies and Corporations	2,635,899	0.33
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Takaful, Modaraba and Pension Funds	17,830,992	2.21
NIT	6,921,101	0.86
General Public:		
a. Local	50,525,943	6.25
b. Foreign	15,390	0.00
	50,541,333	6.25
Other Companies	72,247,491	8.94
	808,238,648	100.00
Shareholders Holding ten percent or more Voting Rights		
SAMBA Financial Group	652,047,421	80.68

Note: During the year Dr. Shujaat Nadeem purchased 6,400,000 Shares and Mr. Shahid Sattar purchased 259,000 Shares prior to Reduction of Capital of the Bank.

Samba Bank Limited

Form of Proxy

11th Annual General Meeting

I / We, ______________________ of ______________ being member(s) of Samba Bank Limited holding __________ ordinary shares hereby appoint __________ of ______________________ or failing him / her ______________ of ______________ who is / are also member(s) of Samba Bank Limited as my / our proxy in my / our absence to attend and vote for me / us and on my / our behalf at the Annual General Meeting of the Bank to be held at 10:00 a.m. on Friday, March 28, 2014, at Grand Regency, 1 Club Road, Islamabad and at any adjournment thereof.

As witness my / our hand / seal this ________ day of ________ 2014.

Signed by the said ______________________

in the presence of 1. ______________________

____

2. ______________________

____

Folio / CDC Account No.

Signature on 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 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.

Samba Bank Limited

Admission Slip

11th Annual General Meeting

The Eleventh Annual General Meeting of Samba Bank Limited will be held on Friday, March 28, 2014 at 10:00 a.m. at Grand Regency, 1 Club Road, Islamabad.

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

Company Secretary

Name ______________________________

Folio No. / CDC I.D ____________________ Signature ____________________

No. of Shares held ______________________________

Note:

i) The signature of the shareholder must tally with the specimen signature on the Company's record.

ii) Shareholders are requested to hand over duly completed admission slips at the counter before entering the Meeting premises.

CDC Account Holders / Proxies / Corporate Entities:

a) The CDC Account Holder / Proxy shall authenticate his identity by showing his original Computerized National Identity Card (CNIC) or original passport at the time of attending the Meeting.

b) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced at the time of the Meeting (unless it has been provided earlier).

This Admission Slip is Not Transferable

Samba Phone Banking 11 11 SAMBA (72622)

www.samba.com.pk

World Class Banking

Samba Bank Limited

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