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Samba Bank Limited
HEAD OFFICE: 6th Floor, Sidco Avenue Centre, Maulana Deen Mohammad Wafai Road, Saddar, Karachi - 74000

samba سامبا

Samba Bank Limited
Annual Report **2014**

Leading the way to excellence

think samba | World class banking solutions for the most important things in life

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

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Contents

Vision & Mission

Vision

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

Mission

To become the most admired bank by:

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

Core Value

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

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

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

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

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

Company Information

Board of Directors

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

* Names are in alphabetical order

Board Audit Committee

Mr. Javed Iqbal	Chairman
Ms. Ranya Nashar***	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
Ms. Ranya Nashar***	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)

** Appointed as Director w.e.f. February 06, 2015
*** Appointed as a Member w.e.f. February 10, 2015

Our Branch Network

Currently, SBL has a network of 28 branches located in 8 major cities across the country.

KARACHI
- Bahria I
- Shahra-e-Faisal
- Rashid Minhas
- Clifton
- Bahadurabad
- Gulshan-e-Iqbal
- SMCHS
- Khayaban-e-Ittehad
- DHA Karachi
- Fountain, Saddar
- Hyderi

LAHORE
- Mall Road
- DHA Lahore
- Gulberg
- Sarwar Road
- Cavalry Ground
- Allama Iqbal Town
- New Garden Town
- Johar Town

ISLAMABAD / RAWALPINDI
- F-11
- F-7
- Jinnah Avenue
- Rawalpindi Cantt.

GUJRANWALA
- G.T. Road

FAISALABAD
- Liaquat Road

MULTAN
- Nusrat Road

SIALKOT
- Paris Road

PESHAWAR
- Saddar

Board of Directors


Dr. Shujaat Nadeem


Ms. Ranya Nashar


Mr. Antoine Mojabber


Mr. Beji Tak-Tak


Mr. Zahid Zaheer


Mr. Farhat Abbas Mirza


Mr. Javed Iqbal


Mr. Humayun Murad


Mr. Shahid Sattar

Chairman's Message

I am pleased to present the annual financial performance of Samba Bank Limited (SBL) for the year 2014 and our progress since last year's report.

In line with our strategy, the business has grown substantially in 2014 helping SBL to outperform the growth rate of the banking industry and post a profit growth of over 400%. We achieved growth in all key revenue drivers; namely, Advances, Investments and Deposits and are building a strong foundation for further growth. Despite a challenging operating environment and squeezing spreads, the bank has successfully managed to achieve profitability before tax of PKR 425mn, compared to last year's figure of PKR 82mn. During 2014, the bank grew its deposits by 28% over 2013 to reach PKR32bn. Over the same period, the loan portfolio increased by 19% to PKR22bn and Investments grew by 43% to reach PKR 20bn.

Since the new management took over in the latter half of 2013, the bank has successfully evolved in every respect and executed its plans to drive business growth, increase profitability, focus on recoveries, ensure good governance and promote a transparent management style. We will continue to build on the good start made in 2014 by further expanding the business, improving customer coverage, developing products and services in line with our strategic business plan and driving value for shareholders. SBL's Corporate and Investment Banking Group showed significant growth, both in terms of revenue and balance sheet footing which enabled the team to increase the corporate loan portfolio by 20% over FY 2013. The Corporate Banking Group added new top-tier corporate clients to its portfolio, maintained high quality credit exposure, diversified its risk across approved industries and significantly increased cross-selling in line with the strategic business plan. The Investment Banking Group demonstrated its corporate finance and advisory capability by 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 transactional 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 financial institutions, including foreign and local commercial banks and non-banking financial institutions were significantly enhanced.

In 2014, the strategic intent centred on self-sustainable deposit growth demonstrated by robust growth in Retail Deposits to PKR 5.8bn. Despite fierce competition, network limitations, and a relatively thin product-line, the business managed to fare much better than in the past, both in terms of volumes and profit. In full year 2014, deposit growth almost doubled last year's total growth of PKR 3bn. The overall Retail Deposit book, (both local and foreign currency) grew by 28% taking the overall standing to approximately PKR 27bn. New-to-bank customers' contribution in Retail Deposit portfolio was PKR 6.6bn; 29% higher than last year. The fee-based income line, particularly bancassurance, remained one of the major bottom-line catalysts in FY 2014. Despite posting growth in the Deposit portfolio by 28%, operating expenses were under control, posting a reduction of 7% from FY 2013. During 2014, six (6) branches were relocated and refurbished to enhance customers' convenience and experience. Additionally, the 'Samba' brand was virtually re-launched in the market through two corporate brand campaigns in 2014 by deploying print and outdoor advertising channels. Furthermore, in alliance with Samba Financial Group and MasterCard, SBL was able to launch its Master Debit Card in December 2014. This launch and the upcoming product suite will allow the business to strengthen its alternative distribution channels in the coming years. The business is well poised to achieve sustainable and profitable growth in line with the plan.

Global Markets / Treasury had a productive year, during which revenue growth was significantly higher than the previous year. SBL's market activity increased in 2014 with launch of equity trading; adding another profit generating line to the bank. In line with our strategy, we continue to focus on our customers to support them in their foreign exchange needs, increasing our customer flows and cross-selling.

Based on our strong liquidity position and capital base, along with impressive business turnaround, strong management team and parent support, 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 position.

I would like to thank our customers and shareholders for their support during 2014. 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 at Samba Financial Group, 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 staff of SBL for their hard work, dedication, and ongoing commitment in achieving an excellent set of results in FY 2014 and wish them very best for 2015.

Dr. Shujaat Nadeem
Chairman

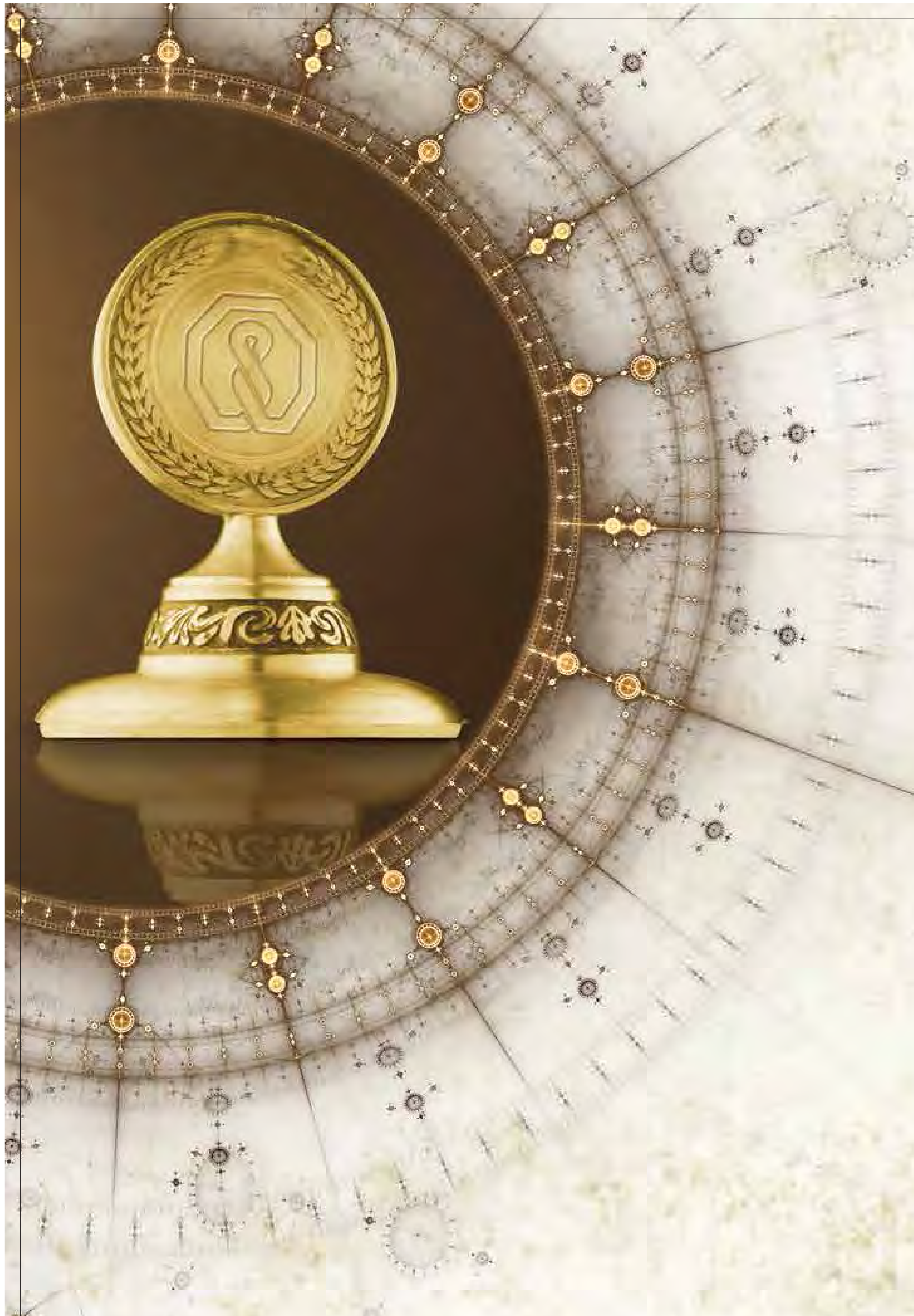
The Executive Team

Left to Right Sitting

Imran Butt	Chief Financial Officer (Acting)
Saima Rasheed Khan	Group Head - HR & Training
Samina Hamid Khan	Chief Credit Officer
Shahid Sattar	President & CEO
Syed Zia-ul-Husnain Shamsi	Group Head - Legal & Company Secretary

Left to Right Standing

Ahmad Tariq Azam	Group Head - IRMD, Collections, Real Estate/ Admin
Abid Hussain	Head, Operations
Muhammad Salman Ali	Head - Information Technology
Sitwat Rasool Qadri	Chief Internal Auditor
Syed Jamal Baquar	Group Head - Corporate & Investment Banking
Talal Javed	Group Head - Consumer (Acting)
Syed Ghazanfar Agha	Group Head - Global Markets
Muhammad Arshad Mehmood	Group Head - Compliance
Humayun Bawkher	Chief Risk Officer



Samba Financial Group Awards 2014

Global Finance

- Best Foreign Exchange Provider in Saudi Arabia (8th in a row).
- Best Bank in Saudi Arabia (9th in a row)
- Best Corporate Internet Bank in Saudi Arabia
- Best Trade Finance Services in the Middle East and Africa (Internet Award)
- Safest Banks list for 2014, Samba ranked 1st in Saudi Arabia, 4th in the Middle East and 50 worldwide. (29 on Top 50 Safest Commercial Banks worldwide)

The Banker (Top 1000 World Bank Rankings)

- World Rank: 138th (Tier One Capital - 143rd Last Year) - Middle East Rank: 5th - Country Rank: 3rd (Tier One Capital)

By Country:

- 4th by Total Assets - 3rd by Capital Assets Ratio - 7th by Return on Capital - 2nd by Return on Assets
- 4th in the World by Capital Assets Ratio (51.30%)

The Banker Middle East

- Best Corporate Advisory Service in Saudi Arabia
- Best Customer Loyalty Program in Saudi Arabia

Global Trade Review – MENA (GTR)

- Best Trade Finance Bank in Saudi Arabia 2013

The Asian Banker

- Best Retail Bank in Saudi Arabia
- Best Smart Branch Project in Middle East
- Best Brand Retail Building Initiative in Middle East

Euromoney

- Best Bank for Real Estate in the whole Middle East region

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, 2014.

Economic Highlights

The year 2014 was another challenging year with growing circular debt, fiscal deficit and energy shortfall. Lower international commodity prices and rupee appreciation have however contributed well to the macro variables. These macroeconomic issues had significant impact on the banking industry during 2014.

State Bank of Pakistan (SBP) decreased its policy rate by 50 bps in response to falling Consumer Price Index (CPI) inflation, which stood at 4.30% in December 2014 as compared to 9.18% in December 2013. 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 2.44 billion from USD 14.59 billion in CY 2013 to USD 17.03 billion in CY 2014.

Minimum Capital Requirement

During the year, the Bank has issued 200 million right shares at par value of Rs. 10 to comply with Minimum Capital Requirement (MCR) of Rs. 10.00 billion. The issue was approved by the Board of Directors of the Bank in August 2012 and subsequently by its shareholders in their Extraordinary General Meeting held on January 17, 2013. All regulatory requirements in relation to the issue have been met and approvals for the issue from the Securities and Exchange Commission of Pakistan and all three Stock Exchanges operating in Pakistan were obtained.

As at December 31, 2014, Bank now stands compliant with the Minimum Capital Requirements (MCR) as stipulated by the State Bank of Pakistan.

Directors' Report

Bank Operating Results and Financial Review

(Rupees in '000)

	2014	2013
Net mark-up/return/interest income after provisions	1,912,037	1,473,806
Non mark-up/interest income	217,271	160,498
Non mark-up/interest expenses	(1,704,048)	(1,552,643)
Profit before taxation	425,260	81,661
Taxation (charge) / reversal	(199, 179)	2,652
Profit after taxation	226,081	84,313
Earnings per share - Rupees	0.24	0.10

Despite the competitive environment, our Bank achieved an impressive profit after tax for the year 2014 of Rs. 226.1 million compared to the last year of Rs. 84.3 million showing a significant rise of 168%. This translated into the earnings per share of Rs. 0.24 in 2014. Net mark-up/interest income of the Bank rose from Rs. 1.384 billion in 2013 to Rs. 1.813 billion in 2014 showing an increase of 31% over corresponding period of last year.

Balance Sheet size rose to Rs. 50.6 billion in 2014 from Rs. 40.0 billion in 2013, depicting a healthy increase of 27%. Average earning assets of our Bank grew by 28%, from Rs. 35.7 billion in 2013 to Rs. 45.6 billion in 2014. This growth in earning assets was funded through a 33% growth in the average deposits from Rs. 21.6 billion in 2013 to Rs. 28.7 billion in 2014. Yield on investments improved from 9.47% to 10.93%, while yield on advances grew from 9.98% to 10.16%. The interest income registered an increase of Rs. 1.412 billion from Rs. 3.206 billion in 2013 to Rs. 4.617 billion in 2014. Investments and advances grew by 42.61% and 19.39% respectively. Unrealised surplus on investments stood at Rs. 744.5 million as on December 31, 2014 as compared to deficit of Rs. 41.1 million as at December 31, 2013.

Due to increasingly concentrated recovery efforts, our Bank managed to recover Rs. 98 million from legacy bad loans, demonstrating constant and valuable remedial management. Non mark-up/interest income registered a 35% increase in 2014, from Rs. 160.5 million in 2013 to Rs. 217.3 million in 2014. During the year, our Bank entered in new Equity Investment Business. Total gains on sale of equity and money market securities rose to Rs. 37.2 million from loss of Rs. 2.5 million in the corresponding year.

Despite the significant business growth, our Bank effectively managed its operating costs, which increased only by Rs. 95.1 million, showing a nominal rise of 6%.

Credit Rating

JCR-VIS, a premier rating agency of the country has reaffirmed the medium to long term entity ratings of the bank at 'AA-' (AA minus) and its short term rating at 'A-1' (A-One). Outlook on the assigned ratings is 'Stable'. These short and long term ratings of the bank denote high credit quality with adequate protection factor and strong capability for timely payments to all financial commitments owing to strong liquidity position.

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 our Bank's policies. Accordingly, our 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 maximizing the risk-adjusted returns while remaining within the risk parameters approved by the Board. Our 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 2014, 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 our Bank have been maintained;
- The financial statements prepared by the management of our 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. 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 our 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 our 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 our Bank's shareholding pattern as of December 31, 2014 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, 2014, except as disclosed in these financial statements.
- Statement of Compliance with Code of Corporate Governance is annexed;
- The financial statements of the Bank have been audited without qualification by auditors of our Bank, Messrs A. F. Ferguson & Company, Chartered Accountants.
- Directors training were also conducted to comply with the requirements of the Code of Corporate Governance.

Meetings of the Board

Six (6) Board meetings and Nine (9) 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	6	4	3	2
Number of meetings attended				
Dr. Shujaat Nadeem	6	-	-	2
Mr. Beji Tak-Tak	6	4	3	-
Mr. Farhat Abbas Mirza	6	-	-	-
Mr. Javed Iqbal	6	4	-	-
Mr. Humayun Murad	5	-	3	2
Mr. Medhat Fareed Abbas Tawfiq*	4	1	-	2
Mr. Zahid Zaheer	6	4	-	-
Mr. Shahid Sattar	6	-	3	-
Mr. Antoine Mojabber	5	-	2	-

The following changes have taken place in the Board of Directors since the Directors' report for the year ended December 31, 2013:

• Mr. Medhat Fareed Abbas Tawfiq resigned from the Board with effect from October 19, 2014.

• Ms. Ranya Nashar was appointed with effect from February 6, 2015.

The Board wishes to place on record its appreciation for the valuable contributions made by the outgoing Director and extend a warm welcome and cooperation to the newly appointed Director in performing her fiduciary responsibility.

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 our 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 1,093,500 shares of the Bank, and Mr. Shahid Sattar, who purchased 1,500,000 shares of the 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.

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

Macroeconomic environment looks positive due to reduction in oil prices and decreasing cost of business. Our Bank, with the support of its parent, continues to pursue its strategic objectives and aspirations. While monitoring the prevailing economic conditions, the main focus of the Bank would be to leverage on the building blocks put into place and steadily build up its earning assets, while effectively managing the associated risks and reducing its cost of funds through continued improvement in its deposit mix. This will be facilitated by delivery of world class banking services to our valued customers and by developing and introducing innovative banking products.

Acknowledgment

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

On behalf of the Board,

Shahid Sattar
President and Chief Executive Officer

February 25, 2015
Karachi

Six Years' Performance Highlights

Rs. in Millions

	2009	2010	2011	2012	2013	2014
Statement of Financial Position						
Assets						
Advances - gross	12,343	14,747	18,375	17,843	20,561	23,916
Investments - gross	6,224	11,332	9,899	9,013	14,104	20,055
Lending to financial institutions	3,123	1,389	803	2,777	791	1,900
Cash and balances with treasury and other banks	1,669	2,446	1,523	4,342	2,913	2,605
Operating fixed assets	1,112	1,001	904	832	862	801
Deferred tax asset - net	1,550	1,601	1,436	1,409	1,484	1,058
Other assets - gross	855	944	1,276	1,266	1,810	2,567
Total assets - gross of provisions	**26,876**	**33,460**	**34,216**	**37,482**	**42,525**	**52,903**
Provision against advances - specific and general	(2,620)	(2,609)	(2,544)	(2,398)	(2,292)	(2,104)
Provision for diminution in the value of investments	(416)	(241)	(235)	(118)	(113)	(102)
Provision held against bad and doubtful other assets	(106)	(99)	(106)	(112)	(119)	(115)
Total assets - net of provisions	**23,734**	**30,511**	**31,331**	**34,854**	**40,001**	**50,581**
Liabilities						
Customer deposits and other accounts	12,521	14,872	17,669	22,754	24,633	31,642
Borrowings	3,141	6,535	3,996	2,477	2,987	5,965
Bills payable	78	116	529	251	919	309
Other liabilities	918	1,062	955	856	1,331	1,411
Total liabilities	**16,658**	**22,585**	**23,149**	**26,338**	**29,870**	**39,326**
Net assets						
Share capital	8,770	14,335	14,335	14,335	8,082	10,082
Advance against proposed issue of shares	2,189	-	-	-	1,614	-
Reserves	43	43	90	151	167	213
Unappropriated profit / (accumulated losses)	(3,929)	(6,442)	(6,252)	(6,012)	291	472
Equity	**7,073**	**7,936**	**8,173**	**8,474**	**10,154**	**10,767**
(Deficit)/ surplus on revaluation of assets - net of tax	3	(10)	9	42	(23)	488
Net assets	**7,076**	**7,926**	**8,182**	**8,516**	**10,131**	**11,255**
Profit & Loss Account						
Mark-up / return / interest earned	1,879	2,384	3,352	3,054	3,207	4,619
Mark-up / rerurn / interest expensed	(1,259)	(1,350)	(1,944)	(1,722)	(1,823)	(2,806)
Net mark-up / interest income	**620**	**1,034**	**1,408**	**1,332**	**1,384**	**1,813**
Fee, commission, brokerage and Income from dealing in foreign currencies	113	133	83	112	152	153
Dividend income and (loss) / gain on sales of securities - net	4	44	23	38	-	41
Other income and unrealised (loss) / gain on revaluation of investments	25	144	47	4	8	24
Non mark-up / interest income	**142**	**321**	**153**	**154**	**160**	**217**
Revenue	**762**	**1,355**	**1,561**	**1,486**	**1,544**	**2,030**
Non mark-up / interest expenses	(1,456)	(1,462)	(1,397)	(1,459)	(1,551)	(1,646)
(Charge) / reversal / recovery of provision / against write-offs	(374)	(24)	37	137	88	41
Profit / (Loss) before taxation	**(1,068)**	**(131)**	**201**	**164**	**81**	**425**
Taxation	475	11	36	137	3	(199)
Profit / (Loss) after taxation	**(593)**	**(120)**	**237**	**301**	**84**	**226**
Other Information						
Return on equity (RoE)	-9.5%	-1.6%	2.9%	3.6%	0.9%	2.1%
Return on assets (RoA)	-2.9%	-0.4%	0.8%	0.9%	0.2%	0.9%
Profit before tax to revenue ratio	-140.2%	-9.6%	12.9%	11.0%	5.3%	20.9%
Advances to deposits ratio (ADR)	77.7%	81.6%	89.6%	67.9%	74.2%	68.9%
Efficiency ratio (cost to revenue)	191.1%	107.9%	89.5%	98.2%	100.4%	81.1%
Earning Per Share (EPS) - rupees *	(0.68)	(0.10)	0.16	0.37	0.10	0.24
Market value per share - rupees	3.31	1.96	1.45	2.85	4.72	7.00
Number of employees	787	810	760	732	614	602
Number of branches	28	28	28	28	28	28

* EPS for years from 2009 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. Internal controls are designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and can only provide reasonable, 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 has already implemented Fraud Risk Management Policy; anti fraud training programs are conducted and automated transaction monitoring is in place through Enterprise Fraud Management System (EFMS). Additionally, it also carries out quality assurance reviews of processes and transactions of branch banking operations, for adherence with specific processes and monitoring of control activities. Further, in order to institutionalize a robust control and risk management culture and in connection with the SBP directives, the bank is in the process of enhancing its standards of Operational Risk Management Framework, 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 is effectively monitored at management level. The management gives due consideration to recommendations made by internal and external auditors and regulators, especially for improvements in internal control systems and processes, and takes timely action to implement their recommendations.

To implement Internal Control Guidelines, as required by State Bank of Pakistan, 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 after consultation with leading accounting professionals. This project assists in further improving internal controls across the bank and ensures compliance with the SBP requirements. As per the SBP roadmap, the Bank has completed all stages and is in compliance with SBP instructions on ICFR and submitted its Long Form Report (LFR) duly certified by the external auditors during the year. For the year 2014, the Bank has also obtained exemption from the State Bank of Pakistan for submission of LFR certified by external auditors. Alternatively, the Bank has made efforts to comply with the prerequisites of ICFR for issuance of annual assessment report of 2014 by the Board's Audit Committee.

Moreover, development of internal control systems is an ongoing process through which management reviews and strengthens the internal control system, designed to manage and control risks, and recognize and mitigate inherent risks.

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

Shahid Sattar
President and Chief Executive Officer

February 25, 2015
Karachi

Statement of Compliance with the Code of Corporate Governance for the year ended December 31, 2014

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 Directors:	Mr. Shahid Sattar
Non-Executive Directors:	Dr. Shujaat Nadeem Mr. Antoine Mojabber Mr. Beji Tak-Tak Ms.Ranya Nashar*

* Appointment of Ms. Ranya Nashar was approved on February 06, 2015 by the State Bank of Pakistan.

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. Casual vacancy occurred on the Board on October 19, 2014 due to resignation of Mr. Mehdat Fareed Abbas Tawfik which was filled up by the Board within 90 days subject to approval of State Bank of Pakistan. The State Bank of Pakistan approved the appointment of Ms. Ranya Nashar on February 6, 2015.
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 Board arranged training programs for Mr. Beji Tak-Tak, Mr. Antoine Mojabber and Dr. Shujaat Nadeem during the year.
10. The Board has approved the appointment of Head of Internal Audit during the year. The terms of employment of the Company Secretary, Chief Financial Officer (CFO) and Head of Internal Audit, including their remuneration were approved by the Board. No new appointment of Company Secretary and CFO was made during the year.
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 and 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.
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 Twelfth Annual General Meeting

Notice is hereby given that the Twelfth Annual General Meeting of Samba Bank Limited ("the Bank") will be held at 10:00 a.m. on Friday, March 27, 2015 at Margalla Hotel, Islamabad, to transact the following business:

Ordinary Business

1. To confirm the minutes of the Eleventh Annual General Meeting held on March 28, 2014.

2. To receive and consider the Balance Sheet (Statement of Financial Position) and Profit & Loss Account together with the Directors' and Auditors' Reports for the year ended December 31, 2014.

3. To consider the appointment of external auditors namely M/s A. F. Ferguson & Co., Chartered Accountants, for the year 2015 and to fix their remuneration. M/s A. F. Ferguson & Co., Chartered Accountants being eligible have offered themselves for re-appointment.

Other Business

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

By Order of the Board

March 06, 2015
Karachi

Syed Zia-ul-Husnain Shamsi
Group Head – Legal & Company Secretary

Notes:

1. Share Transfer Books of the Bank will remain closed from 21-03-2015 to 27-03-2015 (both days inclusive). Transfer received in order at Bank's Registrar, M/s Famco Associates (Pvt.) Ltd, 8-F, Next to Hotel Faran, Near Nursery, Block -6, P.E.C.H.S. Karachi-Pakistan, upto close of business on 20-03-2015 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.) Ltd, 8-F, Next to Hotel Faran, Near 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 ('Board') of Samba Bank Limited ('the Bank') for the year ended December 31, 2014 to comply with the requirements of Listing Regulation No. 35 (Chapter XI) of 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 Director's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Bank's corporate governance procedures and risks.

The Code requires the Bank to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Bank's compliance, in all material respects, with the best practices contained in the Code as applicable to the Bank for the year ended December 31, 2014.

A. F. Ferguson & Co.
Chartered Accountants

Dated: March 04, 2015
Karachi

Financial Statements

For the year ended December 31, 2014

Auditors' Report to the Members

We have audited the annexed statement of financial position of Samba Bank Limited as at December 31, 2014 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 thirteen 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 havebeen 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, 2014, 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 04, 2015
Karachi

Statement of Financial Position
AS AT DECEMBER 31, 2014

	Note	2014 (Rupees in '000)	2013 (Rupees in '000)
ASSETS			
Cash and balances with treasury banks	6	2,525,366	2,795,889
Balances with other banks	7	79,761	117,483
Lendings to financial institutions	8	1,900,000	790,672
Investments - net	9	19,953,205	13,991,462
Advances - net	10	21,812,172	18,269,396
Operating fixed assets	11	800,890	861,709
Deferred tax asset - net	12	1,058,113	1,483,569
Other assets - net	13	2,451,553	1,691,360
		50,581,060	40,001,540
LIABILITIES			
Bills payable	14	308,894	918,662
Borrowings	15	5,964,576	2,987,399
Deposits and other accounts	16	31,642,143	24,632,610
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities	17	1,410,850	1,331,691
		39,326,463	29,870,362
NET ASSETS		11,254,597	10,131,178
REPRESENTED BY:			
Share capital	18	10,082,387	8,082,387
Advance against proposed issue of right shares		-	1,613,502
Reserves		212,640	167,424
Unappropriated profit		471,956	291,091
		10,766,983	10,154,404
Surplus / (deficit) on revaluation of assets - net of tax	19	487,614	(23,226)
		11,254,597	10,131,178
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, 2014

	Note	2014 (Rupees in '000)	2013 (Rupees in '000)
Mark-up / return / interest earned	21	4,618,568	3,206,548
Mark-up / return / interest expensed	22	2,805,889	1,822,677
Net mark-up / return / interest income		1,812,679	1,383,871
Reversal of provision against loans and advances - net	10.4	81,359	82,827
Reversal of provision for diminution in the value of investments	9.3	10,883	5,164
Recoveries against debts written-off		7,116	1,944
		99,358	89,935
Net mark-up / return / interest income after provisions		1,912,037	1,473,806
Non mark-up / interest income			
Fee, commission and brokerage income		104,664	94,849
Dividend income		3,673	2,816
Income from dealing in foreign currencies		48,221	56,935
Gain / (loss) on sale of securities - net	23	37,193	(2,530)
Unrealised gain / (loss) on revaluation of investments classified as held for trading - net	9.8	13,689	(1,089)
Other income	24	9,831	9,517
Total non mark-up / interest income		217,271	160,498
		2,129,308	1,634,304
Non mark-up / interest expenses			
Administrative expenses	25	1,645,959	1,550,837
Other provisions / write offs - net	26	54,929	1,806
Other charges	27	3,160	-
Total non mark-up / interest expenses		1,704,048	1,552,643
		425,260	81,661
Extraordinary items / unusual items		-	-
Profit before taxation		425,260	81,661
Taxation - Current year	28	(48,487)	(33,787)
- Prior years		-	-
- Deferred	28	(150,692)	36,439
		(199,179)	2,652
Profit after taxation		226,081	84,313
Unappropriated profit / (accumulated losses) brought forward		291,091	(6,011,639)
Accumulated losses adjusted against reduction of share capital		-	6,252,347
Capital reduction and right shares issuance cost		-	(17,067)
Transfer to statutory reserve		(45,216)	(16,863)
Unappropriated profit carried forward		471,956	291,091
		(Rupees)	
Earnings per share	29	0.24	0.10

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, 2014

	2014	2013
	(Rupees in '000)	
Profit after taxation for the year	226,081	84,313
Other comprehensive income	-	-
Total comprehensive income for the year transferred to equity	226,081	84,313
Components of comprehensive income not reflected in equity		
Surplus / (deficit) on revaluation of available for sale financial assets - net of tax	510,840	(65,453)
Total comprehensive income for the year	736,921	18,860

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, 2014

	Note	2014	2013
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		425,260	81,661
Less: dividend income		(3,673)	(2,816)
		421,587	78,845
Adjustments for non-cash charges and other items:			
Depreciation		82,640	110,950
Amortisation of intangible assets		9,280	8,006
Reversal of provision against loans and advances - net		(81,359)	(82,827)
Surplus on revaluation of investments held for trading		(13,689)	-
(Gain) / loss on sale of securities - net		(37,193)	2,530
Other provisions / write offs - net		54,929	1,806
Reversal of provision for diminution in the value of investments		(10,883)	(5,164)
Gain on disposal of property and equipment - net		(9,831)	(9,517)
		(6,106)	25,784
		415,481	104,629
(Increase) / decrease in operating assets			
Lendings to financial institutions		(1,109,328)	1,986,490
Investments - held for trading securities		1,357,601	(2,874,022)
Advances		(3,461,417)	(2,741,793)
Other assets (excluding advance taxation)		(796,932)	(567,958)
		(4,010,076)	(4,197,283)
Increase / (decrease) in operating liabilities			
Bills payable		(609,768)	667,953
Borrowings from financial institutions		2,977,177	509,933
Deposits and other accounts		7,009,533	1,878,966
Other liabilities (excluding current taxation)		23,904	472,961
		9,400,846	3,529,813
		5,806,251	(562,841)
Income tax paid		(10,483)	(11,225)
Net cash generated from / (used in) operating activities		5,795,768	(574,066)
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investments in available for sale and held to maturity securities		(6,471,972)	(2,323,060)
Dividend income		3,673	2,816
Investments in operating fixed assets		(260,188)	(155,764)
Sale proceeds from disposal of property and equipment		237,976	16,931
Net cash used in investing activities		(6,490,511)	(2,459,077)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance of right shares		386,498	-
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		386,498	1,604,030
Decrease in cash and cash equivalents		(308,245)	(1,429,113)
Cash and cash equivalents at the beginning of the year		2,913,372	4,342,485
Cash and cash equivalents at the end of the year	30	2,605,127	2,913,372

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, 2014

	(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, 2012	14,334,734	20,935	129,626	-	(6,011,639)	8,473,656
Changes in equity: 2013						
Transactions with owners recognised directly in equity						
Accumulated losses adjusted against reduction of share capital	(6,252,347)	-	-	-	6,252,347	-
Advance against proposed issue of right shares	-	-	-	1,613,502	-	1,613,502
	(6,252,347)	-	-	1,613,502	6,252,347	1,613,502
Capital reduction and right shares issuance cost	-	-	-	-	(17,067)	(17,067)
Comprehensive Income						
Profit after taxation for the year ended December 31, 2013	-	-	-	-	84,313	84,313
Other comprehensive income -net of tax	-	-	-	-	-	-
	-	-	-	-	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
Changes in equity 2014:						
Transactions with owners recognised directly in equity						
Transfer of advance subscription to share capital against issue of right shares	1,613,502	-	-	(1,613,502)	-	-
Issue of right shares	386,498	-	-	-	-	386,498
	2,000,000	-	-	(1,613,502)	-	386,498
Comprehensive Income						
Profit after taxation for the year ended December 31, 2014	-	-	-	-	226,081	226,081
Other comprehensive income -net of tax	-	-	-	-	-	-
	-	-	-	-	226,081	226,081
Transfer to statutory reserve	-	-	45,216	-	(45,216)	-
Balance as at December 31, 2014	10,082,387	20,935	191,705	-	471,956	10,766,983

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, 2014

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. Its principal office is located at 6th Floor, Sidco Avenue Centre, Maulana Deen Muhammad Wafai Road, Karachi, whereas, the registered office of the Bank is located at 2nd floor, Building No. 13-T, F-7 Markaz, near Post Mall, Islamabad. The Bank is a subsidiary of SAMBA Financial Group of Saudi Arabia, which holds 84.51% shares of the Bank as at December 31, 2014 (2013: 80.68%). The Bank operates 28 branches (December 31, 2013: 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

There are certain new and amended standards and interpretations 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 disclosed in these financial statements.

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

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 1 January 2015:

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 by the addition of certain disclosures.

There are certain new and amended standards and interpretations that are mandatory for the Bank's accounting periods beginning on or after January 1, 2015 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 2014.

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.

4.2 Functional and presentational currency

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

4.3 Critical accounting estimates and judgments

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These have been consistently applied to all the years presented, 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 statement of financial position below equity is removed thereof and recognised in the profit and loss account. For investments classified as held to maturity, the impairment loss is recognised in the profit and loss account.

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

5.4 Advances

(a) Loans and advances

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

(b) Net investment in finance leases

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

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

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

5.5 Operating fixed assets and depreciation

(a) Property and Equipment

(i) Owned Assets

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

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

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

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

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

(ii) Leased assets

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

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

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

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

(b) Intangible assets

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

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

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

(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 statement of financial position date are considered as non-adjusting events and are recorded in the financial statements in accordance with the requirements of International Accounting Standard (IAS) 10, 'Events after the Balance Sheet Date' in the year in which they are approved / transfers are made.

5.13 Revenue recognition

- Mark-up income / interest on advances and returns on investments are recognised on a time 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) Foreign currency transactions

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

(b) Translation gains and losses

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

(c) Contingencies and commitments

Commitments for outstanding forward foreign exchange contracts are disclosed at contracted rates. Contingent liabilities / commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in Pakistani 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 per share

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

5.18 Financial instruments

5.18.1 Financial assets and liabilities

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

5.18.2 Off-setting of financial instruments

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

5.18.3 Derivatives

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

5.19 Fiduciary assets

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

6. CASH AND BALANCES WITH TREASURY BANKS

(Rupees in '000)

	Note	2014	2013
In hand			
Local currency	6.1	262,821	294,585
Foreign currency		120,424	159,305
		383,245	453,890
With State Bank of Pakistan in			
Local currency current account	6.2	1,499,382	1,815,078
Foreign currency current account (Cash Reserve Account)	6.3	159,668	129,760
Foreign currency deposit account (USD Settlement Account)		4,068	7,987
Foreign currency deposit account (Special Cash Reserve Account)	6.3	479,003	389,174
		2,142,121	2,341,999
		2,525,366	2,795,889

6.1 This includes National Prize Bonds of Rs 169 thousand (2013: Rs 74 thousand).

6.2 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.

6.3 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 (2013: Nil).

7. BALANCES WITH OTHER BANKS

(Rupees in '000)

	Note	2014	2013
In Pakistan			
On current account		9,024	6,284
On saving account		14	12
Outside Pakistan			
On current account	7.1	70,723	111,187
		79,761	117,483

7.1 The above amount includes balance with SAMBA Financial Group (a related party) amounting Rs 15.117 million (2013: Rs 14.703 million).

8. LENDINGS TO FINANCIAL INSTITUTIONS

(Rupees in '000)

	Note	2014	2013
Call money lendings	8.2	900,000	100,000
Repurchase agreement lendings (reverse repo)	8.3	1,000,000	690,672
		1,900,000	790,672

8.1 All lendings to financial institutions are in local currency.

8.2 These represent lendings to commercial banks in the inter bank money market. These lendings carry mark-up at rates ranging from 10.15% to 10.25% per annum (2013: 9.50% per annum) and will mature latest by January 23, 2015 (2013: February 13, 2014).

8.3 Securities held as collateral against lendings to financial institutions

(Rupees in '000)

Particulars	2014 Held by bank	2014 Further given as collateral	2014 Total	2013 Held by bank	2013 Further given as collateral	2013 Total
Market treasury bills (face value)	-	-	-	700,000	-	700,000
Pakistan investment bonds (face value) - note 8.3.1	1,000,000	-	1,000,000	-	-	-
	1,000,000	-	1,000,000	700,000	-	700,000

8.3.1 These represent short-term lendings to financial institution against investment securities. These carry mark-up at the rate of 10.30% per annum (2013: 10.05% to 10.40% per annum) and will mature on January 19, 2015 (2013: various dates latest by January 13, 2014).

9. INVESTMENTS - NET

(Rupees in '000)

	2014 Held by bank	2014 Given as collateral	2014 Total	2013 Held by bank	2013 Given as collateral	2013 Total
9.1 Investments by type						
Held for trading securities						
Market Treasury Bills	922,709	-	922,709	2,414,194	493,386	2,907,580
Pakistan Investment Bonds	-	633,759	633,759	-	-	-
Ordinary shares - listed	23,557	-	23,557	-	-	-
	946,266	633,759	1,580,025	2,414,194	493,386	2,907,580
Available for sale securities						
Market Treasury Bills	555,206	-	555,206	4,754,303	-	4,754,303
Pakistan Investment Bonds	6,557,918	861,593	7,419,511	2,333,302	-	2,333,302
Units of open ended mutual funds	-	-	-	9,082	-	9,082
Ordinary shares - listed	237,677	-	237,677	75,530	-	75,530
Ordinary shares - unlisted	52,346	-	52,346	52,346	-	52,346
	7,403,147	861,593	8,264,740	7,224,563	-	7,224,563
Held to maturity securities						
Market Treasury Bills	-	-	-	59,200	-	59,200
Pakistan Investment Bonds	9,452,267	-	9,452,267	3,955,214	-	3,955,214
Investments at cost	17,801,680	1,495,352	19,297,032	13,653,171	493,386	14,146,557
Less: provision for diminution in the value of investments - note 9.3	(102,031)	-	(102,031)	(112,914)	-	(112,914)
Investments - net of provisions	17,699,649	1,495,352	19,195,001	13,540,257	493,386	14,033,643
Surplus / (deficit) on revaluation of available for sale securities - net - note 19	714,023	30,492	744,515	(41,092)	-	(41,092)
Surplus / (deficit) on revaluation of held for trading securities - net - note 9.8	1,455	12,234	13,689	(838)	(251)	(1,089)
Total investments - net of provisions	18,415,127	1,538,078	19,953,205	13,498,327	493,135	13,991,462

9.2 Investments by segment

(Rupees in '000)

	Note	2014	2013
Federal government securities	9.9		
Market Treasury Bills		1,477,915	7,721,083
Pakistan Investment Bonds		17,505,537	6,288,516
		18,983,452	14,009,599
Fully paid-up ordinary shares			
Listed companies		261,234	75,530
Unlisted companies	9.6	52,346	52,346
		313,580	127,876
Units of open ended mutual fund	9.7	-	9,082
Investments at cost		19,297,032	14,146,557
Less: Provision for diminution in the value of investments	9.3	(102,031)	(112,914)
Investments - net of provisions		19,195,001	14,033,643
Surplus / (deficit) on revaluation of available for sale securities - net	19	744,515	(41,092)
Surplus / (deficit) on revaluation of held for trading securities - net	9.8	13,689	(1,089)
Total investments - net of provisions		19,953,205	13,991,462

9.3 Particulars of provision for diminution in the value of investments

	Note	2014	2013
Opening balance		112,914	118,078
Amounts written off		-	-
Reversal of provision for diminution in the value of investments		(10,883)	(5,164)
Closing balance		102,031	112,914

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

	Note	2014	2013
Available for sale securities			
Ordinary shares - listed	9.5	59,685	70,568
Ordinary shares - unlisted	9.6	42,346	42,346
		102,031	112,914

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

	Note	2014	2013
Fully paid-up ordinary shares			
Listed companies	9.5	59,685	70,568
Unlisted companies	9.6	42,346	42,346
		102,031	112,914

9.4 Quality of available for sale securities

	Note	2014 Market value Rupees in '000	2014 Rating (where available)	2013 Market value Rupees in '000	2013 Rating (where available)
Market Treasury Bills		555,929	-	4,731,742	-
Pakistan Investment Bonds		8,152,792	-	2,304,817	-
Ordinary shares - listed					
B.R.R. Guardian Modaraba		2,280	-	1,730	-
ECOPACK Limited		1,442	-	8,897	-
First Dawood Mutual Fund	9.4.1	-	2 star	-	2 star
Haji Muhammad Ismail Mills Limited	9.4.2	3,035	-	3,297	-
Nazir Cotton Mills Limited	9.4.1	-	-	-	-
Pakistan PVC Limited	9.4.2	5,699	-	4,968	-
World Call Telecom Limited		731	-	1,067	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	-	-	-	-
Allied Bank Limited		55,654	AA+	-	-
United Bank Limited		4,418	AA+	-	-
Nishat (Chunian) Limited		13,626	A-	-	-
Nishat Mills Limited		12,099	AA	-	-
Cherat Cement Company Limited		13,736	-	-	-
D. G. Khan Cement Company Limited		16,580	-	-	-
Attock Refinery Limited		4,694	AA	-	-
Pakistan State Oil Company Limited		8,948	AA+	-	-
Shell Pakistan Limited		5,178	-	-	-
Sui Southern Gas Company Limited		3,878	AA-	-	-
Sui Northern Gas Pipelines Limited		5,742	AA	-	-
Pakistan Petroleum Limited		8,826	-	-	-
Engro Corporation Limited		16,613	AA-	-	-
Fatima Fertilizer Company Limited		14,058	AA-	-	-
Ordinary shares - unlisted*					
Crescent Bahuman Limited		-	-	-	-
Crescent Industrial Chemical Limited		-	-	-	-
Pak Asian Fund Limited		10,000	-	10,000	-
Union Communication (Private) Limited		-	-	-	-
Units of open ended mutual fund					
JS Value Fund Limited		-	-	12,304	4-Star

* 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, 2014, 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 2014	Number of ordinary shares / certificates 2013	Paid-up value per share / certificate in Rupees	Name of investee company / modaraba / mutual fund	2014 (Rupees in '000)	2013 (Rupees in '000)
Available for sale					
314,500	314,500	10	B.R.R. Guardian Modaraba	1,905	1,906
91,910	549,910	10	ECOPACK Limited	2,634	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	11,666	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
490,000	-	10	Allied Bank Limited	53,900	-
25,000	-	10	United Bank Limited	4,558	-
300,000	-	10	Nishat (Chunian) Limited	13,786	-
100,000	-	10	Nishat Mills Limited	11,529	-
200,000	-	10	Cherat Cement Company Limited	13,063	-
150,000	-	10	D. G. Khan Cement Company Limited	12,490	-
25,000	-	10	Attock Refinery Limited	4,915	-
25,000	-	10	Pakistan State Oil Company Limited	8,885	-
20,000	-	10	Shell Pakistan Limited	5,333	-
100,000	-	10	Sui Southern Gas Company Limited	3,553	-
200,000	-	10	Sui Northern Gas Pipelines Limited	5,026	-
50,000	-	10	Pakistan Petroleum Limited	9,096	-
75,000	-	10	Engro Corporation Limited	16,604	-
393,000	-	10	Fatima Fertilizer Company Limited	12,536	-
				237,677	75,530
			Less: Provision for diminution in the value of investments - note 9.3.2	(59,685)	(70,568)
			Add: Surplus on revaluation of listed securities - note 19	10,511	6,732
				188,503	11,694
Held for trading					
100,000	-	10	Adamjee Insurance Company Limited	4,996	-
93,500	-	10	Nishat (Chunian) Limited	4,250	-
50,000	-	10	Nishat Mills Limited	6,272	-
350,000	-	10	Pakistan Telecommunication Company Limited	8,039	-
				23,557	-
			Less: Deficit on revaluation of listed securities - note 9.8	(254)	-
				23,303	-

9.6 Particulars of investments held in unlisted securities

2014	2013	2014	2013	Based on the latest available financial statements as at	% holding	Name of investee company / fund	2014	2013
Number of ordinary shares / certificates		Break-up value per share in Rupees					(Rupees in '000)	
Available for Sale								
Shareholding upto 10%								
1,000,000	1,000,000	16.99	16.92	Jun-14	8.89%	Pak Asian Fund Limited (Chief Executive Officer: Mr. Ashfaq Ahmed Berdi)	10,000	10,000
50,000	50,000	6.86	6.86	Jun-12	0.33%	Union Communication (Private) Limited (Chief Executive Officer: Mr. Khalid Mehmood)	500	500
3,184,600	3,184,600	(3.26)	(5.03)	Jun-13	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
						Less : 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

2014	2013	2014	2013	Name of open ended mutual fund	2014	2013
Number of units		Net asset value per unit in Rupees			(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 gain / (loss) on revaluation of investments classified as held for trading - net

	2014	2013
	(Rupees in '000)	
Market Treasury Bills	1,709	(1,089)
Pakistan Investment Bonds	12,234	-
Ordinary shares - listed	(254)	-
	13,689	(1,089)

9.9 Particulars of Federal government securities

Market Treasury Bills have a tenor of upto one year. The yield on these instruments ranges from 9.45% to 10.04 % per annum (2013: 8.85% to 10.25% per annum) with maturities of upto December 24, 2015 (2013: upto June 12, 2014).

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% to 12% per annum (2013: 11.25% to 12% per annum) with maturities from July 19, 2015 to July 17, 2024 (2013: August 18, 2014 to July 19, 2022).

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	2014	2013
		(Rupees in '000)	
Loans, cash credits, running finances, etc.			
In Pakistan		23,496,302	19,484,574
Net investment in finance leases			
In Pakistan	10.2	372,119	452,650
Bills discounted and purchased (excluding treasury bills)			
Payable in Pakistan		40,932	102,302
Payable outside Pakistan		7,010	522,348
Advances - gross		23,916,363	20,561,874
Provision against advances - specific and general	10.4	(2,104,191)	(2,292,478)
Advances - net of provision		21,812,172	18,269,396
10.1 Particulars of advances - gross			
10.1.1 In local currency		22,557,148	19,986,864
In foreign currency		1,359,215	575,010
		23,916,363	20,561,874
10.1.2 Short-term (upto one year)		17,666,486	15,473,378
Long-term (over one year)		6,249,877	5,088,496
		23,916,363	20,561,874

10.2 Net investment in finance leases

(Rupees in '000)

	2014				2013			
	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	330,550	-	-	330,550	403,049	-	-	403,049
Residual value	45,729	-	-	45,729	53,906	-	-	53,906
Minimum lease payments	376,279	-	-	376,279	456,955	-	-	456,955
Finance charge for future periods	(4,160)	-	-	(4,160)	(4,305)	-	-	(4,305)
Present value of minimum lease payments	372,119	-	-	372,119	452,650	-	-	452,650

10.3 Advances include Rs 2,144.114 million (2013: Rs 2,340.626 million) which have been placed under non-performing status as detailed below:

(Rupees in '000)

Category of classification	2014								
	Advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
Classified portfolio									
Substandard	310		310	78		78	78		78
Doubtful		-			-			-	
Loss	2,143,804	-	2,143,804	2,100,788	-	2,100,788	2,100,788	-	2,100,788
	2,144,114	-	2,144,114	2,100,866	-	2,100,866	2,100,866	-	2,100,866

(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

10.3.1 The Bank has not availed any benefit of forced sale value while determining the provisioning requirements against non-performing advances as at December 31, 2014 (2013: Nil).

10.4 Particulars of provision against advances

(Rupees in '000)

	Note	2014			2013		
		Specific	General	Total	Specific	General	Total
Opening balance		2,288,336	4,142	2,292,478	2,393,465	4,694	2,398,159
Charge for the year		5,440	-	5,440	27,145	-	27,145
Reversals		(85,982)	(817)	(86,799)	(109,420)	(552)	(109,972)
		(80,542)	(817)	(81,359)	(82,275)	(552)	(82,827)
Amounts written off	10.5	(106,928)	-	(106,928)	(22,854)	-	(22,854)
Closing balance		2,100,866	3,325	2,104,191	2,288,336	4,142	2,292,478

10.4.1 General provision as at December 31, 2014 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

(Rupees in '000)

	2014			2013		
	Specific	General	Total	Specific	General	Total
In local currency	2,100,866	3,325	2,104,191	2,288,336	4,142	2,292,478

10.5 Particulars of write-offs

(Rupees in '000)

	Note	2014	2013
10.5.1 Against provisions	10.4	106,928	22,854
10.5.2 Write-offs of Rs 500,000 and above	10.6	97,206	15,626
Write-offs of below Rs 500,000		9,722	7,228
		106,928	22,854

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, 2014 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	2014	2013
Debts due by directors, executives or officers of the Bank or any of them either severally or jointly with any other persons			
Balance at beginning of the year		293,785	269,631
Loans granted during the year		136,778	116,324
Repayments during the year		(108,006)	(92,170)
	10.7.1	322,557	293,785
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		-	-
Loans granted during the year		-	-
Repayments during the year		-	-
Written off during the year		-	-
Balance at end of the year		-	-

10.7.1 These include loans given by the Bank to its employees as per the terms of their employment. The maximum total amount of financings granted during the year was Rs. 322.557 million (2013: Rs. 299.739 million). The maximum amount has been calculated by reference to the month end balance.

11. OPERATING FIXED ASSETS

(Rupees in '000)

	Note	2014	2013
Capital work-in-progress	11.1	18,946	28,646
Property and equipment	11.2	685,112	536,072
Intangible assets	11.3	41,695	23,264
		745,753	587,982
Non-current assets held for sale	11.5	55,137	273,727
		800,890	861,709

11.1 Capital work-in-progress

	2014	2013
Civil works	10,640	3,195
Advances to suppliers and contractors	8,306	25,451
	18,946	28,646

11.2 Property and equipment

(Rupees in '000)

Description	2014 Cost: Balance as at January 1, 2014	Additions	Transfers to assets held for sale	Disposals	Balance as at December 31, 2014	Accumulated depreciation / impairment: Balance as at January 1, 2014	Charge for the year	Transfers to assets held for sale	Disposals	Balance as at December 31, 2014	Net book value as at December 31, 2014	Rate per annum %
Owned:												
Freehold land	186,835	142,787	-	-	329,622	-	-	-	-	-	329,622	-
Buildings on freehold land	115,594	-	-	-	115,594	84,440	4,799	-	-	89,239	26,355	5
Furniture and fixtures	432,143	48,793	-	(12,823)	468,113	294,329	27,831	-	(11,889)	310,271	157,842	10
Electrical, office and computer equipment	541,243	26,977	-	(574)	567,646	480,785	28,763	-	(545)	509,003	58,643	20 / 33
Vehicles	165,526	23,620	-	(20,961)	168,185	45,715	21,247	-	(11,427)	55,535	112,650	20
	1,441,341	242,177	-	(34,358)	1,649,160	905,269	82,640	-	(23,861)	964,048	685,112	

(Rupees in '000)

Description	2013 Cost: Balance as at January 1, 2013	Additions	Transfers to assets held for sale	Disposals	Balance as at December 31, 2013	Accumulated depreciation / impairment: Balance as at January 1, 2013	Charge for the year	Transfers to assets held for sale	Disposals	Balance as at December 31, 2013	Net book value as at December 31, 2013	Rate per annum %
Owned:												
Freehold land	194,835	-	(8,000)	-	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 and 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	

11.3 Intangible assets

(Rupees in '000)

Description	2014 Cost: Balance as at January 1, 2014	Additions	Disposals	Balance as at December 31, 2014	Accumulated amortisation: Balance as at January 1, 2014	Charge for the year	Disposals	Balance as at December 31, 2014	Net book value as at December 31, 2014	Rate per annum %
Computer software	77,726	27,711	-	105,437	54,462	9,280	-	63,742	41,695	20

(Rupees in 000)

Description	2013 Cost: Balance as at January 1, 2013	Additions	Disposals	Balance as at December 31, 2013	Accumulated amortisation: 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

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 / impairment	Book value	Sale proceeds	Gain/ (loss)	Mode of disposal	Particulars of buyers / insurer
Owned vehicles							
Toyota Altis LEC-08-8820	1,477	975	502	923	421	Through Tender	Awais Ali Khan
Toyota Altis ART-394	1,947	1,221	726	1,175	449	Staff Settlement	Azfar Naqvi (ex- executive)
Honda City ANJ-527	846	558	288	550	262	As Per Policy	Sabih Akber (executive)
Honda City ATY-833	1,286	594	692	1,120	428	Staff Settlement	M. Javed Akhter (ex-executive)
Toyota Altis LEC-08-8826	1,492	985	507	1,046	539	Staff Settlement	Nasir Aziz Khan (ex- executive)
Honda City AQU-529	879	580	299	900	601	As Per Policy	Moizuddin Khan (executive)
Toyota Gli ANC-631	969	640	329	995	666	Through Tender	Khalid Anwar
Honda City APX-706	879	580	299	707	408	Through Tender	Faisal Raza
Honda City AQA-760	879	580	299	405	106	Through Tender	Syed Khursheed
Toyota Gli ASX-762	1,421	891	530	1,019	489	Through Tender	Noman Ahmed Siddiqui
Toyota Gli ATX-680	1,432	804	628	1,040	412	Through Tender	Faisal Raza
Honda City AUJ-642	1,311	692	619	1,022	403	Through Tender	Noman Ahmed Siddiqui
Honda City AVR-209	1,396	599	797	1,173	376	Through Tender	Naeem Zafar
Honda City AXW-638	1,515	417	1,098	1,220	122	Through Tender	Syed Riaz Ahmed
Honda City BAR-391	1,553	205	1,348	1,241	(107)	Through Tender	Muzafar Ali
Items having book value less than Rupees 250,000 and cost less than Rupees 1,000,000	1,679	1,106	573	1,269	696	Through tendor	Various
	20,961	11,427	9,534	15,805	6,271		
Furniture and fixtures							
Renovations at branch	7,094	7,094	-	-	-	Write Off	
Electrical renovation	1,120	1,120	-	-	-	Write Off	
Electrical renovation	1,459	1,390	69	-	(69)	Write Off	
Items having book value less than Rupees 250,000 and cost less than Rupees 1,000,000	3,150	2,285	865	-	(865)	Write Off	
	12,823	11,889	934	-	(934)		
Electrical, office and computer equipment							
Items having book value less than Rupees 250,000 and cost less than Rupees 1,000,000	574	545	29	171	142	Write-off / Negotiation / Insurance claim	Various
	574	545	29	171	142		
2014	34,358	23,861	10,497	15,976	5,479		
2013	55,697	48,223	7,474	16,931	9,457		

11.4.1 Disposal of Non-Current Assets - Held for Sale

Freehold Land & Building

	Cost	Accumulated depreciation / impairment	Book value	Sale proceeds	Gain/ (loss)	Mode of disposal	Particulars of buyers / insurer
2014 34 - S, Main Boulevard, Lahore	277,796	59,209	218,587	222,000	3,413	Through Tender	Dr Aftab Mohsin
2013	-	-	-	-	-		

11.4.2 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 held for sale include two vacant properties (land) situated in Lahore and Faisalabad having carrying value of Rs 33.168 million (2013: Rs 33.168 million) and a vacant property (land and building) situated in Lahore having a carrying value of Rs 21.972 million (2013: Rs 21.972 million). These have been classified as 'Non-current assets held for sale' as at December 31, 2014 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. A property with semi constructed building in Lahore classified as non-current asset held for sale, having a carrying value of Rs. 218.587 million as at December 31, 2013 was sold during the year.

	Note	2014 (Rupees in '000)	2013 (Rupees in '000)
11.6 Carrying amount of temporarily idle property (Nacon House)		1,277	1,277
11.7 The gross carrying amount (cost) of fully depreciated/amortised assets that are still in use:			
Building		32,428	32,428
Computer & Equipment		459,673	434,832
Furniture & Fixture		192,095	136,709
Intangible		44,375	39,953
		728,571	643,922
12. DEFERRED TAX ASSET - NET			
Taxable temporary differences			
Net investment in finance leases		(111,896)	(135,445)
Surplus on revaluation of securities	19	(256,901)	-
Deductible temporary differences			
Recognised tax losses	12.1	750,000	865,000
Provision against loans and advances, investments and other assets		660,327	732,150
Deficit on revaluation of securities	19	-	17,866
Accelerated tax depreciation		16,583	3,998
Deferred tax asset recognised		1,058,113	1,483,569

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 2,236.40 million (December 31, 2013: Rs 2,984.181 million) as at December 31, 2014. Based on this, the management has recognised deferred tax debit balance of Rs 750 million (December 31, 2013: Rs 865 million) against the total available tax benefit of Rs 782.74 million (December 31, 2013: Rs 1,044.46 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	2014 (Rupees in '000)	2013 (Rupees in '000)
Income / mark-up accrued			
- in local currency		1,292,366	580,836
- in foreign currencies		5,433	-
Advances, deposits, prepaid rent and other prepayments		154,480	136,385
Taxation (payments less provisions)		603,316	641,320
Fee and commission receivable		47,806	51,042
Unrealised gain on forward foreign exchange contracts		203,973	293,610
Others	13.1	259,552	106,819
		2,566,926	1,810,012
Provisions held against bad and doubtful other assets	13.2	(115,373)	(118,652)
Other assets (net of provisions)		2,451,553	1,691,360

13.1 This includes an amount of Rs 32.389 million (2013: Rs 32.389 million) receivable from InterAsia Leasing Limited.

13.2 Provisions held against bad and doubtful other assets	Note	2014	2013
Opening balance		118,652	112,202
Charge for the year		-	20,222
Reversals		(1,302)	(13,772)
	26	(1,302)	6,450
Amounts written-off during the year		(1,977)	-
Closing balance		115,373	118,652

	Note	2014 (Rupees in '000)	2013 (Rupees in '000)
14. BILLS PAYABLE			
In Pakistan		308,894	918,662
15. BORROWINGS			
In Pakistan		5,964,576	2,987,399
15.1 Particulars of borrowings			
In local currency		5,964,576	2,987,399
15.2 Details of borrowings secured / unsecured			
Secured			
Borrowings from SBP under export refinance scheme	15.2.1	2,487,314	2,430,431
Borrowings from SBP under LTFF	15.2.2	644,260	41,664
Repurchase agreement borrowings	15.2.3	1,500,000	492,968
		4,631,574	2,965,063
Unsecured			
Call money borrowings	15.2.4	1,310,666	-
Bankers Equity Limited (Under liquidation)	15.2.5	22,336	22,336
		1,333,002	22,336
		5,964,576	2,987,399

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 6.5% per annum (2013: 8.4% 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 markup ranging from at 7.2% to 8.4% (2013: 7.2% to 8.4%) per annum and will mature latest by April 20, 2020 (2013: January 15, 2019).

15.2.3 These represent funds borrowed from interbank market against government securities and carries mark up at the rate of 9.65% per annum (2013: 10.05% per annum) and will mature latest by January 02, 2015 (2013: February 20, 2014).

15.2.4 These represent borrowings from inter bank market. These carry markup at the rates ranging from 9.50% to 9.55% per annum (2013: Nil) and will mature latest by February 20, 2015 (2013: Nil).

15.2.5 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	2014 (Rupees in '000)	2013 (Rupees in '000)
Customers			
Fixed deposits		12,552,773	10,448,161
Savings deposits		11,694,983	9,052,421
Current accounts - non-remunerative		5,672,480	4,834,168
Others - non-remunerative		55,590	53,840
		29,975,826	24,388,590
Financial Institutions			
Remunerative deposits		1,545,540	72,482
Non-remunerative deposits		120,777	171,538
	16.2	1,666,317	244,020
		31,642,143	24,632,610
16.1 Particulars of deposits and other accounts			
In local currency		28,524,256	22,114,765
In foreign currencies		3,117,887	2,517,845
		31,642,143	24,632,610

16.2 These accounts include deposits of SAMBA Financial Group amounting to Rs 108.693 million (2013: Rs 158.964 million).

17. OTHER LIABILITIES

	Note	2014	2013
		(Rupees in '000)	
Mark-up / return / interest payable			
- in local currency		240,957	174,565
- in foreign currencies		515	336
Accrued expenses		365,109	206,633
Unclaimed dividends		4,255	4,255
Provision against off-balance sheet obligations	17.2	198,876	143,621
Lease key money		46,170	54,472
Unrealised loss on forward exchange contracts		208,294	370,775
Others	17.1	346,674	377,034
		1,410,850	1,331,691

17.1 This includes an amount of Rs 248.700 million (2013: Rs 310.576 million) net payable to SAMBA Financial Group (SFG).

17.2 Provision against off-balance sheet obligations

	Note	2014	2013
Opening balance		143,621	148,621
Charge for the year	17.2.1 (d)	60,000	-
Reversals		(4,745)	(5,000)
		55,255	(5,000)
Payments made during the year		-	-
Closing balance	17.2.1	198,876	143,621

17.2.1 This includes:

a) A provision of Rs 71.134 million (2013: 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 (2013: 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 (2013: 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, full provision of Rs 14.130 million (2013: 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 (2013: 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 affairs 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 (2013: Rs 52.76 million) is being maintained.

d) A provision of Rs 60 million in respect of a fraud and forgery claim relating to certain transactions carried out by an ex-employee of the Bank. The matter is still under investigation and the Bank has initiated legal proceedings against the employee.

18. SHARE CAPITAL

18.1 Authorised capital

2014 (Number of Shares)	2013 (Number of Shares)		2014 (Rupees in '000)	2013 (Rupees in '000)
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

2014 (Number of Shares)			2013 (Number of Shares)				2014	2013
Issued for cash	Issued for consideration other than cash	Total	Issued for cash	Issued for consideration other than cash	Total	Ordinary shares of Rs 10 each	(Rupees in '000)	
683,317,458	124,921,190	808,238,648	1,211,916,074	221,557,340	1,433,473,414	At the beginning of the year	8,082,387	14,334,734
161,350,228	-	161,350,228				Transfer of advance subscription of right shares issue to Share Capital	1,613,502	
38,649,772	-	38,649,772	-	-	-	Right Shares issued during the year (Note 18.3)	386,498	-
-	-	-	(528,598,616)	(96,636,150)	(625,234,766)	Reduction during the year	-	(6,252,347)
883,317,458	124,921,190	1,008,238,648	683,317,458	124,921,190	808,238,648	Balance as at December 31	10,082,387	8,082,387

18.2.1 Shares held by the related parties of the bank

	2014	2013
	(Number of Shares)	
Directors, their spouses and minor children		
Mr. Humayun Murad	281	281
Mr. Farhat Abbas Mirza	70,479	70,479
Mr. Javed Iqbal	2,819	2,819
Mr. Zahid Zaheer	281	281
Dr. Shujaat Nadeem	5,768,424	4,674,924
Mr. Shahid Sattar	1,646,032	146,032
	7,488,316	4,894,816
Associated Companies, undertakings and related parties		
Samba Financial Group (SFG)	852,040,531	652,047,421
	859,528,847	656,942,237

18.3 Issuance of right shares

During the year, the Bank has issued 200 million right shares at par value of Rs 10. The issue was approved by the Board of Directors of the Bank in August 2012 and subsequently by its shareholders in their Extraordinary General meeting held on January 17, 2013. All regulatory requirements in relation to the issue have been met and approvals for the issue from the Securities and Exchange Commission of Pakistan and all three Stock Exchanges operating in Pakistan were obtained on January 31, 2014 and February 4, 2014.

Further, as at December 31, 2014 the Bank stands compliant with the minimum capital requirements (MCR) as stipulated by the State Bank of Pakistan.

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

	Note	2014	2013
		(Rupees in '000)	
Available for sale			
Federal government securities		734,004	(51,046)
Ordinary shares - listed	9.5	10,511	6,732
Open ended mutual fund	9.7	-	3,222
	9.1	744,515	(41,092)
Related deferred tax	12	(256,901)	17,866
		487,614	(23,226)

20. CONTINGENCIES AND COMMITMENTS

20.1 Direct credit substitutes

		2014	2013
Favouring banks and other financial institutions		707,009	111,080
Favouring others		251,689	263,816
		958,698	374,896

20.2 Transaction-related contingent liabilities / commitments

	Note	2014	2013
Guarantees in favour of			
Government	20.2.1	1,763,662	2,369,085
Others		175,344	83,099
		1,939,006	2,452,184

20.2.1 No guarantees (2013: 15.385 million) have been given on behalf of SAMBA Financial Group - a related party.

20.3 Trade-related contingent liabilities

	2014	2013
Favouring others	894,614	5,965,633

20.4 Other contingencies

	2014	2013
Claims against the Bank not acknowledged as debt	45,489	156,590

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 (2013: 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 (2013: Rs. 645.337 million) for assessment years 1999-00,2000-01 to assessment year 2002-03 and tax year 2006 on account of taxability of investment banks as banking companies and taxation of dividend income as normal banking income, 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, tax department has raised demand of Rs. 29.052 million (2013: Rs. 29.052 million) for the assessment years 2009, 2010 & 2011 on account of Federal Excise Duty.

Presently, the bank is contesting these issues at various appellate forums. The disallowances in respect of a number of assessment years have been decided / set aside by various appellate authorities for re-assessment while the bank's appeal in respect of the remaining assessment years are currently pending. Based on the professional advice received from tax advisors, the management is confident that the eventual outcome of the aforementioned matters will be in 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 (2013: Rs. 1,101.176 million) raised by the income tax authorities.

20.6 Commitments in respect of forward exchange contracts

	2014	2013
	(Rupees in '000)	
Purchase	13,151,038	21,281,001
Sale	11,964,868	19,703,449

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, 2014 amounted to Rs 21.018 million (2013: Rs 34.583 million).

21. MARK-UP / RETURN / INTEREST EARNED

	2014	2013
	(Rupees in '000)	
On loans and advances to:		
- Customers	1,981,172	1,449,508
On investments:		
- Held for trading securities	254,428	300,096
- Available for sale securities	881,739	1,137,948
- Held to maturity securities	1,016,155	112,652
	2,152,322	1,550,696
On deposits with financial institutions	388	128
On securities purchased under resale agreements	435,542	130,848
On call lendings	49,144	75,368
	4,618,568	3,206,548

22. MARK-UP / RETURN / INTEREST EXPENSED

	2014	2013
Deposits	1,994,078	1,252,925
Securities sold under repurchase agreements	282,950	234,281
Other short-term borrowings	252,053	21,446
SBP LTFF Refinance	41,698	3,366
SBP export refinance	164,700	191,435
Others	70,410	119,224
	2,805,889	1,822,677

23. GAIN / (LOSS) ON SALE OF SECURITIES - NET

	2014	2013
Government securities	29,865	(2,530)
Ordinary shares - listed	7,328	-
	37,193	(2,530)

24. OTHER INCOME

	2014	2013
Gain on disposal of property and equipment - net	9,831	9,517
	9,831	9,517

25. ADMINISTRATIVE EXPENSES

	Note	2014	2013
		(Rupees in '000)	
Salaries, allowances and benefits		704,350	675,529
Contribution to provident fund plan	32	23,037	22,575
Non-executive directors' fees, allowances and other expenses		10,000	9,526
Rent, taxes, insurance, electricity, etc.		284,697	266,645
Legal and professional charges		21,701	25,280
Communications		100,003	95,403
Group shared service cost		113,863	91,169
Repairs and maintenance		84,931	71,674
Stationery and printing		22,437	16,281
Advertisement and publicity		29,307	17,662
Auditors' remuneration	25.1	8,778	6,259
Depreciation	11.2	82,640	110,950
Amortisation of intangible assets	11.3	9,280	8,006
Travelling and conveyance		22,681	25,125
Charges paid to Central Depository Company of Pakistan Limited		912	267
Security services		24,268	28,539
Workers' welfare fund	25.2	8,679	1,667
Fee and commission paid		28,414	16,831
Others		65,981	61,449
		1,645,959	1,550,837

25.1 Auditors' remuneration

	2014	2013
Statutory audit fee	1,705	1,705
Fee for quarterly and annual group reporting	1,936	1,936
Fee for review of the half yearly financial statements	385	385
Fee for review carried out in connection with reporting on internal control on financial reporting framework	2,257	-
Special certifications and others	1,613	1,353
Out-of-pocket expenses	882	880
	8,778	6,259

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	2014	2013
(Reversal) / provision against bad and doubtful other assets - net	13.2	(1,302)	6,450
Provision / (reversal) against off balance sheet obligations	17.2	55,255	(5,000)
Fixed assets written-off		939	60
Others		37	296
		54,929	1,806

27. OTHER CHARGES

	2014	2013
	(Rupees in '000)	
Penalties imposed by the State Bank of Pakistan	3,160	-
	3,160	-

28. TAXATION

	2014	2013
For the year		
Current	48,487	33,787
Deferred	150,692	(36,439)
For prior years		
Current	-	-
	199,179	(2,652)

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

	2014	2013
	(Rupees in '000)	
Profit after taxation	226,081	84,313
	(Number of Shares)	
Weighted average number of ordinary shares	959,471,525	808,238,648
	(Rupees)	
Earnings per share	0.24	0.10

29.1 Diluted earnings per share has not been presented as the Bank does not have any convertible instruments in issue at December 31, 2014 and 2013 which would have any effect on the earnings per share if the option to convert is exercised.

30. CASH AND CASH EQUIVALENTS

	Note	2014	2013
		(Rupees in '000)	
Cash and balances with treasury banks	6	2,525,366	2,795,889
Balances with other banks	7	79,761	117,483
		2,605,127	2,913,372

31. STAFF STRENGTH

	Note	2014	2013
		(Number)	
Permanent		401	409
Temporary / on contractual basis		-	-
Bank's own staff strength at the end of the year		401	409
Outsourced	31.1	201	205
Total number of employees at the end of the year		602	614

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 364 employees (2013: 350 employees). Both employer and employees contribute 8.33% (2013: 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)

	2014			2013		
	President and Chief Executive Officer	Directors	Executives	President and Chief Executive Officer	Directors	Executives
Fees	-	11,116	-	-	9,526	-
Managerial remuneration	16,955	-	208,579	24,474	-	201,139
Contribution to defined contribution plan	1,412	-	16,212	2,039	-	15,299
Rent and house maintenance	7,630	-	88,040	11,013	-	84,762
Utilities	1,695	-	20,858	2,447	-	20,114
Medical	1,695	-	20,858	2,447	-	20,114
Fuel reimbursement	-	-	19,886	-	-	19,943
Bonus	20,000	-	44,594	5,500	-	44,819
Conveyance	-	-	311	-	-	306
Other allowances	1,946	-	-	2,663	-	-
	51,333	11,116	419,338	50,583	9,526	406,496
Number of persons	1	4	161	2	4	147

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.

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 9,818.918 million (2013: Rs 4,044.920 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)

	2014		2013	
	Book value	Fair value	Book value	Fair value
Forward purchase of foreign exchange	13,151,390	12,943,096	21,281,785	20,911,010
Forward sale of foreign exchange	11,965,220	11,761,247	19,704,233	19,410,623

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 contract.

36. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

(Rupees in '000)

Particulars	2014				
	Corporate finance	Trading & sales	Retail banking	Commercial banking	Total
Total income (net of interest expense and provisions)	1,812	762,628	759,397	550,542	2,074,379
Total operating expenses	13,225	145,225	1,121,601	369,068	1,649,119
Net (loss) / income (before tax)	(11,413)	617,403	(362,204)	181,474	425,260
Segment assets (gross)	7,021	26,368,440	1,944,638	24,582,556	52,902,655
Segment non-performing loans	-	-	583,533	1,560,581	2,144,114
Segment provision held *	-	(104,618)	(577,235)	(1,639,742)	(2,321,595)
Segment liabilities	734	3,136,993	27,874,212	8,314,524	39,326,463
Segment return on net assets (%)	-162.56%	2.35%	-26.49%	0.79%	0.84%
Segment cost of funds (%)	8.71%	9.04%	6.75%	8.71%	7.20%

(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%

* 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 into 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)

	2014				2013			
	Key management personnel	Parent Company	Associates	Others	Key management personnel	Parent Company	Associates	Others
BALANCES OUTSTANDING- GROSS								
Advances								
At January 1	71,647	-	-	-	26,205	-	-	-
Disbursed during the year	15,165	-	-	-	50,902	-	-	-
Repaid during the year	(6,973)	-	-	-	(5,460)	-	-	-
Adjustments	(13,498)	-	-	-	-	-	-	-
At December 31	66,341	-	-	-	71,647	-	-	-
Deposits								
At January 1	79,639	-	-	3,104	118,733	-	-	6,851
Received during the year	1,612,054	-	-	168,086	1,060,216	-	-	318,771
Withdrawn during the year	(1,646,960)	-	-	(165,921)	(1,021,294)	-	-	(322,518)
Adjustments	(5,253)	-	-	-	(78,016)	-	-	-
At December 31	39,480	-	-	5,269	79,639	-	-	3,104
Others								
Guarantees	-	-	-	-	-	15,385	-	-
Balances in nostro accounts	-	15,116	-	-	-	14,703	-	-
Sundry payable (including Group Shared Service cost) - net	-	248,700	-	-	-	310,576	-	-
Balances in vostro accounts	-	108,693	-	-	-	158,964	-	-
TRANSACTIONS DURING THE YEAR								
Remuneration and benefits	165,340	-	-	-	153,534	-	-	-
Directors fee	11,116	-	-	-	9,526	-	-	-
Commission income on guarantees	-	50	-	-	-	402	-	-
Counter confirmation charges on guarantees	-	685	-	-	-	5,471	-	-
Mark-up / return / interest expensed	3,787	-	-	347	5,417	-	-	263
Mark-up / return / interest income	2,522	-	-	-	1,634	-	-	-
Disposal of fixed assets	-	-	-	-	1,276	-	-	-
Group Services cost	-	113,863	-	-	91,169	-	-	-
Sale of government securities	187,968	-	-	17,100	-	-	-	106,566
Purchase of government securities	225,092	-	-	107,354	-	-	-	153,181
Purchase of shares (number of shares)	2,593,500	-	-	-	6,459,000	-	-	-
Proceeds against issue of right shares	-	386,429	-	-	-	-	-	-
Advance against issue of right shares	-	-	-	-	-	1,613,502	-	-

Forex transactions during the year - Samba Financial Group

(Currency in '000)

CURRENCY	2014 READY / SPOT / TOM BUY	READY / SPOT / TOM SELL	FORWARD BUY	FORWARD SELL
AED	3,050	-	-	-
AUD	20	-	-	-
CAD	70	-	-	-
CHF	90	-	30	-
EUR	6,065	3,866	6,110	950
GBP	3,450	4,675	5,020	680
JPY	149,810	-	-	-
SAR	10,315	10,000	10,000	-
SEK	25	-	-	-
USD	96,997	19,187	2,402	19,053

Forex deals outstanding as at the year end December 31, 2014 - Samba Financial Group

(Currency in '000)

CURRENCY	2014 READY / SPOT / TOM BUY	READY / SPOT / TOM SELL	FORWARD BUY	FORWARD SELL
EUR	-	-	500	-
GBP	-	-	500	-
USD	-	-	-	1,400

Forex transactions during the year December 31, 2013 - Samba Financial Group

(Currency in '000)

CURRENCY	2013 READY / SPOT / TOM BUY	READY / SPOT / TOM SELL	FORWARD BUY	FORWARD SELL
AED	3,200	-	-	-
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	-	-
USD	88,101	68,817	50	40,117

Forex deals outstanding as at the year end December 31, 2013 - Samba Financial Group

(Currency in '000)

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

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

39. CAPITAL-ASSESSMENT AND ADEQUACY BASEL III SPECIFIC

39.1 Scope Of Applications

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

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

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

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

The Banks are required to maintain Minimum Capital Requirement (MCR) as precribed 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, 2014 the Bank's Paid up Capital is Rs 10.3 billion. In addition, the Banks are also required to maintain a minimum Capital Adequacy Ratio (CAR) of 10 percent of their risk weighted exposure. The Bank's CAR as at December 31, 2014 is approximately 37.08 percent (2013: 46.74 percent) of its risk weighted exposure.

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

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

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

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

39.2 Capital Structure

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

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

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

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

Presently the Bank does not have any AT1 capital.

- Tier II capital, which includes general provisions for loan losses (upto a maximum of 1.25% of credit risk weighted assets), reserves on revaluation of fixed assets and equity investments after deduction of deficit on available for sale investments (upto a maximum of 56%).

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

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

(a) Adequate level of paid up capital;

(b) Adequate risk profile of asset mix;

(c) Ensuring better recovery management; and

(d) Maintaining acceptable profit margins.

39.3 Capital Adequacy Ratio

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

39.4 Capital Adequacy Ratio (CAR) disclosure

(Rupees in '000)

Particulars	2014 Amount	2013 (Restated) Amount
Common Equity Tier 1 capital (CET1): Instruments and reserves		
Fully paid-up capital / capital deposited with the SBP	10,082,387	9,695,889
Balance in share premium account	-	-
Reserve for issue of bonus shares	-	-
Discount on issue of shares	-	-
General / Statutory Reserves	212,640	167,424
Gain / (Losses) on derivatives held as Cash Flow Hedge	-	-
Unappropriated profits	471,956	291,091
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	10,766,983	10,154,404
Total regulatory adjustments applied to CET1 (Note 39.5)	(191,695)	(46,490)
Common Equity Tier 1	10,575,288	10,107,914

(Rupees in '000)

Particulars	2014 Amount	2013 (Restated) Amount
Additional Tier 1 (AT 1) Capital		
Qualifying Additional Tier-1 capital instruments plus any related share premium	-	-
of which:		
- classified as equity	-	-
- classified as liabilities	-	-
Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties	-	-
- of which: instrument issued by subsidiaries subject to phase out	-	-
AT1 before regulatory adjustments	-	-
Total of Regulatory Adjustment applied to AT1 capital (Note 39.6)	-	-
Additional Tier 1 capital after regulatory adjustments	-	-
Tier 1 Capital (CET1 + admissible AT1)	10,575,288	10,107,914
Tier 2 Capital		
Qualifying Tier 2 capital instruments under Basel III plus any related share premium	-	-
Capital instruments subject to phase out arrangement issued	-	-
Tier 2 capital instruments issued to third parties by consolidated subsidiaries	-	-
- of which: instruments issued by subsidiaries subject to phase out	-	-
General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	3,325	4,142
Revaluation Reserves (net of taxes)		
of which:		
- Revaluation reserves on fixed assets		
- Unrealized gains / losses on AFS	273,064	-
Foreign Exchange Translation Reserves	-	-
Undisclosed/Other Reserves (if any)	-	-
T2 before regulatory adjustments	276,389	4,142
Total regulatory adjustment applied to T2 capital (Note 39.7)	-	-
Tier 2 capital (T2) after regulatory adjustments	276,389	4,142
Tier 2 capital recognized for capital adequacy	276,389	4,142
Portion of Additional Tier 1 capital recognized in Tier 2 capital	-	-
Total Tier 2 capital admissible for capital adequacy	276,389	4,142
TOTAL CAPITAL (T1 + admissible T2)	10,851,677	10,112,056
Total Risk Weighted Assets (RWA) {for details refer Note 39.12}	29,263,038	21,634,100
Capital Ratios and buffers (in percentage of risk weighted assets)		
CET1 to total RWA	36.14%	46.72%
Tier-1 capital to total RWA	36.14%	46.72%
Total capital to total RWA	37.08%	46.74%
Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement) of which:	-	-
- capital conservation buffer requirement	-	-
- countercyclical buffer requirement	-	-
- D-SIB or G-SIB buffer requirement	-	-
CET1 available to meet buffers (as a percentage of risk weighted assets)	30.64%	41.72%
National minimum capital requirements prescribed by SBP		
CET1 minimum ratio	5.50%	5.00%
Tier 1 minimum ratio	7.00%	6.50%
Total capital minimum ratio	10.00%	10.00%

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

(Rupees in '000)

Particulars	2014 Amount	2014 Pre - Basel III treatment*	2013 (Restated) Amount	2013 (Restated) Pre - Basel III treatment*
39.5 Common Equity Tier 1 capital: Regulatory adjustments				
Goodwill (net of related deferred tax liability)	-	-	-	-
All other intangibles (net of any associated deferred tax liability)	41,695	-	23,264	-
Shortfall of provisions against classified assets	-	-	-	-
Deferred tax assets that rely on future profitability excluding those	150,000	750,000	-	865,000
arising from temporary differences (net of related tax liability)	-	-	-	-
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 common stocks of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	-	-	-
Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-	-	-
Amount exceeding 15% threshold of which:				
- significant investments in the common stocks of financial entities	-	-	-	-
- deferred tax assets arising from temporary differences	-	-	-	-
National specific regulatory adjustments applied to CET1 capital	-	-	-	-
Investment in TFCs of other banks exceeding the prescribed limit	-	-	-	-
Any other deduction specified by SBP	-	-	-	-
Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions		-		-
Total regulatory adjustments applied to CET1	191,695	750,000	46,490	865,000
39.6 Additional Tier 1 Capital: regulatory adjustmentst				
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	-	-	-	-

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

(Rupees in '000)

Particulars	2014 Amount	2014 Pre - Basel III treatment*	2013 (Restated) Amount	2013 (Restated) Pre - Basel III treatment*
39.7 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	-	-	-	-

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

(Rupees in '000)

	2014	2013 (Restated)
39.8 Risk Weighted Assets subject to pre-Basel III treatment		
Risk weighted assets in respect of deduction items (which during the transitional period will be risk weighted subject to Pre-Basel III Treatment) of which:	-	-
- Deferred tax assets	600,000	865,000
- Defined-benefit pension fund net assets	-	-
- Recognized portion of investment in capital of banking, financial and insurance entities where holding is less than 10% of the issued common share capital of the entity	-	-
- 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	-	-
Amounts below the thresholds for deduction (before risk weighting)		
Non-significant investments in the capital of other financial entities	77,298	9,082
Significant investments in the common stock of financial entities	-	-
Deferred tax assets arising from temporary differences (net of related tax liability)	308,113	618,569
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)	3,325	4,142
Cap on inclusion of provisions in Tier 2 under standardized approach	-	-
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	-
Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	-

(Rupees in '000)

Particulars	Reference	2014	
		Balance sheet as in published financial statements	Under regulatory scope of reporting
39.9 Reconciliation of each financial statement line item to item under regulatory scope of reporting - Step 1			
Assets			
Cash and balances with treasury banks		2,525,366	2,525,366
Balances with other banks		79,761	79,761
Lending to financial and other institutions		1,900,000	1,900,000
Investments		19,953,205	19,953,205
Advances		21,812,172	21,812,172
Operating fixed assets		800,890	800,890
Deferred tax assets		1,058,113	1,058,113
Other assets		2,451,553	2,451,553
Total assets		**50,581,060**	**50,581,060**
Liabilities and Equity			
Bills payable		308,894	308,894
Borrowings		5,964,576	5,964,576
Deposits and other accounts		31,642,143	31,642,143
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities		1,410,850	1,410,850
Total liabilities		**39,326,463**	**39,326,463**
Share capital		10,082,387	10,082,387
Discount on issue of shares		-	-
Reserves		212,640	212,640
Unappropriated profit		471,956	471,956
Surplus on revaluation of assets - net of tax		487,614	487,614
Total liabilities and equity		**50,581,060**	**50,581,060**
39.10 Reconciliation of balance sheet to eligible regulatory capital - Step 2			
Assets			
Cash and balances with treasury banks		2,525,366	2,525,366
Balances with other banks		79,761	79,761
Lending to financial and other institutions		1,900,000	1,900,000
Investments		19,953,205	19,953,205
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		21,812,172	21,812,172
- shortfall in provisions / excess of total EL amount		-	
over eligible provisions under IRB	f	-	-
- general provisions reflected in Tier 2 capital	g	3,325	3,325
Operating fixed assets		800,890	800,890
of which: Intangibles	k	41,695	41,695
Deferred tax assets		1,058;113	1,058,113
of which:			
- DTAs that rely on future profitability excluding those arising from temporary differences	h	750,000	750,000
- DTAs arising from temporary differences exceeding regulatory threshold	i		
Other assets		2,451,553	2,451,553
of which:			
-goodwill	j	-	
- defined-benefit pension fund net assets	l	-	-
Total assets		**50,581,060**	**50,581,060**

(Rupees in '000)

Particulars	Reference	2014	
		Balance sheet as in published financial statements	Under regulatory scope of reporting
Liabilities and Equity			
Bills payable		308,894	308,894
Due from financial institutions		5,964,576	5,964,576
Deposits and other accounts		31,642,143	31,642,143
Sub-ordinated loans of which:		-	-
- eligible for inclusion in AT1	m	-	-
- eligible for inclusion in Tier 2	n	-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities of which:		-	-
- DTLs related to goodwill	o	-	-
- DTLs related to intangible assets	p	-	-
- DTLs related to defined pension fund net assets	q	-	-
- other deferred tax liabilities	r	-	-
Other liabilities		1,410,850	1,410,850
Total liabilities		**39,326,463**	**39,326,463**
Share capital		10,082,387	10,082,387
- of which: amount eligible for CET1	s	10,082,387	10,082,387
- of which: amount eligible for AT1	t	-	-
Reserves of which:		212,640	212,640
- portion eligible for inclusion in CET1 - Statutory reserve	u	212,640	212,640
- portion eligible for inclusion in CET1 - General reserve		-	-
- portion eligible for inclusion in Tier 2 General reserve	v	-	-
Discount on issue of shares		-	-
Unappropriated profit	w	471,956	471,956
Minority Interest of which:		-	-
- portion eligible for inclusion in CET1	x	-	-
- portion eligible for inclusion in AT1	y	-	-
- portion eligible for inclusion in Tier 2	z	-	-
Surplus on revaluation of assets of which:		-	-
- Revaluation reserves on Fixed Assets		-	-
- Unrealized Gains/Losses on AFS	aa	487,614	487,614
- In case of Deficit on revaluation (deduction from CET1)	ab	-	-
Total liabilities and Equity		**50,581,060**	**50,581,060**

39.11 Basel III Disclosure (with added column) - Step 3

(Rupees in '000)

	Particulars	2014	
		Source based on reference number from step 2	Component of regulatory capital reported by bank
	Common Equity Tier 1 capital (CET1): Instruments and reserves		
1	Fully Paid-up Capital		10,082,387
2	Balance in share premium account	(s)	-
3	Discount on issue of shares		-
4	Reserve for issue of bonus shares		-
5	General / Statutory Reserves		212,640
6	Gain / (Losses) on derivatives held as Cash Flow Hedge	(u)	-
7	Unappropriated / unremitted profits	(w)	471,956
8	Minority Interests arising from CET1 capital instruments issued to third		-
	party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	(x)	-
9	**CET 1 before Regulatory Adjustments**		**10,766,983**

(Rupees in '000)

Particulars	2014 Source based on reference number from step 2	2014 Component of regulatory capital reported by bank
Common Equity Tier 1 capital: Regulatory adjustments		
10 Goodwill (net of related deferred tax liability)	(j) - (s)	-
11 All other intangibles (net of any associated deferred tax liability)	(k) - (p)	41,695
12 Shortfall of provisions against classified assets	(f)	-
13 Deferred tax assets that rely on future profitability excluding those arising		-
from temporary differences (net of related tax liability)	(h) - (r) * x%	150,000
14 Defined-benefit pension fund net assets	(l) - (q) * x%	-
15 Reciprocal cross holdings in CET1 capital instruments	(d)	-
16 Cash flow hedge reserve		-
17 Investment in own shares / CET1 instruments		-
18 Securitization gain on sale		-
19 Capital shortfall of regulated subsidiaries		-
20 Deficit on account of revaluation from bank's holdings of property / AFS	(ab)	-
21 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	(a) - (ac) - (ae)	-
22 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	(b) - (ad) - (af)	-
23 Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	(i)	-
24 Amount exceeding 15% threshold of which:		-
- ignificant investments in the common stocks of financial entities		
- deferred tax assets arising from temporary differences		-
25 National specific regulatory adjustments applied to CET1 capital		-
26 Investment in TFCs of other banks exceeding the prescribed limit		-
27 Any other deduction specified by SBP (mention details)		-
28 Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions		-
29 Total regulatory adjustments applied to CET1		191,695
Common Equity Tier 1		10,575,288
Additional Tier 1 (AT 1) Capital		
30 Qualifying Additional Tier-1 instruments plus any related share premium of which:		
31 - Classified as equity	(t)	-
32 - Classified as liabilities	(m)	-
33 Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties	(y)	-
34 - of which: instrument issued by subsidiaries subject to phase out		-
35 AT1 before regulatory adjustments		-
Additional Tier 1 Capital: regulatory adjustments		
36 Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)		
37 Investment in own AT1 capital instruments		-
38 Reciprocal cross holdings in Additional Tier 1 capital instruments		-
39 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	(ac)	-
40 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	(ad)	-
41 Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital		-
42 Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions		-
43 Total of Regulatory Adjustment applied to AT1 capital		-
44 Additional Tier 1 capital		-
45 **Additional Tier 1 capital recognised for capital adequacy**		-
Tier 1 Capital (CET1 + admissible AT1)		10,575,288

(Rupees in '000)

Particulars	2014 Source based on reference number from step 2	2014 Component of regulatory capital reported by bank
Tier 2 Capital		
46 Qualifying Tier 2 capital instruments under Basel III		-
47 Capital instruments subject to phase out arrangement from Tier 2	(n)	-
48 Tier 2 capital instruments issued to third party by consolidated subsidiaries		-
- of which: instruments issued by subsidiaries subject to phase out	(z)	-
49 General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	(g)	3,325
50 Revaluation Reserves eligible for Tier 2 of which:		-
51 - portion pertaining to Fixed Asset		-
52 - portion pertaining to AFS securities	56% of (aa)	273,064
53 Foreign Exchange Translation Reserves	(v)	-
54 Undisclosed / Other Reserves (if any)		-
55 **T2 before regulatory adjustments**		276,389
Tier 2 Capital: regulatory adjustments		
56 Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital		
57 Reciprocal cross holdings in Tier 2 instruments		-
58 Investment in own Tier 2 capital instrument		-
59 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	(ae)	-
60 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	(af)	-
61 Amount of Regulatory Adjustment applied to T2 capital		-
62 Tier 2 capital (T2)		-
63 Tier 2 capital recognised for capital adequacy		-
64 Excess Additional Tier 1 capital recognised in Tier 2 capital		-
65 Total Tier 2 capital admissible for capital adequacy		276,389
TOTAL CAPITAL (T1 + admissible T2)		10,851,677

39.12 Risk-weighted exposures

(Rupees in '000)

	Note	2014		2013 (Restated)	
		Capital Requirement	Risk adjusted value	Capital Requirement	Risk adjusted value
Credit Risk					
Portfolios subject to standardised approach (Comprehansive approach)					
On-Balance Sheet Items:					
Cash and Cash Equivalent		-	-	-	-
Sovereign and central banks		407	4,068	799	7,987
Public Sector Entities (PSEs)		26,647	266,473	33,323	333,232
Banks and securities firms		41,338	413,375	20,982	209,817
Corporate portfolio	39.13	1,558,335	15,583,345	1,133,203	11,332,029
Retail non mortgages	39.13	7,068	70,679	6,212	62,117
Mortgages - Residential		9,374	93,743	9,309	93,095
Past Due Loans		2,996	29,961	3,677	36,772
Operating Fixed Assets		75,920	759,195	83,845	838,445
Other assets		361,786	3,617,863	288,132	2,881,320
		2,083,871	20,838,702	1,579,482	15,794,814
Off balance sheet items:					
Non-Market Related:-					
Direct credit substitutes		92,510	925,099	23,585	235,853
Performance-related contingencies	39.14	109,025	1,090,246	121,922	1,219,218
Trade-related contingencies		19,978	199,781	46,260	462,596
		221,513	2,215,126	191,767	1,917,667
Risk-weighted exposures					
Market related:-					
Outstanding interest rate contracts		-	-	-	-
Outstanding foreign exchange contracts	39.15	10,402	104,019	21,573	215,730
		10,402	104,019	21,573	215,730
Equity Exposure Risk in the Banking Book					
Listed equity investments held in banking book		445	4,454	1,169	11,694
Unlisted equity investments held in banking book		1,500	15,000	3,346	33,456
Recognised portion of significant investment		-	-	-	-
		1,945	19,454	4,515	45,150
Total credit risk exposures		2,317,731	23,177,301	1,797,337	17,973,361
Market Risk					
Capital Requirement for portfolios subject to Standardized Approach					
Interest rate risk		244,641	2,446,413	79,001	790,013
Equity position risk		41,470	414,703	-	-
Foreign exchange risk		7,392	73,921	2,408	24,075
Position in options		-	-	-	-
Total market risk exposures		293,503	2,935,037	81,409	814,088
Operational Risk					
Capital Requirement for operational risks		315,070	3,150,701	284,665	2,846,651
TOTAL		2,926,304	29,263,039	2,163,411	21,634,100

Capital Adequacy Ratio	Required	Actual	Required	Actual
	December-14		December-13	
CET1 to total RWA	5.50%	36.14%	5.00%	46.72%
Tier-1 capital to total RWA	7.00%	36.14%	6.50%	46.72%
Total capital to total RWA	10.00%	37.08%	10.00%	46.74%

39.13 Cash margin and eligible securities amounting to Rs. 45.728 million have been deducted from gross advances using comprehensive approach to credit risk mitigation under Basel III. Advances are not net off with general provision amounting to Rs. 3.325 million which is reported separately in Tier II (supplementary) capital as per BSD circular letter number 03 dated 20 May 2006.

39.14 Cash margin and eligible securities amounting to Rs 4.276 million have been deducted from off-balance sheet items.

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

39.16 Main Features of Regulatory Capital Instruments

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

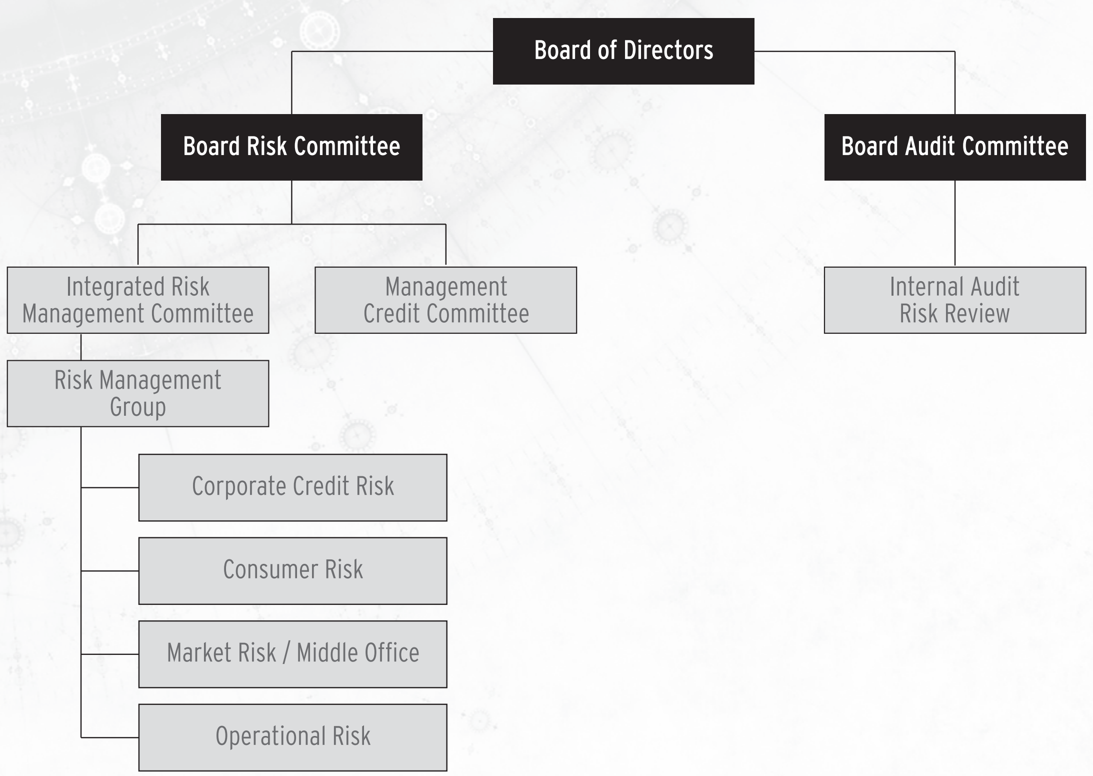
40. RISK MANAGEMENT

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

The types and degree of risk an organisation 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 organisational unit, independent from any business and reporting directly to the President & CEO through the Chief Risk Officer.

The Bank is exposed to a number of risks, such as credit, market, operational, liquidity, etc. The Board of Directors is ultimately responsible for the risk management function. In order to find an appropriate balance between risk and the desired level of return, the Board has formed certain specialised committees such as Integrated Risk Management Committee (IRMC), Management Credit Committee (MCC) 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 authorised Credit Officers from business and risk.

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

- Setting maximum exposure limits for a single obligor and for a single group of related obligors based upon the obligor risk rating of the customer and the group.
- Defining maximum exposure limit to an individual sector in terms of portfolio composition to avoid excessive concentration.
- Requirement to risk rate every obligor on the basis of a standard and approved internal credit risk rating policy.
- Setting consistent standards to be followed across the Corporate, 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 Chief Risk Officer - CRO. 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 policies 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 etc. The RPR is an effective risk management tool and has helped the Bank in assessing the robustness of its portfolio and taking corrective actions in a timely and proactive manner.

(g) Remedial Management and Allowances for Impairment

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

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

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

41. SEGMENTAL INFORMATION

41.1 Segment by class of business

	2014					
	Gross advances		Deposits		Contingencies & commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Chemical and pharmaceuticals	1,733,542	7.25	1,287,644	4.07	993,770	3.30
Agriculture, forestry, hunting and fishing	1,729	0.01	98,351	0.31	-	-
Textile	6,140,544	25.67	93,517	0.30	162,626	0.55
Cement	-	-	150,246	0.47	56,103	0.19
Sugar	614,817	2.57	91	-	-	-
Footwear and leather garments	382,676	1.60	238	-	-	-
Automobile and transportation services	1,328	0.01	1,064,413	3.36	251,689	0.84
Construction	2,183,948	9.13	-	-	85,024	0.28
Wholesale and retail trade	104,794	0.44	-	-	16,016	0.05
Financial	-	-	149,522	0.47	8,892	0.03
Insurance	829	-	1,408,078	4.45	-	-
Electronics and electrical appliances	603,977	2.53	81,113	0.26	64,731	0.22
Power (electricity), gas, water and sanitary	3,845,455	16.07	10,406	0.03	-	-
Individuals	1,164,242	4.87	18,862,222	59.62	-	-
Manufacturing	3,265,143	13.65	-	-	274,792	0.91
Transport, storage and communication	800,000	3.34	-	-	-	-
Services	325,235	1.36	-	-	9,843	0.03
Oil Marketing and Refinery	1,332,362	5.57	-	-	-	-
Others	1,415,742	5.93	8,436,302	26.66	28,152,421	93.60
	23,916,363	100.00	31,642,143	100.00	30,075,907	100.00

	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	-	254,164	0.51
Sugar	318,289	1.55	49	-	-	-
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	-	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	-
Services	717,603	3.49	-	-	1,000	-
Paper and allied	485	-	-	-	-	-
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

41.2 Segment by sector

	2014					
	Gross advances		Deposits		Contingencies & commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public / Government	2,132,363	8.92	4,576,133	14.46	1,101,176	3.66
Private	21,784,000	91.08	27,066,010	85.54	28,974,731	96.34
	23,916,363	100.00	31,642,143	100.00	30,075,907	100.00

	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

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

(Rupees in '000)

	2014		2013	
	Classified advances	Specific provisions held	Classified advances	Specific provisions held
Chemical and pharmaceuticals	672	612	1,155	855
Agriculture, forestry, hunting and fishing	950	585	950	585
Textile	615,163	610,207	641,793	635,927
Sugar	21,236	21,236	21,236	21,236
Construction	12,330	12,330	15,144	15,144
Manufacturing	149,416	147,755	243,892	239,715
Footwear and leather garments	3,703	2,713	3,703	2,713
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	574,738	549,007	610,456	582,214
Services	3,534	2,602	4,293	2,977
Others	129,855	121,802	165,487	154,953
	2,144,114	2,100,866	2,340,626	2,288,336

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

	2014		2013	
	Classified advances	Specific provisions held	Classified advances	Specific provisions held
Public / Government	-	-	-	-
Private	2,144,114	2,100,866	2,340,626	2,288,336
	2,144,114	2,100,866	2,340,626	2,288,336

41.5 Geographical segment analysis

	(Rupees in '000)			
	2014			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
Pakistan	425,260	50,581,060	11,254,597	30,075,907

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

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 92% of the total exposure, 6% represents claims on PSEs, 1% represents retail non-mortgages and the remaining 1% exposure pertains to claims categorised as mortgage residential portfolio.

41.7 **Credit Risk: Standardised approach**

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

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

Exposure	JCR-VIS	PACRA	Fitch, Moody's & S&P
Corporate	✓	✓	-
Banks	✓	✓	✓
Sovereigns	-	-	-
SME's	-	-	-
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	8,207,562	-	8,207,562
Banks	1-5	1,984,205	-	1,984,205
Sovereigns (local govt. securities)	N/A	12,390,320	-	12,390,320
Unrated		14,474,442	19,154	14,455,288
Total		37,056,529	19,154	37,037,375

* 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 III regulatory capital adequacy ratios which are being computed using the standardised approach which is in accordance with the regulatory requirement.

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

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

41.11 Foreign exchange risk

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

(Rupees in '000)

2014	Assets	Liabilites	Off-balance sheet items	Net foreign currency exposure
Pakistan Rupee	48,382,529	42,749,161	(1,181,849)	4,451,519
United States Dollar	2,142,128	(3,172,431)	979,281	6,293,840
Great Britain Pound	24,127	(161,402)	141,499	327,028
Japanese Yen	2,534	-	-	2,534
Euro	16,381	(82,841)	61,069	160,291
Other currencies	13,361	(6,024)	-	19,385
	50,581,060	39,326,463	-	11,254,597

(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

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)

2014	Effective yield/ interest rate %	Total	Exposed to yield / interest rate risk: Upto one month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	Non-interest bearing financial instruments
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	-	2,525,366	-	-	-	-	-	-	-	-	-	2,525,366
Balances with other banks	-	79,761	2,860	-	-	-	-	-	-	-	-	76,901
Lendings to financial institutions	9.98%	1,900,000	1,900,000	-	-	-	-	-	-	-	-	-
Investments - net	11.36%	19,953,205	249,534	-	952,460	884,484	12,058,878	242,050	3,281,529	2,062,464	-	221,806
Advances - net	10.21%	21,812,172	13,036,731	5,076,057	2,109,346	354,693	98,060	166,665	263,140	691,355	2,014	14,111
Other assets	-	2,451,553	-	-	-	-	-	-	-	-	-	2,451,553
		48,722,057	15,189,125	5,076,057	3,061,806	1,239,177	12,156,938	408,715	3,544,669	2,753,819	2,014	5,289,737
Liabilities												
Bills payable	-	308,894	-	-	-	-	-	-	-	-	-	308,894
Borrowings	9.43%	5,964,576	2,309,840	2,538,267	461,231	1,518	3,036	3,036	70,112	555,200	-	22,336
Deposits and other accounts	6.92%	31,642,143	4,358,692	5,444,511	14,275,004	715,140	55,800	941,446	2,703	-	-	5,848,847
Other liabilities	-	1,410,850	-	-	-	-	-	-	-	-	-	1,410,850
		39,326,463	6,668,532	7,982,778	14,736,235	716,658	58,836	944,482	72,815	555,200	-	7,590,927
On-balance sheet gap		9,395,594	8,520,593	(2,906,721)	(11,674,429)	522,519	12,098,102	(535,767)	3,471,854	2,198,619	2,014	(2,301,190)
Cumulative Yield / Interest Risk Sensitivity Gap			8,520,593	5,613,872	(6,060,557)	(5,538,038)	6,560,064	6,024,297	9,496,151	11,694,770	11,696,784	

(Rupees in '000)

2013	Effective yield/ interest rate %	Total	Exposed to yield / interest rate risk: Upto one month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	Non-interest bearing financial instruments
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	0.00%	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	

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)

	2014									
	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	2,525,366	841,480	481,627	296,281	42,022	819,666	44,163	127	-	-
Balances with other banks	79,761	79,761	-	-	-	-	-	-	-	-
Lendings to financial institutions	1,900,000	1,900,000	-	-	-	-	-	-	-	-
Investments - net	19,953,205	249,534	-	952,460	1,106,290	12,058,878	242,050	3,281,529	2,062,464	-
Advances - net	21,812,172	7,889,756	4,434,781	3,944,240	1,397,530	431,393	869,732	513,140	2,304,319	27,281
Operating fixed assets	800,890	7,519	34,132	35,689	50,324	34,665	43,019	182,037	74,389	339,116
Deferred tax assets	1,058,113	-	-	-	228,000	39,000	-	-	791,113	-
Other assets	2,451,553	1,633,716	30,451	28,738	89,835	18,400	11,523	638,890	-	-
	50,581,060	12,601,766	4,980,991	5,257,408	2,914,001	13,402,002	1,210,487	4,615,723	5,232,285	366,397
Liabilities										
Bills payable	308,894	308,894	-	-	-	-	-	-	-	-
Borrowings	5,964,576	2,309,840	2,538,267	461,231	1,518	3,036	3,036	92,448	555,200	-
Deposits and other accounts	31,642,143	7,767,497	8,797,616	5,120,587	715,140	8,297,154	941,446	2,703	-	-
Other liabilities	1,410,850	387,910	34,961	51,815	668,403	-	10,982	256,779	-	-
	39,326,463	10,774,141	11,370,844	5,633,633	1,385,061	8,300,190	955,464	351,930	555,200	-
Net assets	11,254,597	1,827,625	(6,389,853)	(376,225)	1,528,940	5,101,812	255,023	4,263,793	4,677,085	366,397
Represented by:										
Share capital	10,082,387									
Advance against proposed issue of right shares	-									
Reserves	212,640									
Accumulated earnings	471,956									
	10,766,983									
Deficit on revaluation of assets - net of tax	487,614									
	11,254,597									

(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									

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)

2014

	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	2,525,366	2,525,366	-	-	-	-	-	-	-	-
Balances with other banks	79,761	79,761	-	-	-	-	-	-	-	-
Lendings to financial institutions	1,900,000	1,900,000	-	-	-	-	-	-	-	-
Investments - net	19,953,205	249,534	-	952,460	1,106,290	12,058,878	242,050	3,281,529	2,062,464	-
Advances - net	21,812,172	11,559,543	3,976,057	2,109,346	21,360	431,393	869,732	513,140	2,304,318	27,283
Operating fixed assets	800,890	7,519	34,132	35,689	50,324	34,665	43,019	182,037	74,390	339,115
Deferred tax assets	1,058,113	-	-	-	228,000	39,000	-	-	791,113	-
Other assets	2,451,553	1,633,716	30,451	28,738	89,835	18,400	11,523	638,890	-	-
	50,581,060	17,955,439	4,040,640	3,126,233	1,495,809	12,582,336	1,166,324	4,615,596	5,232,285	366,398
Liabilities										
Bills payable	308,894	308,894	-	-	-	-	-	-	-	-
Borrowings	5,964,576	2,309,840	2,538,267	461,231	1,518	3,036	3,036	92,448	555,200	-
Deposits and other accounts	31,642,143	22,715,061	5,444,511	1,767,482	715,140	55,800	941,446	2,703	-	-
Other liabilities	1,410,850	387,910	34,961	51,815	668,403	-	10,985	256,776	-	-
	39,326,463	25,721,705	8,017,739	2,280,528	1,385,061	58,836	955,467	351,927	555,200	-
Net assets	11,254,597	(7,766,266)	(3,977,099)	845,705	110,748	12,523,500	210,857	4,263,669	4,677,085	366,398
Represented by:										
Share capital	10,082,387									
Advance against proposed issue of right shares	-									
Reserves	212,640									
Accumulated earnings	471,956									
	10,766,983									
Deficit on revaluation of assets - net of tax	487,614									
	11,254,597									

(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									

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

The Bank manages operational risks on the basis of its Risk Management Principles & Framework (RMPF) which 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. In compliance with the risk management guidelines issued by SBP and operational risk functions.

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
- Business Continuity Planning and;
- Fraud Risk Management
- Information Security
- Quality Assurance Reviews
- Whistle Blowing Unit
- Central Reconciliation
- Proofing and Verification
- System Audit to ensure Product Versus GL reconciliation
- System Parameters and Users Access Maintenance Management

Furthermore, CORMD's operational framework has been developed keeping in view all applicable regulatory requirements, institutional policies, procedures and best practices. 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. 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 has completed all stages and is in compliance with SBP instructions on ICFR and has submitted its Long Form Report (LFR) duly certified by the external auditors during the year. For the year 2014, the Bank has also obtained exemption from the State Bank of Pakistan for submission of LFR certified by external auditors. Alternatively, the Bank has made efforts to comply with the prerequisites of ICFR for issuance of annual assessment report of 2014 by the Board's Audit Committee.

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.

46. DATE OF AUTHORISATION

These financial statements were approved and authorised for issue on February 25, 2015 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

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

DURING THE YEAR ENDED DECEMBER 31, 2014

ANNEXURE - 1

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	SAN Enterises (Pvt) Limited 176, Shadman Lahore.	Muhammad Saleem Malik Muhammad Naeem Malik Mrs. Nabeela Saleem Mrs. Amtar Rashid	270-77-514256 270-52-089980 272-60-175135 210-30-089999	Muhammad Siddique Malik Muhammad Siddique Malik w/o Muhammad Saleem Malik w/o Muhammad Siddique Malik	9,719	-	110	9,829	6,907	-	110	7,017
2	National Technocommercial Services (Pvt) Limited Sultan Mehmood Road, Shalimar Town, Lahore.	Farid Ahmad Qureshi Hussain Ahmad Qureshi Rizwan ul Haq Qureshi	35202-0299160-5 35202-9275594-9 35202-6996747-1	Rizwan ul Haq Qureshi Rizwan ul Haq Qureshi Hakim Shams ul Haq Qureshi	8,531	-	270	8,801	930	-	-	930
3	"Mehtab Industries Ltd. 85-Arifwala Road, Sahiwal."	Sheikh Muhammad Shafique Sheikh Muhammad Akram Sheikh Muhammad Saeed Sheikh Ata ur Rehman	36502-1301858-9 36502-5639317-3 36502-1343997-9 36502-5116026-1	Muhammad Aslam Sheikh Mehtab Din Muhammad Aslam Sheikh Muhammad Shafique	5,326	-	175	5,501	3,826	-	175	4,001
4	Rashid ur Rehman City Color Laboritories,	Rashid ur Rehman	130-72-743610	Saday Khan	1,227	-	17	1,244	1,227	-	17	1,244
5	Bank Road, Kahksar Manzil, Murdan. Akbar Enterprise Plot No. 128/4, Industrial Estate, Township, Lahore.	Aleem Ahmed Khan			1,095	960	-	2,055	1,095	960	-	2,055
6	Ali Baqar Shah 180 - Allama Iqbal Road, Lahore.	Ali Baqar Shah			933	-	-	933	933	-	-	933
7	Crescot Mills Limited 3rd Floor, Cotton Exchange, I.I. Chaundrigar Road, Karachi.	Aamir Arshad Abid Mehmood Amjad Mehmood Naveed Gulzar Shahid Aarshad Zahid Bashir Arshad Mehmood Mrs. Salma Parveen Miss. Nazish Arshad	244-61-522973 33100-1704580-9 244-92-237520 33100-5149319-5 33100-9643170-1 515-89-054353 33100-5346910-5 33100-6104600-0 33100-4238259-2	Muhammad Arshad MR.GULZAR AHMAD MR.GULZAR MEHMOOD MR.MUHAMMAD ARSHAD MR.MUHAMMAD ARSHAD MR.MOHAMMAD BASHIR MIAN. GULZAR MUHAMMAD W/O MIAN MUHAMMAD ARSHAD D/O. MIAN MUHAMMAD ARSHAD	5,000	6,381	-	11,381	5,000	6,381	-	11,381
8	Hussain Umer Services 90 A/C II, Gulberg III, Lahore.	Hasnat Aftab Qazi Muhammad Hussain	277-92-397857 315-39-376094	Mian Aftab Ahmad Noor- ud- Din	951	-	-	951	951	-	-	951
9	Landmark Knitwear 32-A, Lawrance Road, Lahore	Sheikh Muhammad Afzal		Sheikh Muhammad	3,230	-	-	3,230	3,230	-	-	3,230
10	Mubashar Ahmad 24-Street No. 1, Cavalary Ground, Lahore Cantt.				2,817	5,433	-	8,250	2,817	5,433	-	8,250
11	Salman Brothers 78 - Flaming Road, Lahore.	Muhammad Saleem Mrs. Bilqis		Haji Abdul Sattar w/o Muhammad Saleem	1,904	-	-	1,904	1,904	-	-	1,904
12	Syed Rashid Hussain 34-B,I, Gulberg III, Lahore				809	-	-	809	809	-	-	809
13	United Air Travel Central Hotel, Haroon Abdullah Road, Karachi	Tahir Mahmood Sheikh Samina Tahir Sheikh	42301-8485440-7 42301-6310244-2	Sheikh Bakesh Elahi Tahir Mehmood Sheikh	2,933	-	-	2,933	1,433	-	-	1,433

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

DURING THE YEAR ENDED DECEMBER 31, 2014

ANNEXURE - 1

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)							
14	Ghauri Color Labs House No. 30/BIII Pasha Street, Sahiwal	Muhammad Shehzad	36502-4939179-3	Naseer Ud Din	1,119	-	31	1,150	819	-	31	850
15	Chaudhary Wire Rope Industries (Pvt.) Ltd 3-C, Zafar Ali Road, Lahore	Ch. Muhammad Qasim Ch. Muhammad Akram Ch. Muhammad Azam	35202-2937694-1 35202-4519175-1 271-34-105164	Ch. Siraj Din Ch. Siraj Din Ch. Siraj Din	64,635	-	1,269	65,904	63,449	-	1,269	64,718
16	Tufail Oriental Carpets 16/26 Davis Road, Lahore	Mahmood Ahmed Imran Ali	35202-6147019-3 35202-8106805-3	Irshad Ahmed Muhammad Tufail	8,376	-	-	8,376	1,876	-	-	1,876
17	Dewan Cement (PAK LAND CEMENT LTD.) 8th Floor, Block A, Finance & Trade Center, Karachi	Aziz-ul-haq Dewan Abdul Rehmen Farooqi Syed Muhammad Anwar Ishtiaq Ahmad Dewan Abdulbaqi Farooqi Dewan Muhammad Yousaf Farooqui Haroon Iqbal	516-58-263069 42301-0862043-3 42101-5101100-1 42201-0301293-3 42301-7130155-5 42301-6948978-9 42301-9916370-5	Noor-ul-haq M. Suleman Farooqi Syed Muhammad Ejaz Abdul Rashid Dewan M Umer Farooq Dewan Muhammad Omer Farooqui Mian Muhammad Sharif	-	524	-	524	-	524	-	524
				Grand Total	118,605	13,298	1,872	133,775	97,206	13,298	1,602	112,106

Samba Bank Limited

Pattern of Shareholding

AS AT DECEMBER 31, 2014

Number of Shareholders	Shareholding		Total Shares held
	From	To	
1,591	1	100	68,878
2,000	101	500	522,741
837	501	1,000	605,900
907	1,001	5,000	2,019,288
194	5,001	10,000	1,355,811
91	10,001	15,000	1,130,351
42	15,001	20,000	741,263
33	20,001	25,000	742,213
25	25,001	30,000	689,170
14	30,001	35,000	461,942
11	35,001	40,000	416,722
9	40,001	45,000	387,713
10	45,001	50,000	485,831
4	50,001	55,000	214,585
17	55,001	60,000	970,200
4	60,001	65,000	247,276
5	65,001	70,000	339,536
6	70,001	75,000	431,680
2	75,001	80,000	155,526
1	80,001	85,000	84,574
2	85,001	90,000	173,137
4	90,001	95,000	365,444
3	95,001	100,000	299,925
4	100,001	105,000	407,624
2	105,001	110,000	215,000
7	110,001	115,000	789,585
1	115,001	120,000	119,814
2	120,001	125,000	246,543
1	125,001	130,000	129,000
1	130,001	135,000	134,551
1	135,001	140,000	136,244
4	145,001	150,000	594,355
2	155,001	160,000	313,738
1	160,001	165,000	162,766
3	165,001	170,000	503,447
3	170,001	175,000	521,433
1	175,001	180,000	175,915
2	180,001	185,000	365,644
1	190,001	195,000	191,476
6	195,001	200,000	1,192,180
1	210,001	215,000	211,437
1	215,001	220,000	218,245
1	225,001	230,000	225,532
2	230,001	235,000	463,651
2	235,001	240,000	472,795
1	245,001	250,000	250,000
2	250,001	255,000	504,372

Number of Shareholders	Shareholding		Total Shares held
	From	To	
2	280,001	285,000	563,832
2	295,001	300,000	595,664
1	300,001	305,000	300,100
1	305,001	310,000	308,379
2	310,001	315,000	624,225
1	325,001	330,000	330,000
1	345,001	350,000	350,000
1	395,001	400,000	400,000
1	405,001	410,000	409,818
1	410,001	415,000	412,000
2	415,001	420,000	835,326
1	425,001	430,000	429,290
2	450,001	455,000	907,002
1	475,001	480,000	479,739
1	505,001	510,000	509,729
1	560,001	565,000	563,832
1	620,001	625,000	622,532
1	625,001	630,000	626,500
1	650,001	655,000	653,649
1	940,001	945,000	941,599
1	1,000,001	1,005,000	1,000,238
1	1,200,001	1,205,000	1,205,000
1	1,280,001	1,285,000	1,280,122
1	1,340,001	1,345,000	1,342,945
1	1,480,001	1,485,000	1,483,991
1	1,645,001	1,650,000	1,646,032
1	1,650,001	1,655,000	1,652,306
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	3,465,001	3,470,000	3,469,974
1	3,620,001	3,625,000	3,622,000
1	3,820,001	3,825,000	3,823,804
1	5,765,001	5,770,000	5,768,424
1	11,935,001	11,940,000	11,936,420
1	15,645,001	15,650,000	15,646,346
1	20,785,001	20,790,000	20,788,998
1	40,415,001	40,420,000	40,415,500
1	852,040,001	852,045,000	852,040,531
5,909	TOTAL:=		1,008,238,648

Category of Shareholding

AS AT DECEMBER 31, 2014

S.No.	Shareholders' category	No. of Shareholders	No. of Shares	%
1	Directors, Chief Executive Officer, and their spouse and minor children	6	7,488,316	0.74
2	Executives	-	-	-
3	Associated Companies, undertakings and related parties	1	852,040,531	84.51
4	NIT and ICP	2	25,297	0.00
5	Banks Development Financial Institutions, Non Banking Financial Institutions	26	3,526,837	0.35
6	Insurance Companies	7	2,637,538	0.26
7	Modarabas and Mutual Funds	18	4,248,882	0.42
8	Share holders holding 10% (excluding associated companies, undertakings and related parties	-	-	-
9	General Public :			
	a. Local	5,713	32,184,240	3.19
	b. Foreign	1	196	0.00
10	Others Companies	135	106,086,811	10.52
	Total	5,909	1,008,238,648	100.00

Samba Bank Limited

Information as required under Code of Corporate Governance

AS AT DECEMBER 31, 2014

Shareholders' category	Number of share held	%
i. Associated Companies, Undertakings and Related Parties		
SAMBA Financial Group	852,040,531	84.51
ii. Mutual Funds		
CDC - Trustee National Investment (Unit) Trust	3,823,804	0.38
CDC - Trustee AKD Opportunity Fund	412,000	0.04
M/S. Safeway Fund Limited	263	0.00
	4,236,067	**0.42**
iii. Directors, CEO and Their Spouse(s) and minor children		
Dr. Shujaat Nadeem	5,768,424	0.57
Mr. Shahid Sattar	1,646,032	0.16
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
	7,488,316	**0.74**
* Joint account with Mrs. Najma Mirza		
** Joint account with Mrs. Nishat Iqbal		
iv. Executives	-	-
v. Public Sector Companies and Corporations	2,635,899	0.26
vi. Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Takaful, Modaraba and Pension Funds	3,541,291	0.35
vii. NIT	25,297	0.00
viii. General Public		
a) Local	32,184,240	3.19
b) Foreign	196	0.00
	32,184,436	**3.19**
ix. Other Companies	106,086,811	10.52
	1,008,238,648	100.00

Shareholders Holding five percent or more Voting Rights in the Listed Company

SAMBA Financial Group	852,040,531	84.51

Note: During the year, Dr. Shujaat Nadeem (Chairman) purchased 1,093,500 shares and Mr. Shahid Sattar (President & CEO) purchased 1,500,000 shares.

Samba Bank Limited

Form of Proxy

12th 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 27, 2015, at Margalla Hotel, Islamabad and at any adjournment thereof.

As witness my / our hand / seal this ________ day of ________ 2015.

Signed by the said ________________________

in the presence of 1. ________________________

2. ________________________

Folio / CDC Account No.

Please affix here Revenue Stamp of Rs.5/-

Important:

1. This Proxy Form, duly completed and signed, must be received at the Registered Office of the Bank, 2nd Floor Building # 13-T, F-7 Markaz, Near 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.