

## Serving You In Many Ways

### Services & Facilities

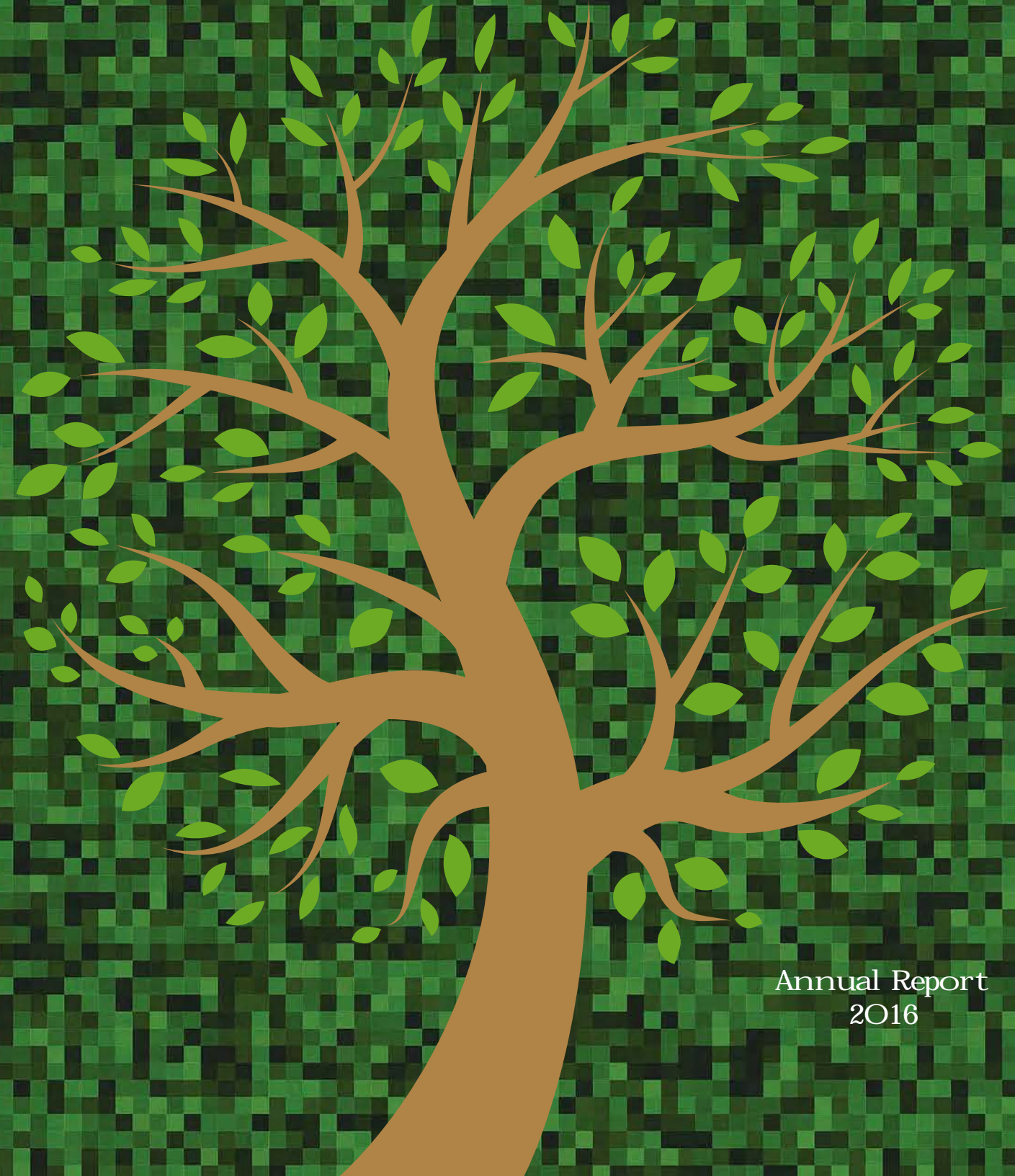
- Attractive Deposit Schemes
  - Asaan Account
- Women Empowerment Account
  - Young Talent Account
- Foreign Currency Accounts
  - Agriculture Loans
- Mark-Up Free Student Loans
- Small & Medium Enterprises (SME) Credits
  - Islamic Banking
  - ATM Network
- VISA & UnionPay Debit Cards
  - Lockers Facility

### SMS Banking

- All Transactions Alert
- Utility Bills Payment
- Mobile Top-ups
- Internet Service Providers (ISPs)
- Fee Payments of Educational Institutions
  - Airline Ticket Payment
- Insurance Premium Payment
- Inter Bank Funds Transfer (IBFT)
- Intra Bank Funds Transfer (IBFT)
  - Balance Enquiry
  - Mini Statement
  - Email Alerts
- Complete Statement of Account Via Email
  - E-commerce



3rd Floor, Federation House,  
Abdullah Shah Ghazi Road, Clifton, Karachi-75600.  
UAN: +92-21-111-333-225 Call Centre: 0800-33322  
Web: [www.sindhbankltd.com](http://www.sindhbankltd.com)



Annual Report  
2016









## Vision

Our vision is to be a leading bank which would play a positive role to generate economic activities for empowering the people by meeting their financial needs for running a successful business and create employment opportunities.



## Mission

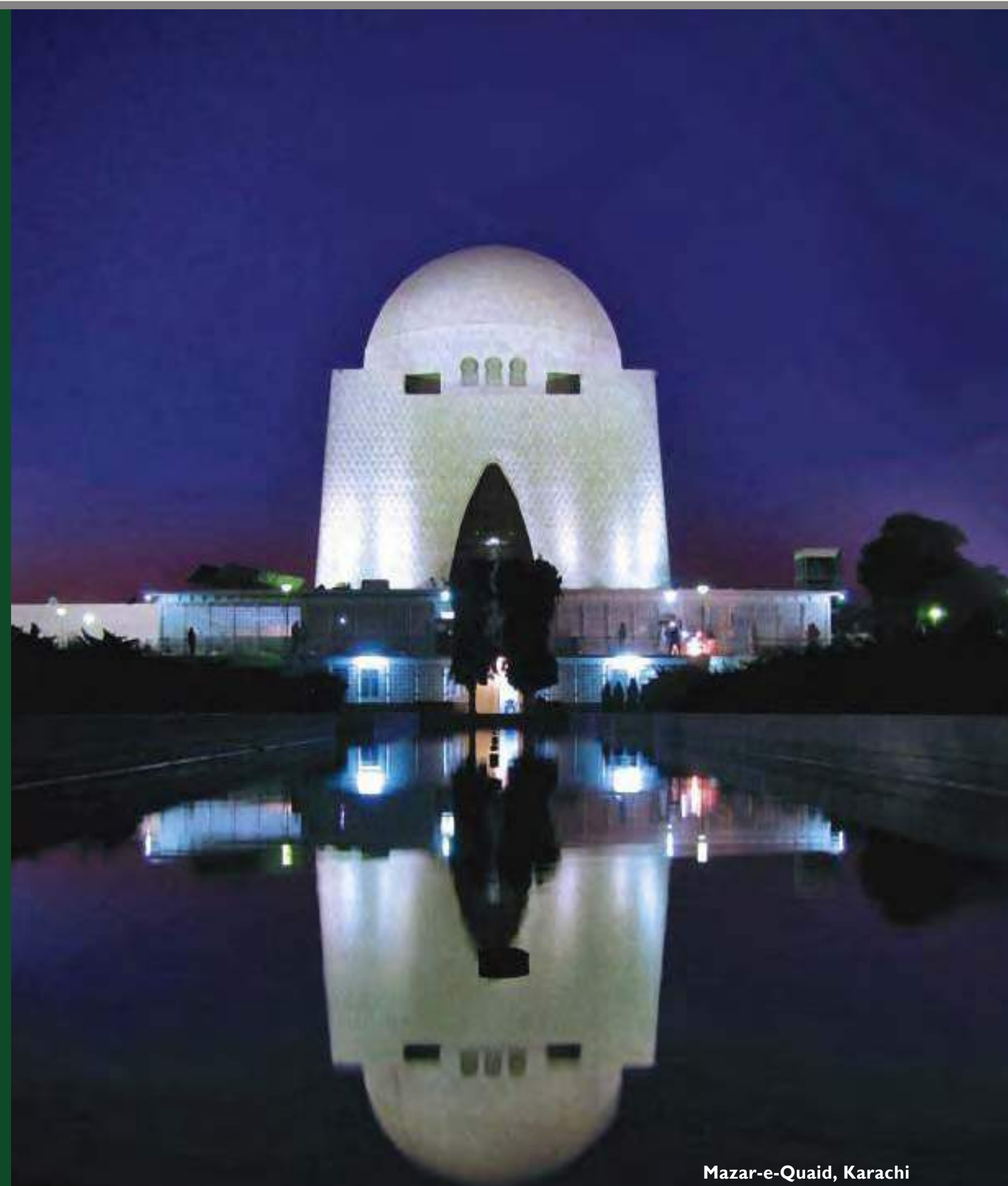
To develop as a leading Commercial Bank in the country by meeting its stated objectives of promoting economic development of the country in general and in the Province of Sindh in particular.





## Contents

Corporate Information	01
Core Values	03
Corporate Objectives	05
Chairman's Message	07
Achievements & Plans	09
Board of Directors	13
Committees of the Board	16
Entity Ratings	17
Statement of Ethics and Business Practices	18
Organogram	19
Directors' Report	21
Financial Highlights	41
Value Added Statement	43
Vertical Analysis	44
Horizontal Analysis	45
Key Performance Indicators	46
Corporate Governance Statement	47
Review Report on Code of Corporate Governance	51
Statement of Internal Controls	52
Auditors' Report on Unconsolidated Financial Statements	53
Unconsolidated Financial Statements	55
Islamic Banking Business	127
Shariah Advisor's Report	135
Auditors' Report on Consolidated Financial Statements	139
Consolidated Financial Statements	140
Notice of Sixth Annual General Meeting	209
Pattern of Shareholding	210
Branch Network	213



Mazar-e-Quaid, Karachi





## Corporate Information

### Board of Directors

Afzal Ghani	Chairman/Independent Director
Muhammad Naeem Sahgal	Independent Director
Mohammad Shahid Murtaza	Non Executive Director
Syed Hasan Naqvi	Non Executive Director
Raja Muhammad Abbas	Independent Director
Tajammal Husain Bokharee	Independent Director
Muhammad Bilal Sheikh	Non Executive Director
Tariq Ahsan	President & CEO

Chief Financial Officer	Saeed Jamal Tariq
Company Secretary	Shamsuddin Khan

Auditors	Grant Thornton Anjum Rahman Chartered Accountants
----------	--

Legal Advisors	Mohsin Tayebaly & Co
Share Registrar	Central Depository Company of Pakistan Limited

Registered/Head Office	3rd, Floor Federation House Abdullah Shah Ghazi Road Clifton, Karachi-75600 UAN : +92-21-111-333-225 Fax : +92-21-35870543
------------------------	--

Registration Number	0073917
NTN Number	3654008-7
Website	<a href="http://www.sindhbankltd.com">www.sindhbankltd.com</a>



Mosque in Karachi





## Core Values

### Integrity

Take pride in everything that is fair, honest and build trust in every situation.

### Customer Focus

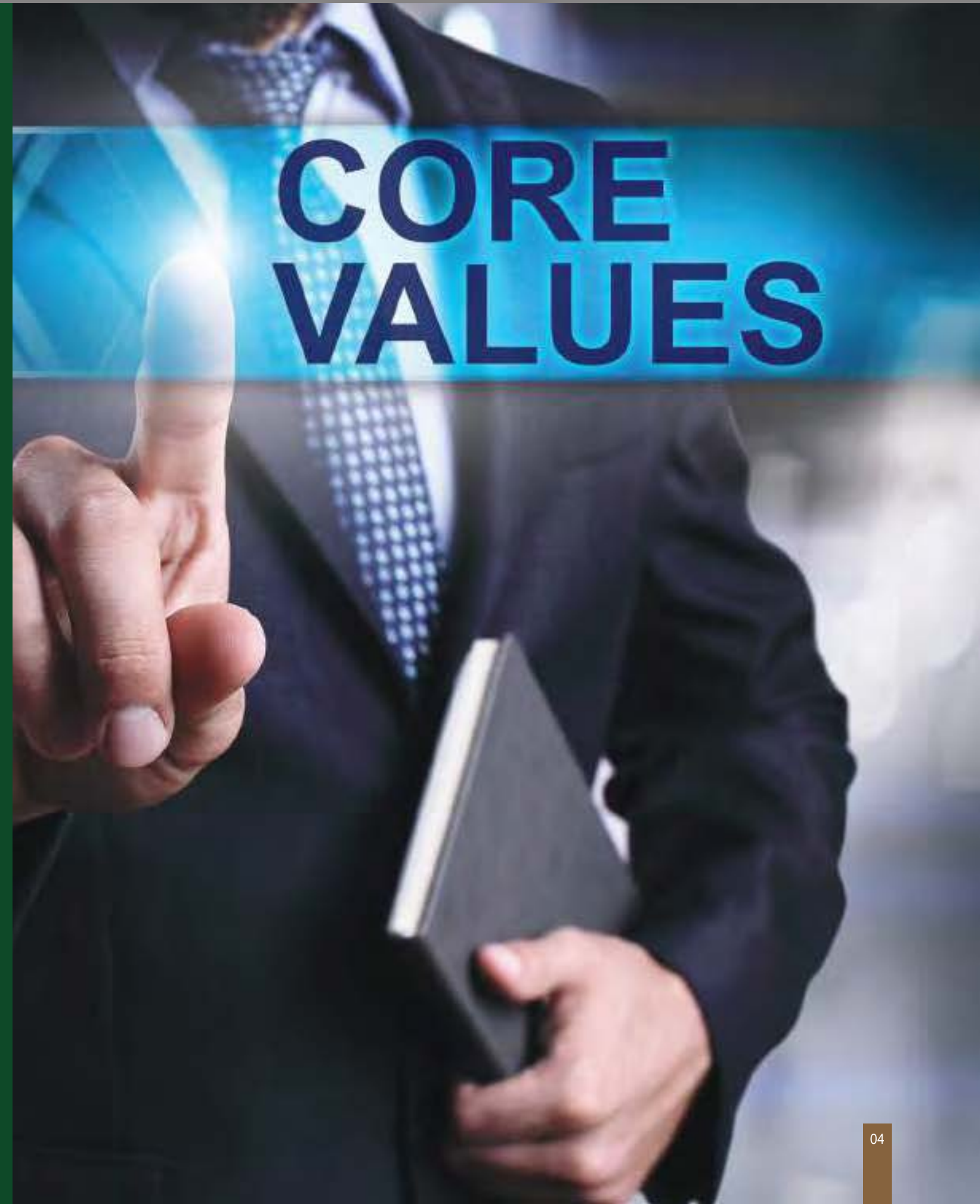
We live by our customers' success. We build lasting relationships with our clients.

### Team Work

We communicate actively and openly. We build trust by honoring our commitments. We show respect for each other.

### Innovation

We are constantly looking for ways to innovate and improve. We embrace change as an opportunity.







## Corporate Objectives

Sindh Bank's vision for promoting economic activity to empower the people of Pakistan and create employment opportunities, brings upon it an onerous responsibility to deliver results.

Thus the Bank's policies are focused on:

- Enhancing small farmers access to institutional credit and supporting national strategy for increasing agricultural output by funding farm and non-farm projects.
- Promoting SME sector by providing financial solutions to small and medium sized entrepreneurs.
- Funding projects yielding economic benefits to the country.
- Supporting projects that empower women.
- Providing banking facilities in the unbanked areas particularly in the province of Sindh.
- Providing e-banking services to enable Bank's customers to have fast and easy access meeting their banking requirements by installing the most modern and efficient technological applications that satisfy customers' expectations.
- Fulfilling its Corporate Social Responsibility in all segments of the Society, particularly for promoting and enhancing education in Pakistan, by supporting and providing interest free loans to meritorious students for higher education, with job guarantee in Sindh Bank.
- Laying a sound foundation for the bank and delivering attractive value for the shareholders' investment while remaining within the ambit of regulatory requirements.







## Chairman's Message



## Annual Report 2016



On behalf of the Board of Directors of Sindh Bank, it gives me great pleasure to present this review, along-with the financial statements of the Bank for the year ended December 31, 2016. The Bank's branch network grew to 260 branches spread across over 130 cities in Pakistan.

Profit (before tax) for 2016 increased by 18.4% to Rs. 2,428 million from the amount of Rs. 2,051 million earned during 2015, translating into EPS (after tax) of Rs. 1.39. The financial results and appropriations, as recommended by the Board, are summarized below:

	Rupees in '000
<b>Profit before provisions and tax</b>	<b>4,035,378</b>
General Provision against Advances	(1,500,000)
General Provisions against consumer & small enterprise advances	(1,834)
Specific provisions against non-performing advances	(105,614)
<b>Profit before tax</b>	<b>2,427,930</b>
Taxation - Current	1,404,921
- Prior year	185,408
- Deferred	(553,225)
<b>Profit after tax</b>	<b>1,390,826</b>
Un-appropriated profit brought forward	3,076,915
Other comprehensive loss	(3,665)
<b>Profit available for appropriation</b>	<b>4,464,076</b>
<b>Appropriations:</b>	
Transfer to Statutory Reserve	(278,165)
<b>Un-appropriated profit carried forward</b>	<b>4,185,911</b>

Total Deposits as at December 31, 2016 amounted to Rs. 119.022 billion, registering an increase of 41.56% from Rs.84.076 billion on December 31, 2015. Gross advances increased by 19.85% to Rs.55.979 billion as compared to Rs.46.708 billion on December 31, 2015.

As at the year-end, Sindh Bank's Equity (ie Paid up Capital, Reserves & Unappropriated profits) stood at Rupees 15.397 billion, increasing by about 10% over Rupees 13.999 billion last year. The Bank's risk adjusted Capital Adequacy stood at 18.33 % against the year-end 2017 requirement of 10.65%.

Economic outlook for 2016 remains favorable on the back of moderate inflation, revival of manufacturing activity and CPEC combined with a stable external sector. Banking spreads appear to be improving moderately. I expect improvement in business volumes and efficiencies to drive future profitability of the Bank.

The Board would like to thank the Government of Sindh for their continuous support towards the promotion and progress of the Bank. I am also thankful to the State Bank of Pakistan and other regulators for their guidance and support. Also, I am thankful to our customers who are the real purpose for us to be in business.

I would also like to appreciate the efforts, commitment and team work of the Bank's Executives and Staff due to which the Bank was able to achieve such exceptional results.

The Board would like to assure all the stakeholders of its full cooperation and support for the future development and progress of the Bank.

Afzal Ghani  
Chairman

Karachi: March 2, 2017

This review forms an integral part of the Directors' Report to the Shareholders.





## Major Achievements 2016 Plans for 2017







## Major Achievements in 2016

- 10 on-line branches established expanding Sindh Bank's footprint to 260 locations spread over 130 cities/towns across Pakistan. Further 33 ATMs added to Bank's network which now total 225 ATMs.
- Over 1,400 members of the staff attended in-house and ex-house training programs focusing on branch banking operations, regulatory compliance, consumer protection framework, SME financing, audit & internal control, soft skills and AML/CFT
- Sindh Microfinance Bank Limited (SMFB), a wholly owned subsidiary of Sindh Bank, started microfinance operations in May 2016. In the first year of its operations i.e. 2016, SMFB registered Profit before Tax of Rs. 20.7 million. SMFB has five (5) branches and nineteen (19) service centers, mostly in rural areas of Sindh.
- A new 'Sukoon' Current Account with attractive features was added to the Sindh Bank products portfolio.
- Against the Agricultural credit disbursement target of Rs. 3,800 million for FY 16-17 assigned by SBP, amount of Rs. 1,536 million (40 percent) has been utilized in the first half of the year. We remain confident of achieving the assigned target by the closing date of June 30, 2017.
- Launched 'PayPak' Pakistan's first ever domestic payments card in 'Classic' and 'Gold' classes and globally accepted Visa Debit card in 'Classic', 'Gold' and 'Platinum' classes, each loaded with features and benefits aimed at different customer segments.
- Launched an innovatively designed mobile app through which non-resident Pakistanis can instantly remit money to their families and loved ones, in Pakistan on a 24/7 basis, without the need to visit a currency exchange or agent.
- Sindh Bank was instrumental in supporting CSR activities through its IT and Branch platforms, especially related to BISP and Zakat disbursements. The Bank facilitated payment of Rs 798 million to 42 thousand BISP beneficiaries whereas Rs 787 million was disbursed to more than 95 thousand Zakat beneficiaries on behalf of Sindh Zakat & Ushar Department, GoS through Sindh Bank's Benazir Muawanat Card.
- Sindh Bank's branches handled home remittances to the tune of Rs 1.7 billion through 39,200 transactions during 2016 as compared to Rs 1.5 billion through 35,700 transactions in 2015. Sindh Bank has arrangements in this regard with globally reputed companies such as Western Union and MoneyGram.
- Sindh Bank is one of the first few banks which successfully added RTGS/STP (Real Time Gross Settlement/Straight Through Processing) functionality to its Core Banking system, enabling customers to directly transfer their funds, including home remittances, on a real time basis.

## Plans for 2017

- 40 new branches are planned in 2017 enabling the Bank to further expand its network/reach while reaching the milestone of 300 online branches.
- 80 ATMs to be added during 2017, bringing the total to 305 ATMs by year end 2017, increasing the Bank's branchless banking footprint.
- Mobile Wallet to be launched for walk-in customers by opening limited mandate Accounts. Initially, this will facilitate utility bill payments and mobile top-up using Sindh Bank's state of the art SMS banking facility.
- Expanding training outreach by setting more training hubs in other provinces besides Sindh.





## Board of Directors



**Afzal Ghani**  
 Chairman/ Independent Director

Mr. Ghani is a Senior Chartered Accountant and is a Business Executive, having vast experience as a Professional Business Executive and Corporate Expert. He is the Chairman of the Board of Directors.



**Tajammal Husain Bokharee**  
 Independent Director

Mr. Bokharee is a career banker and an Associate & Fellow of the Chartered Institute of Bankers, London.



**Muhammad Naeem Sahgal**  
 Independent Director

Mr. Sahgal is a Supreme Court Advocate and a Partner of Walker Martineue Saleem, an eminent law firm of the country. He possesses Master's degree in law from UK.



**Raja Muhammad Abbas**  
 Independent Director

Mr. Abbas is a retired Civil Servant. His last assignment was Secretary, Board of Investment. He has been Secretary, Ministry of Interior; Chairman, State Engineering Corporation, Chief Secretary, Sindh, Secretary Housing & Works and Managing Director, Pakistan Housing Authority, Islamabad.



**Syed Hasan Naqvi**  
 Nominee Director of Government of Sindh

Presently Finance Secretary of the Government of Sindh. His appointment was approved by State Bank of Pakistan in September 2016. He was Special Finance Secretary in the Government of Sindh from 2013 to 2016. He is a CSS Officer and holds diversified experience in civil service.



**Mohammad Shahid Murtaza**  
 Non Executive Director

Mr. Shahid Murtaza has an experience of more than 40 years in the field of domestic and International Banking.



**Tariq Ahsan**  
 President & CEO

Mr. Tariq Ahsan joined the Bank in December 2010. He has over 28 years of experience in the financial sector through various roles in established institutions such as Pak Brunei Investment Co, PICIC Commercial Bank Ltd, Dawood Bank Ltd, IDBP, NDFC, NDLC and Bank of Oman. He possesses a Masters in Business Administration with specializations in Marketing and Finance.



**Muhammad Bilal Sheikh**  
 Non Executive Director

Mr. Sheikh is a career banker having experience of over 48 years. He has been Chief Executive of various Banks and DFIs for the last 19 years.





From left to right: Tajammal Husain Bokharee, Mohammad Shahid Murtaza, Muhammad Naeem Sahgal, Syed Hasan Naqvi

Afzal Ghani (Chairman), Raja Muhammad Abbas, Muhammad Bilal Sheikh and Tariq Ahsan (President & CEO)

## Board of Directors:

1	Afzal Ghani	Chairman/Independent Director
2	Syed Hasan Naqvi, Finance Secretary (GoS)	Non Executive Director
3	Mohammad Shahid Murtaza	Non Executive Director
4	Muhammad Naeem Sahgal	Independent Director
5	Tajammal Husain Bokharee	Independent Director
6	Raja Muhammad Abbas	Independent Director
7	Muhammad Bilal Sheikh	Non Executive Director
8	Tariq Ahsan	President & CEO

## Committees of the Board:

### Risk Management Committee:

Tajammal Husain Bokharee	Chairman
Mohammad Shahid Murtaza	Member
President & CEO	Member
Head of Risk Management	Secretary

### Procurement, Information Technology & Security Committee:

Syed Hasan Naqvi	Chairman
Mohammad Shahid Murtaza	Member
Tajammal Husain Bokharee	Member
Raja Muhammad Abbas	Member
President & CEO	Member
Head of Information Technology	Secretary

### Human Resource & Remuneration Committee:

Afzal Ghani	Chairman
Muhammad Naeem Sahgal	Member
Muhammad Bilal Sheikh	Member
President & CEO	Member
Head of Human Resource	Secretary

### Audit Committee:

Muhammad Naeem Sahgal	Chairman
Syed Hasan Naqvi	Member
Muhammad Bilal Sheikh	Member
Raja Muhammad Abbas	Member
Head of Internal Audit	Secretary

### Nomination Committee:

Raja Muhammad Abbas	Chairman
Tajammal Husain Bokharee	Member
Muhammad Bilal Sheikh	Member
President & CEO	Member
Company Secretary	Secretary





## PayPak. UnionPay & VISA Debit Cards

Sindh Bank VISA and UnionPay Debit Cards  
can be used anywhere in the world.  
PakPak Debit Cards can only be used in Pakistan.  
These Debit Cards keep your wallet light and your  
money safe.







## Entity Ratings



### Long-Term Rating AA Short-Term Rating A-I+ Outlook-Stable

Definitions by JCR-VIS Credit Rating Co. Ltd.

#### Long-Term Rating AA

High Credit Quality. Protection factors are strong. Risk is modest but may vary slightly from time to time because of economic conditions.

#### Short-Term Rating A-I+

Highest certainty of timely payment; Short-term liquidity, including internal operating factors and/or access to alternative sources of funds, is outstanding and safety is just below risk free Government of Pakistan's short-term obligations.

## Statement of Ethics and Business Practices

This Statement of Ethics and Business Practices applies to all Employees of Sindh Bank Limited. It strives to set forth certain standards and rules of conduct followed in the corporate entities, globally. Our culture of ethics and integrity shall from the beginning define who we are as a Bank and how we as colleagues treat each other, our customers and stakeholders.

This Statement of Ethics and Business Practices attempts to introduce the Employees to the types of attitudes and conduct that create an honest, fair and legal workplace. It will be surrounded by 3 basic beliefs:

- Respect for the Individual • Service to the Customer • Striving for Excellence

#### General Principles and Significant Aspects of Code of Ethics:

1. We will abide by the laws of the Country in all activities at work and beyond. Any suspected material violation of a law, regulation or ethical standard must be reported to the appropriate level of authority within the Bank. Where appropriate, the authority will report to the relevant statutory authority.
2. We will always demonstrate high standard of conduct at work place or outside as good citizens of Pakistan.
3. We will adhere to a high level of professional practices commensurate with Bank's aim to achieve growth in earning for shareholders over the long term undertaking business compatible with our character and business norms.
4. We will behave with integrity and honesty in our dealing with customers, colleagues, supervisors and all others with whom we interact.
5. We, as the Bank employees have a responsibility towards all stakeholders to make decisions strictly on the basis of Bank's interests, without regard to personal gain. A conflict of interest can arise when one's judgment could be influenced, or might appear as being influenced, by the possibility of personal benefit. Even if it's not intentional, the appearance of a conflict may be just as damaging to employees' and Bank's reputation, as an actual conflict. We would always be on the lookout for situations that may create a conflict of interest, and do everything we can to avoid them.
6. Situation may arise holding an employee in conflict of his interest with the interest of the Bank. In such situation, to enable the Bank to make objective decisions, the employee must declare in advance the possible conflict of interest, to his/her senior. The management may require the employee to dissociate him/her from any involvement in a decision by the Bank that relates to such personal conflict.
7. Our involvement in an outside activity or any external position held must not give rise to any real or apparent conflict with a customer's interest, must not adversely reflect on the Bank and must not interfere with an individual's performance.
8. We will not solicit or accept gifts, sponsorship, hospitality or favor which would compromise, or give the appearance of compromising our position or any business decision taken by or on behalf of the Bank. Accepting gifts and entertainment can cause a conflict of interest, or the appearance of a conflict between personal interests and professional responsibility. The Bank's culture is to never accept gifts or entertainment from any supplier, potential supplier, or any person the employee has reason to believe may be seeking to influence business decisions or transactions.
9. We, besides working with honesty and faithfulness shall maintain strict secrecy regarding the Bank's affairs and the affairs of its constituents and subsidiaries, if any. We shall use our utmost endeavors to promote the interest of the Bank and shall show courtesy and attention in all dealing with customers.
10. We shall not use for personal gain or benefit or, except insofar as it is necessary in the regular course of business, disclose to anyone within or outside the Bank any information obtained in the course of work that is of confidential nature. We will not disclose intentionally or carelessly, any information that is of confidential nature without the prior approval from the respective departmental head. In official communication or prospective communication with prospective or current client, ensure that information is given only on need to know basis.
11. We shall not engage in any other profession, trade or business activity for remuneration or enter into the employment of any other person firm or company. An engagement in social and welfare service beyond normal office hours may however, be encouraged.
12. We shall not make any false or misleading statement in relation to our appointment or performance of our duties in the Bank. To ensure accuracy of information that would be provided to the public, the employees are prohibited from making any statement, including statements about financial matters (written or verbal) on behalf of the Bank to media, news publications, business publications, or any other source without prior approval from the respective department of the Bank.
13. Personal, social and unofficial visits during working hours are discouraged. In the event of an emergency, visitors may be entertained outside the work area, or in the designated reception area to ensure confidentiality of information and minimum disruption.
14. We shall not bring or attempt to bring political or other influence, directly or indirectly, nor shall we take part in, subscribe to and or assist in any way, any political activity.
15. If we are found involved or convicted in a criminal offence, we shall immediately bring to the notice of the Management through our head of department or, if arrested and released on bail, soon after such release.
16. We shall generally dissuade from following evils:
  - Inappropriate Conduct • Sexual Harassment • Corruption and Retaliation • Discriminatory Behavior • Grapevine and Gossips
  - Intentional Dishonesty • Drug Abuse and Anti Environmental Activities • Insider Trading • Money Laundering

In terms of regulation 4, Item # 10 notified by State Bank of Pakistan (SBP) vide BPRD Circular No. 02 dated 13/09/2012, Employees of the banks are strictly prohibited to disclose the facts to the customer or any other quarter that a suspicious transaction or related information is being or has been reported to any authority, except if required by law.





## ORGANOGRAM

### BOARD OF DIRECTORS

### BOARD'S INDEPENDENT AUDIT COMMITTEE

**TARIQ AHSAN**  
PRESIDENT & CEO

**SHAMSUDDIN KHAN**  
EVP/COMPANY SECRETARY &  
HEAD OF LEGAL AFFAIRS

**AKHTAR ALI KHAN**  
ADVISOR

**MAMNOON A. ALVI**  
ADVISOR

**SHAHID S.A. MUGHAL**  
EVP/HEAD OF AUDIT

**KH. TAJAMMUL HUSSAIN**  
SEVP/HEAD OF HUMAN  
RESOURCE & TRAINING

**FARHAN A. KHAN**  
SEVP/GROUP HEAD  
NORTHERN REGION

**SYED ASSAD ALI**  
EVP/GROUP HEAD  
RURAL SINDH REGION

**A. RAUF CHANDIO**  
EVP/GROUP HEAD  
SOUTHERN REGION

**MASOOMA HUSSAIN**  
EVP/HEAD OF OPERATIONS

**ANIS IQBAL**  
SEVP/HEAD OF IT.

**NADEEM ALTAF**  
EVP/HEAD OF CREDIT

**KHAWAJA GHALIB**  
EVP/HEAD OF PRODUCT  
DEVELOPMENT & MEDIA

**LT. COL(R) SHAHZAD BEGG**  
EVP/HEAD OF ADMINISTRATION

**SAFDAR KAZI**  
SVP/ HEAD OF  
RISK MANAGEMENT

**SAEED JAMAL TARIQ**  
EVP/CFO/HEAD OF FINANCE

**SAEED UDDIN KHAN**  
EVP/HEAD OF  
ISLAMIC BANKING

**NAVEED E. MALIK**  
SVP/HEAD OF COMPLIANCE,  
VIG. & FRM

**SHAMS-UL-ABBAS MALLAH**  
SVP/HEAD OF  
AGRI CREDIT

**JEANETTE CHOHAN**  
EVP/HEAD OF EL & FOREX TRADE

**SHARIQ H. JALEESI**  
SVP/ HEAD OF CREDIT  
ADMIN DIV (CAD)

**RUKHSANA NAREJO**  
SVP/HEAD OF TREASURY  
(FRONT OFFICE)





## Directors' Report



## Annual Report 2016



On behalf of the Board of Directors, I am pleased to present the 6th Annual Report of the Bank for the year ended December 31, 2016. Financial highlights for the year are as follows:

(Rupees in '000)

Balance Sheet	As on December 31, 2016	As on December 31, 2015	% age Change
Paid up Capital	10,010,130	10,000,000	-
Reserves & un-appropriated profits	5,386,723	3,999,511	34.68%
<b>Paid up Capital &amp; Reserves</b>	<b>15,396,853</b>	<b>13,999,511</b>	<b>9.98%</b>
Surplus on Revaluation	134,032	758,879	
<b>Equity</b>	<b>15,530,885</b>	<b>14,758,390</b>	<b>5.24%</b>
<b>Deposits</b>	<b>119,022,240</b>	<b>84,076,644</b>	<b>41.56%</b>
<b>Investments (net of repos)</b>	<b>70,290,533</b>	<b>48,111,792</b>	<b>46.10%</b>
<b>Gross Advances</b>	<b>55,979,573</b>	<b>46,708,032</b>	<b>19.85%</b>

Profit & Loss Account	Year Ended December 31, 2016	Year Ended December 31, 2015	% age Change
Markup/return/interest income	9,775,399	10,127,239	-3.47%
Markup/return/interest expensed	5,371,167	5,684,824	5.52%
<b>Net markup/profit/interest income</b>	<b>4,404,232</b>	<b>4,442,415</b>	<b>-0.86%</b>
<b>Non-mark-up/non-interest income</b>	<b>3,495,950</b>	<b>3,491,838</b>	<b>0.11%</b>
<b>Non mark-up/interest expenses</b>	<b>3,864,804</b>	<b>3,366,817</b>	<b>14.79%</b>
<b>Provisions</b>	<b>1,607,448</b>	<b>2,520,355</b>	
Provisions-general	1,501,834	2,501,523	
Provisions-specific	105,614	18,832	
<b>Profit before Tax</b>	<b>2,427,930</b>	<b>2,051,499</b>	<b>18.35%</b>
<b>Profit After Tax</b>	<b>1,390,826</b>	<b>1,230,263</b>	<b>13.06%</b>
<b>Earnings per share (Rupees)</b>	<b>1.39</b>	<b>1.23</b>	<b>13.05%</b>

Other Information	As on December 31, 2016	As on December 31, 2015	% age Change
<b>No. of Accounts</b>	<b>418,454</b>	<b>358,084</b>	<b>16.86%</b>
<b>Number of Branches</b>	<b>260</b>	<b>250</b>	<b>4%</b>

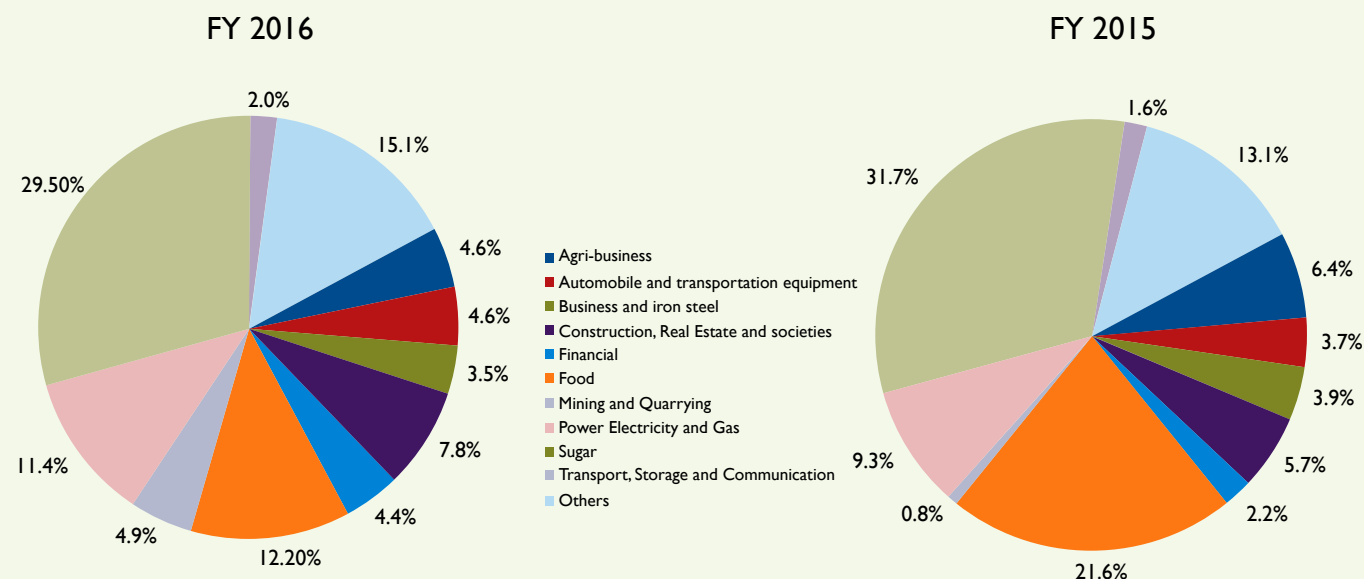
### A. DEPOSITS

Total Deposits registered an increase of 41.6 percent and stood at Rs. 119.0 billion compared to Rs. 84.1 billion on December 31, 2015. Ratio of Finance Department, GoS Deposits to other Deposits was 17:83 as compared to 19:81 at the year ended 2015. Number of customer accounts at 418,454 registered an increase of 16.9 percent over 2015. Growth in other deposits and number of depositors is indicative of enhanced customer confidence in the Bank.

### B. ADVANCES

Gross Advances increased by 19.9 percent to Rs. 56.0 billion as compared to Rs. 46.7 billion on December 31, 2015. Sector-wise exposure is as follows:

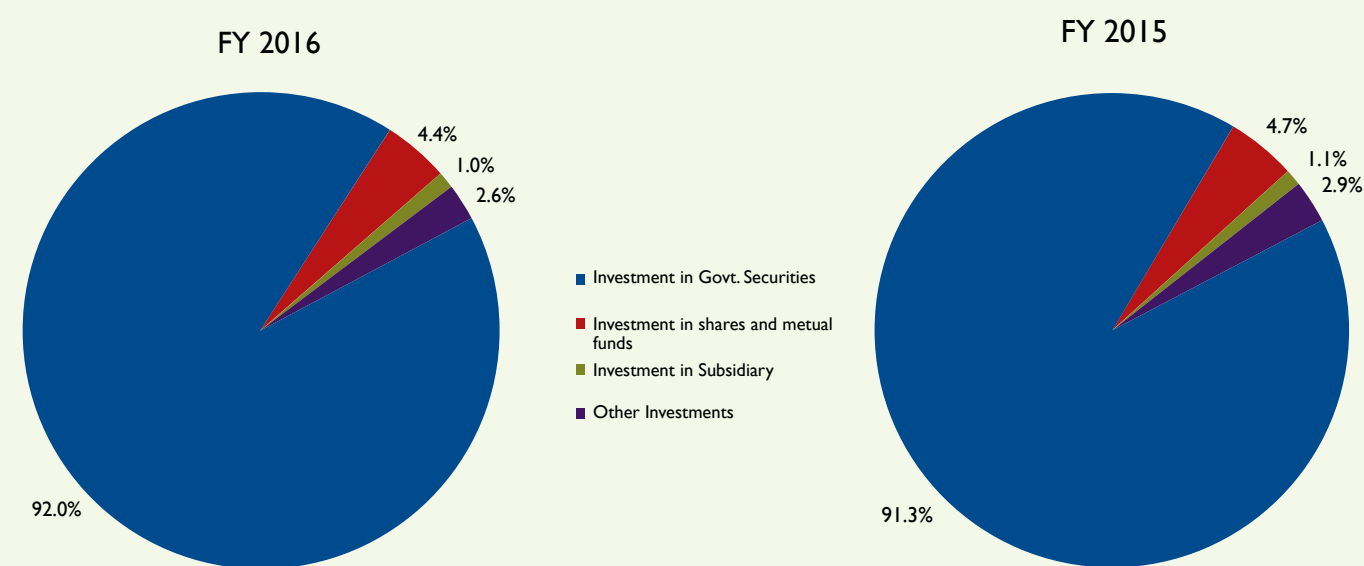




Out of the above, exposure to Food Department, GoS of Rs. 6.2 billion (i.e 11.0%) and Rs. 3.5 billion (i.e 6.2%) in the Power sector, are secured against GoP/GoS guarantee/comfort letters. Against exposure of Rs. 16.5 billion to the Sugar sector, an amount of Rs.3.4 billion is secured against 100% cash collateral and Rs. 4.3 billion against pledge of Sugar with 20% margin.

### C. INVESTMENTS

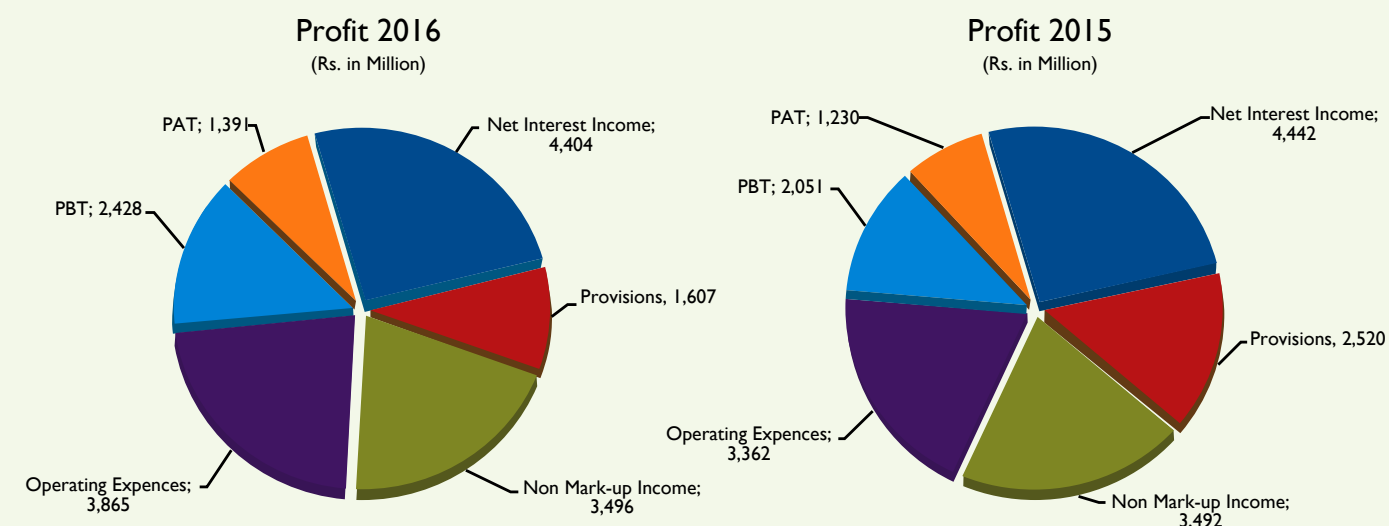
Investment in Government securities increased by 4.1 percent to Rs. 66.9 billion on December 31, 2016 compared to Rs. 64.3 billion as at December 31, 2015. Investment in Stock Market stood at Rs.2,948 million, increasing by 10.8 percent over December 31, 2015 (Rs.2,661 million). Break-down by type of investment is as under:



## Annual Report 2016

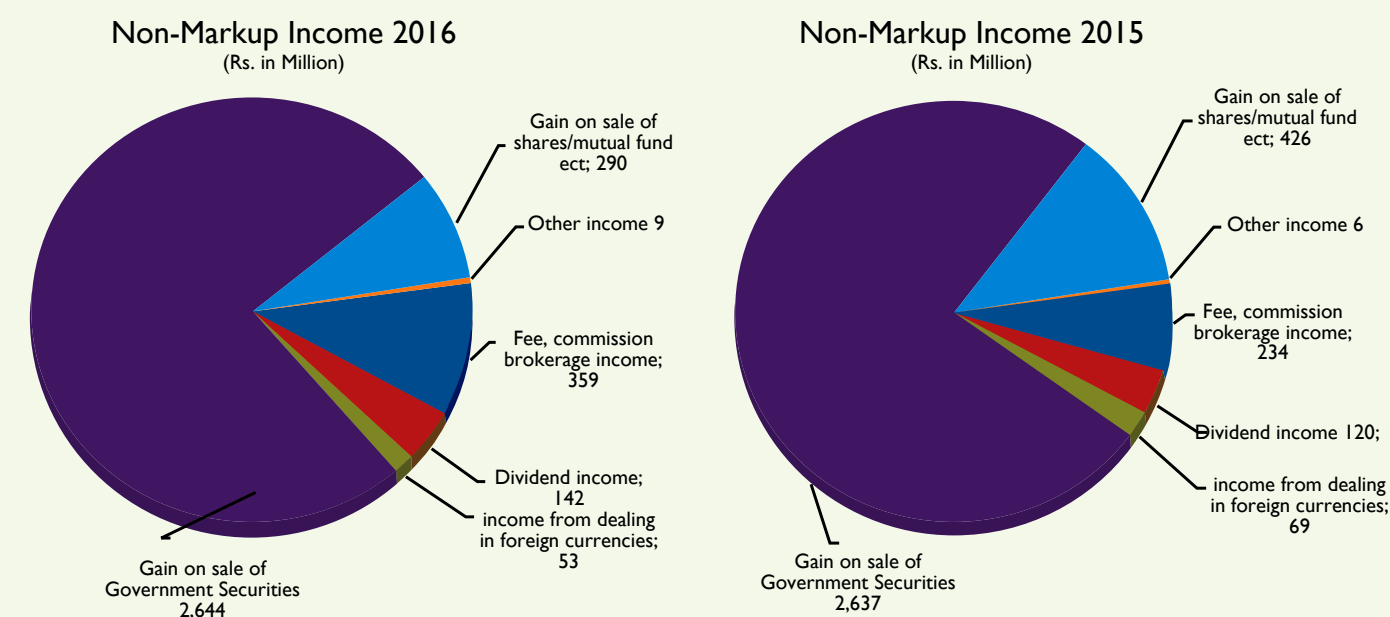
### D. PROFIT

Pre-tax profit for the year ended December 31, 2016 amounted to Rs. 2,428 million as against Rs. 2,051 million earned in the corresponding period of 2015, an increase of 18.4%. Breakup is as follows:



Net Markup/Interest Income suffered a minor decline of 0.9 percent over 2015. The reason for Net Markup/Interest income not rising in line with the increase in the Bank's Deposits can be attributed to (i) full year impact of the 2.5 percent decrease in Policy rate during 2015 and further decrease of 0.25% during 2016; (ii) less than proportionate decrease in the return on deposits compared to the return on advances, which are contractually adjusted on the re-pricing date. This is because customer retention is very important for a new bank like us; and to some extent (iii) suspension of markup/interest income on NPLs. Results of major banks released so far reveal a decrease in their Net Markup/Interest Income as well as Net Profits before Tax, however the adverse effect in the case of Sindh Bank has been cushioned to some extent due to growth of over 40 percent in Bank's Customer Deposits, against the industry average of 20.4 percent.

Bank's Non-Markup/Interest income during 2016 remained at virtually the same level as 2015. Break-up is as follows:







Capital Gains included Rs. 2.6 billion realized on the sale of PIBs whereas Rs.289.7 million was realized from sale of other investments, mainly shares/mutual funds.

As an abundant caution, further amount of Rs. 1.5 billion (Rs. 4.0 billion as of now) has been set aside as general provision to deal with any unforeseen contingencies against the risk inherent in the Advances portfolio. This is in addition to general provision of Rs. 1.834 million against Consumer/Small Enterprises Financing and Specific provision of Rs.105.614 million against other advances as required under Prudential Regulations.

## E. BRANCH NETWORK

The Bank has its presence at 260 locations spread over 130 cities/towns all over Pakistan and include 14 branches which are dedicated to Islamic Banking, Region wise breakup is as under:

Regions	No. of Branches	No. of Cities/Towns
<b>South:</b> including Karachi, Sindh/other cities/towns & Balochistan	159	71
<b>North:</b> including Punjab, Islamabad, KPK, AJK & GB	101	59
<b>Total</b>	<b>260</b>	<b>130</b>

## ECONOMIC REVIEW

During Fiscal Year 2016 (FY16) the momentum of Pakistan's economy increased recording an eight year high GDP growth of 4.7 percent (FY15-4.0 percent). This occurred due to strong performance of the (i) industrial sector which registered growth of 6.8% vs 4.8% in FY15, and (ii) services sector which recorded a growth of 5.7% compared to 4.3% in FY15. The growth was achieved despite a slight decline of 0.2 percent in Agriculture due to significant losses to the cotton crop.

Average headline CPI inflation during FY16 was 2.9 percent compared to 4.5 percent during FY15. A rising trend was witnessed in the six months ended December 31, 2016 as average inflation was clocked at 3.9 percent compared to 2.1 percent in the same period last year. During 2016, only one adjustment in the Policy rate occurred as the Monetary Policy Committee (MPC) cut the rate by 25 bps to an all-time low of 5.75 percent.

FX reserves as at December 31, 2016 were US\$ 23.2 bn compared to US\$ 20.8 bn last year, increasing by 11.5 percent. The high level of reserves supported stability in value of the Pak Rupee during the year.

During FY16 Exports amounted to US\$ 21.97 bn, declining by 8.8 percent from US\$ 24.08 bn in FY15. Growing CPEC related imports, decline in exports, slowdown of foreign remittances (6.4% growth in FY16 vs 17.3% in FY15) and drying out of inflows from Coalition Support Fund, increased the CA deficit to USD 3.6 bn as at December 31, 2016. This deficit was financed mainly through increased bilateral/multilateral funding and investment flows.

PSX 100 index ended the year 2016 at 47,807 points, rising by 45.7 percent (2015 Dec-32,816 points) over last year, leading all the stock markets in Asia. During the year Pakistan also gained entry into one of the world's most popular emerging markets equity indices ie MSCI Emerging Markets Index. With about \$1.5 trillion in assets under management tracking the EM Index, it has been a huge boost for the market.

## CREDIT RATING

The JCR-VIS Credit Rating Company has assigned the Bank, medium to long term entity rating of AA (Double AA) with a Stable outlook. The short term rating stands at A-1 +.



## MINIMUM CAPITAL REQUIREMENT & CAPITAL ADEQUACY RATIO

The Bank is fully compliant with the minimum capital requirement prescribed by the State Bank of Pakistan while its Capital Adequacy Ratio stood at 18.33% as against the minimum requirement of 10.65%.

## RISK MANAGEMENT FRAMEWORK

Sindh Bank has in operation a risk management system commensurate with the size and complexity of its operations to provide reasonable assurance that the risks undertaken are adequately managed and are within its risk appetite. During the year, further refinements/enhancements to the automated risk management system were made to strengthen controls over the Bank's operations. Efforts continue to bring about qualitative improvements to ensure that the Bank's risk management system is well equipped to assess major/material risks particularly credit, market and operational risks associated with the banking sector.

## INTERNAL CONTROLS OVER FINANCIAL REPORTING

Sindh Bank has established an ongoing process for identifying, evaluating and managing significant risks faced by the Bank and this process includes the system of Internal Control over Financial Reporting. The process is regularly reviewed by the Board Audit Committee.

The Board is of the view that the system of Internal Control over Financial Reporting in place is sound and adequate to provide reasonable assurance regarding the reliability of Financial Reporting, and that the preparation of Financial Statements for external purposes is in accordance with relevant accounting principles and regulatory requirements.

The management assists the Board in implementation of the Board's policies and directives pertaining to Internal Control over Financial Reporting. The management is working continuously towards enhancing the system of Internal Control over Financial Reporting.

## MAJOR HIGHLIGHTS OF THE YEAR

### • Islamic Banking Division

During the year, one Islamic Banking Branch (IBB) was set up in Quetta expanding the IBBs network to 14 in addition to 11 Islamic Banking Windows (IBWs) set up in Karachi & Lahore taking the number to 13. Notwithstanding an increasingly challenging and tough external environment over the last two years, particularly for the Islamic Banking industry, Alhamdulillah, Sindh Bank-Islamic Banking continued its progress by increasing its deposit base by 48% and financing by 313%. This growth in both assets and liabilities has been acquired by tapping new business segments. It is hoped that the pace of progress will increase in the coming year as branches opened during 2015 and 2016 have gained sufficient customer penetration in their areas of operation.

### • Microfinance Bank

Sindh Microfinance Bank Limited (SMFB), a wholly owned subsidiary of Sindh Bank, started microfinance operations in May 2016. On a promising note, in the first year of its operations ie 2016, SMFB registered Profit before Tax of Rs. 20.7 million. SMFB's capital and reserves as at December 31, 2016 stood at Rs. 777.7 million.

The bank is currently focusing on its flagship loan product branded as 'SUJAG AURAT' which is designed exclusively for women empowerment. The loan amount under the Product ranges from Rs. 20-25,000. Total loans disbursed as of December 31, 2016 stood at Rs. 87 million to over 3,840 female recipients. Due to strict risk control measures, SMFB had no overdues as on December 31, 2016.

SMFB has five (5) branches and nineteen (19) service centers, mostly in rural areas of Sindh i.e Mithi, Islamkot, Umar Kot, Golarchi, Kunri, Digri and other similar areas. By the end of 2017, SMFB plans to have a network of ten (10) branches and forty (40) service centers.





#### • Benazir Income Support Program

The Bank has been handling this scheme since its start for the Tando Muhammad Khan district in Sindh. The number of beneficiaries increased to 41,833 during 2016 as against 40,359 in 2015. Total amount disbursed during 2016 amounted to Rs.798 million as compared to Rs.714 million disbursed in 2015. Handling BISP provides the Bank an opportunity to serve the less privileged segments of population.

#### • Home Remittances

Sindh Bank's branches handled home remittances to the tune of Rs 1.7 billion through 39,200 transactions during 2016 as compared to Rs 1.5 billion through 35,700 transactions in 2015. Sindh Bank has arrangements in this regard with globally reputed companies such as Western Union and MoneyGram.

#### AGRICULTURE FINANCING

The Bank's exposure to the sector as at December 31, 2016 aggregated Rs. 2,567 million encompassing 6,343 farmers, compared to an amount of Rs. 2,979 million to 7,004 farmers as at December 31, 2015.

Agricultural credit disbursement target of Rs. 3,800 million was assigned by SBP for FY 2016-17. Against this target, an amount of Rs. 1,536 million (40 percent) has been utilized during the first half of FY 2016-17 and we expect to comfortably achieve the assigned target by June 30, 2017.

#### IT INITIATIVES

IT based facilities/services offered by Sindh Bank to its customers are at par, if not better, than the leading Banks in the Country. Use of information technology to provide better services to our customers as well as increasing financial inclusion, in line with SBP's vision, remains the prime focus of Sindh bank.

The Bank launched PayPak Debit Cards in 'Classic' and 'Gold' and VISA Debit card in the 'Classic', 'Gold' and 'Platinum' categories aimed at different customer segments and loaded with different features and benefits. The VISA card uses EMV (Euro Master Visa) chip technology making it more secure and less prone to frauds, including skimming. PayPak is Pakistan's first ever domestic payments card which will facilitate local vendors and customers by virtue of lower merchant and issuance fees, not to mention the savings in the Country's foreign exchange.

To facilitate home remittances, the Bank launched a mobile app whereby Non-resident Pakistanis can remit money to their families in Pakistan instantly on a 24 hours 7 days basis without the need to visit any currency exchange or agent. The product is being launched under the Pakistan Remittances Initiative (PRI).

Sindh Bank is one of the first few banks which successfully added RTGS/STP (Real Time Gross Settlement/Straight Through Processing) functionality to its Core Banking system, enabling customers to directly transfer their funds, including home remittances, on a real time basis.

33 ATMs were added to the Bank's network making a total of 225 ATMs at December 31, 2016.

The Bank's IT was also instrumental in supporting Sindh Bank's CSR activities especially related to BISP and Zakat disbursements.

#### STAFF, TRAINING & DEVELOPMENT

Total Bank staff i.e. executives, officers and support staff as at December 31, 2016 numbered 2,099.

In line with Management's focus on improving employee skill levels and compliance environment, an extensive training regime was implemented. Major focus of in house and ex house training was on branch banking operations, regulatory compliance, consumer protection framework, SME financing, audit & internal control, soft skills etc. besides online testing on AML/CFT. During the year more than 1,400 staff members (around 70% of the staff strength) attended in-house and ex-house training programs.



#### CORPORATE SOCIAL RESPONSIBILITY (CSR)

During 2016, the Bank facilitated payments amounting to Rs. 798 million to around 42 thousand beneficiaries under Government of Pakistan's Benazir Income Support Program. Further disbursement of an amount of Rs. 787 million to over 95 thousand Zakat beneficiaries on behalf of the Sindh Zakat & Ushar Department, Government of Sindh was facilitated through Sindh Bank's Benazir Muawanat Card.

In addition, the Bank had an amount of Rs.6.2 billion outstanding against disbursement made directly to growers for procurement of wheat on behalf of the Food Department, Government of Sindh.

#### CORPORATE AND FINANCIAL REPORTING FRAMEWORK

- The financial statements prepared by the management of the bank, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of accounts of the bank have been maintained.
- Appropriate accounting policies have been applied consistently in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- The International Financial Reporting Standards, as applicable to banks in Pakistan, have been followed in preparation of financial statements and any departures there from have been adequately disclosed and explained.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There is no doubt about the Bank's ability to continue as a going concern in the foreseeable future.
- Statement of compliance with the Public Sector Companies (Corporate Governance) Rules, 2013 is given separately in the annual report.
- During the year a Directors' Orientation Course on Corporate Governance was conducted through an ICAP approved trainer and was attended by all directors including the CEO.
- Key financial and operating data for six years is being provided in the annual report.
- All the statutory liabilities, if any have been adequately disclosed in the financial statements.
- The appointment of the Chairman and other members of the Board and the terms of their appointment along with remuneration policy adopted are in the best interest of the Bank as well as in line with best practices.
- Value of investments of Sindh Bank Limited Employees Provident Fund as at December 31, 2016 amounted to Rs. 346.8 million (2015-Rs.236.63 million). Value of investments of Sindh Bank Limited Employees Gratuity Fund as at December 31, 2016 was Rs.120.31 million (2015-Rs.69.29 million) and further an amount of Rs. 50.48 million has been transferred subsequent to the balance sheet date, based on actuarial valuation of the fund.

#### ANNUAL EVALUATION OF BOARD, CHAIRMAN, INDIVIDUAL DIRECTORS, INDEPENDENT DIRECTORS, CEO & COMMITTEES

In terms of SBP, BPRD Circular # 11, dated August 22, 2016 and the Public Sector Companies Corporate Governance Rules 2013, the Board of Directors in its 44th Meeting held on November 21, 2016 had approved the evaluation criteria and procedure for evaluation of its own performance, performance of Chairman, Individual/Sponsor Directors, Independent Directors, CEO and its Committees.

The Board members carried out annual evaluation based on the in-house developed mechanism, in a confidential manner and submitted their reports to the Chairman. The Performance of the Board was evaluated by all Directors on individual basis on the criteria which included Board composition and structure, Board contributions towards developing strategies, policy framework, robust and effective risk management, internal control and audit functions etc.

Performance evaluation of Chairman, Independent Directors & CEO was carried out by all the members, excluding the evaluating Director. Performance evaluation of the Non-independent directors was carried out by the Independent Directors. The Performance of the Committees was evaluated by the non-members.





## BOARD MEETINGS

During the year under review attendance of Directors at the Board meetings were as under:

S.No.	Name of Directors	40th Meeting held on 01.03.2016	41th Meeting held on 15.04.2016	42th Meeting held on 10.08.2016	43th Meeting held on 18.10.2016	44th Meeting held on 21.11.2016	Total Meetings Attended
1	Mr. Afzal Ghani	✓	✓	✓	✓	✓	5
2	Mr. Mohammad Sohail Khan Rajput	✓	✓	—	—	—	2
3	Syed Hasan Naqvi	—	—	—	✓	✓	2
4	Mr. Mohammad Shahid Murtaza	✓	✓	✓	✓	✓	5
5	Mr. Muhammad Naeem Sehgal	✓	✓	✓	✓	✓	5
6	Mr. Tajammal Husain Bokharee	✓	✓	✓	✓	✓	5
7	Raja Muhammad Abbas	—	✓	✓	✓	✓	4
8	Mr. Muhammad Bilal Sheikh	✓	✓	✓	✓	✓	5
9	Mr. M. Naim Farooqui	✓	✓	—	—	—	2
10	Mr. Tariq Ahsan	—	—	✓	✓	✓	3
<b>Meeting Attendance</b>		7	8	7	8	8	

Syed Hasan Naqvi, the new Finance Secretary, Government of Sindh, was co-opted in place of Mr. Muhammad Sohail Khan Rajput on September 05, 2016, who proceeded to another assignment.

Mr. Naim Farooqui resigned from the services of the Bank on April 15, 2016.

Mr. Tariq Ahsan was appointed as the Acting President & CEO of the Bank on April 15, 2016 and was later confirmed as President & CEO on July 29, 2016.

The Board places on record its appreciation for the support and contribution extended by the outgoing directors during their association with the Board/Bank.

## BOARD COMMITTEES MEETINGS

Details of the Board Committees meetings is disclosed in Statement of compliance with the Public Sector Companies (Corporate Governance) Rules, 2013 in this report.

## PATTERN OF SHAREHOLDING

The pattern of shareholding is attached with this report.

## EXTERNAL AUDITORS

M/s Grant Thornton Anjum Rahman, Chartered Accountancy, the retiring auditors have completed their five year term and are not eligible for re-appointment. Appointment of the new statutory auditors' of the Bank for the year ended December 31, 2017 will be considered in the fourthcoming 6<sup>th</sup> Annual General Meeting.

## FUTURE OUTLOOK

The process for listing of the Bank on Pakistan Stock Exchange ("PSX") was put on hold in view of the potential acquisition/merger of Summit Bank into Sindh Bank Limited. In this regard, the Board of Directors gave its in-principle approval for due diligence of Summit Bank and accordingly SBP's approval was sought to undertake the due diligence, which was granted on December 27, 2016. Consultant for undertaking the due diligence after complying with the lengthy procedure of SPPRA, has been appointed and work on due diligence initiated. Subject to Shareholders and SBP/Regulatory approvals, this can lead to acquisition/merger of Summit Bank into Sindh Bank in future. Subject to regulatory approvals, the emerging entity will be listed on PSX.

After record GDP growth of 4.7 percent in FY16, the Government expects the Pakistan economy to further expand in future due to improving industrial activity and rising demand for allied services. Improved security situation should also assist in attracting foreign investment, adding to the sustainability of the growth momentum. Further interest rates may witness a rising trend in line with higher expected inflation easing somewhat the pressure on Banking sector spreads.

To successfully handle the challenges facing the Bank, management is pursuing a comprehensive bank-wide strategy aimed at increasing business volumes, increasing Net Interest/Markup Income and fee based income which includes increasing advances, improving profitability of established branches and launching new depository and loan products aimed at the consumer segment.

Another 40 branches are planned to be opened during 2017 to enable the Bank to expand its network/reach at the same time reaching the milestone of 300 online branches and becoming the only Bank in the Country to open three hundred branches in a period of less than 7 years.

80 ATMs are planned to be added to the Bank's network during 2017, bringing the total to 305 ATMs, increasing the Bank's branchless banking footprint. We also intend to introduce biometric verification devices to our ATMs to reduce the risk of skimming/misuse of a customer's PIN code.

For general public, it is planned to launch Mobile Wallet for walk-in customers by opening Accounts with a limited mandate. Initially, this will be used for payment of utility bills and mobile top-up using Sindh Bank's state of the art SMS banking facility.

## ACKNOWLEDGEMENTS

On behalf of the Board of Directors, I would like to sincerely thank the regulators, shareholders and customers for their continued guidance, support and confidence reposed in the Bank and its Management.

My thanks to the staff of Sindh Bank whose team spirit, hard work and commitment has enabled the Bank to achieve these excellent results in such a short time. I am hopeful that they will continue to serve the Bank with the same zeal and spirit.

On behalf of the Board of Directors

**Tariq Ahsan**  
 President/CEO  
 Karachi, March 2, 2017





## ڈائریکٹرز رپورٹ



## Annual Report 2016

مجھے بورڈ آف ڈائریکٹرز کی طرف سے، 31 دسمبر 2016 کو ختم ہونے والے سال کے لیے بینک کی چھٹی (6th) سالانہ رپورٹ پیش کرتے ہوئے خوشی محسوس ہو رہی ہے۔ اس سال کے اہم مالیاتی نکات مندرجہ ذیل ہیں:

بیلنس شیٹ	31 دسمبر 2016 کو (روپے '000 میں)	31 دسمبر 2015 کو (روپے '000 میں)	فیصدی تبدیلی
اداشدہ سرمایہ	10,010,130	10,000,000	-
ذخائر اور غیر تخصیص شدہ منافع	5,386,723	3,999,511	34.68%
اداشدہ سرمایہ اور ذخائر	15,396,853	13,999,511	9.98%
ری ویلیویشن پر سرپلس	134,032	758,879	
ایکویٹی	15,530,885	14,758,390	5.24%
ڈیپازٹس	119,022,240	84,076,644	41.56%
سرمایہ کاری (ریپونڈ کال کری)	70,290,533	48,111,792	46.10%
مجموعی ایڈوانسز	55,979,573	46,708,032	19.85%

نفع و نقصان کا کھاتہ	31 دسمبر 2016 کو ختم ہونے والا سال	31 دسمبر 2015 کو ختم ہونے والا سال	فیصدی تبدیلی
مارک اپ / ریٹرن / انٹریسٹ انکم	9,775,399	10,127,239	-3.47%
مارک اپ / ریٹرن / انٹریسٹ اخراجات	5,371,167	5,684,824	5.52%
نیٹ مارک اپ / پرافٹ / انٹریسٹ انکم	4,404,232	4,442,415	-0.86%
نان مارک اپ / نان انٹریسٹ انکم	3,495,950	3,491,838	0.11%
نان مارک اپ / انٹریسٹ اخراجات	3,864,804	3,366,817	14.79%
پروویڈنرز	1,607,448	2,520,355	
عمومی پروویڈنرز	1,501,834	2,501,523	
مخصوص پروویڈنرز	105,614	18,832	
قبل از ٹیکس منافع	2,427,930	2,051,499	18.35%
بعد از ٹیکس منافع	1,390,826	1,230,263	13.06%
آمدنی فی شیئر (روپے)	1.39	1.23	13.05%

دیگر معلومات	31 دسمبر 2016 کو	31 دسمبر 2015 کو	فیصدی تبدیلی
کھاتوں کی تعداد	418,454	358,084	16.86%
شناختوں کی تعداد	260	250	4%

### A. ڈیپازٹس

31 دسمبر 2015 کے 84.1 بلین روپے کے مقابلے میں کل ڈیپازٹس میں 41.6 فیصد اضافہ ہوا اور یہ بڑھ کر 119.0 بلین روپے ہو گئے۔ 2015 کے آخر میں ختم ہونے والے سال پر 19:81 کے مقابلے میں دوسرے ڈیپازٹس سے فنانس ڈیپارٹمنٹ، حکومت سندھ کے ڈیپازٹس کا تناسب 17:83 رہا۔ 2015 کے اختتام پر کسٹمر اکاؤنٹس کی تعداد میں 16.9 فیصد اضافہ ہوا اور یہ تعداد 418,454 تک پہنچ گئی۔ دیگر ڈیپازٹس اور ڈیپازٹرز کی تعداد میں افزائش، بینک پر کسٹمرز کے بڑھتے ہوئے اعتماد کا اشارہ ہے۔

### B. ایڈوانسز

مجموعی ایڈوانسز میں 19.9 فیصد اضافہ ہوا اور یہ 31 دسمبر 2015 کو 46.7 بلین روپے کے مقابلے میں 56.0 بلین روپے تک پہنچ گئے۔ شعبہ دار تفصیل درج ذیل ہے:

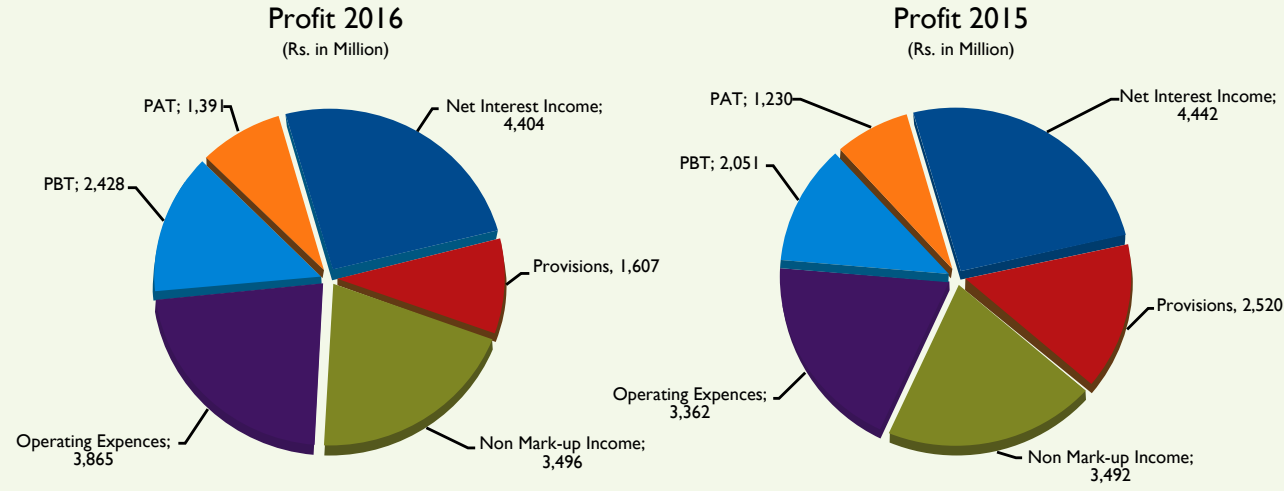




## Annual Report 2016

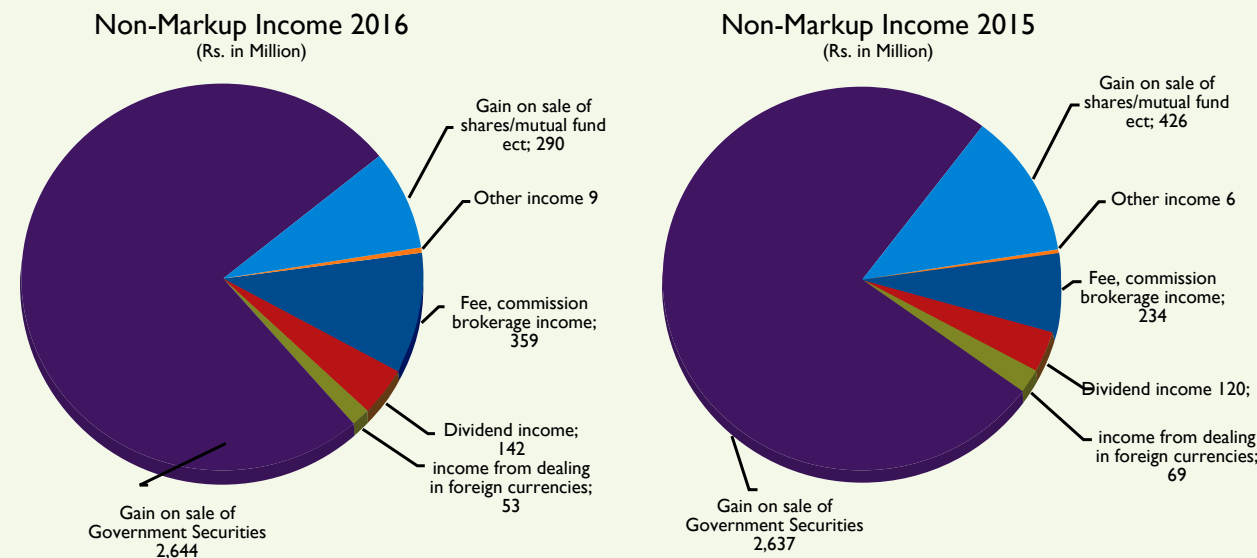
### D. منافع

31 دسمبر 2016 کو ختم ہونے والے سال کے لیے قبل از ٹیکس منافع 2015 کے اسی عرصہ کے 2,051 ملین روپے کے مقابلے میں 2,428 ملین روپے تھا، جو 18.4% اضافے کو ظاہر کرتا ہے۔ بریک اپ درج ذیل ہے:

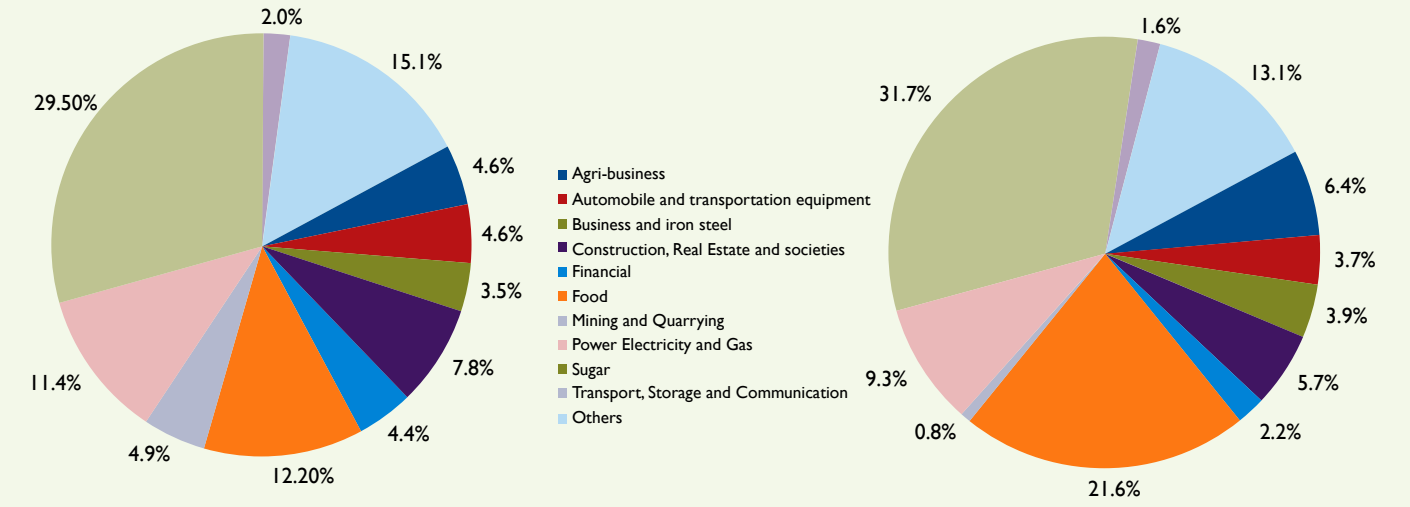


2016 میں نیٹ مارک اپ / انٹریسٹ انکم میں 0.9 فیصد کی معمولی کمی واقع ہوئی۔ نیٹ مارک اپ / انٹریسٹ انکم میں، بینک کے ڈیپازٹس کے مطابق اضافہ ہونے کی وجہ کو ان عوامل سے منسوب کیا جاسکتا ہے (i) 2015 کے دوران پالیسی ریٹ میں 2.5 فیصد کی کا پورے سال پر اثر اور 2016 کے دوران مزید 0.25 فیصد کی کمی؛ (ii) ایڈوانسز پر ریٹرن کے مقابلے میں ڈیپازٹس پر ریٹرن میں نسبتی کمی سے بھی کم، جو قیمت کے از سر نو تعین کی تاریخ پر معاہدے کے اعتبار سے ایڈجسٹ ہوتے ہیں۔ اس کی وجہ یہ ہے کہ ہماری 2015 میں نیٹ مارک اپ / انٹریسٹ انکم میں 0.9 فیصد کی معمولی کمی واقع ہوئی۔ نیٹ مارک اپ / انٹریسٹ انکم میں، بینک کے ڈیپازٹس کے مطابق اضافہ ہونے کی وجہ کو ان عوامل سے منسوب کیا جاسکتا ہے (i) 2015 کے دوران پالیسی ریٹ میں 2.5 فیصد کی کا پورے سال پر اثر اور 2016 کے دوران مزید 0.25 فیصد کی کمی؛ (ii) ایڈوانسز پر ریٹرن کے مقابلے میں ڈیپازٹس پر ریٹرن میں نسبتی کمی سے بھی کم، جو قیمت کے از سر نو تعین کی تاریخ پر معاہدے کے اعتبار سے ایڈجسٹ ہوتے ہیں۔ اس کی وجہ یہ ہے کہ ہماری طرح کسی نئے بینک کے لیے کسٹمر کے ساتھ تعلق برقرار رکھنا بہت اہم ہوتا ہے، اور کسی حد تک (iii) NPLs پر مارک اپ / انٹریسٹ انکم کی معطلی۔ اب تک جاری کیے جانے والے بڑے بینکوں کے نتائج ان کی نیٹ مارک اپ / انٹریسٹ انکم اور خالص منافع قبل از ٹیکس میں کمی کو ظاہر کرتے ہیں، تاہم سندھ بینک کے معاملہ میں منفی اثرات، انڈسٹری کی 20.4 فیصد کی اوسط افزائش کے مقابلے میں بینک کے کسٹمر ڈیپازٹس میں 40 فیصد افزائش کے باعث، کسی حد تک کم رہے۔

اگر 2015 سے موازنہ کیا جائے تو 2016 کے دوران بینک کی نان مارک اپ / انٹریسٹ انکم وٹیش غیر تبدیل شدہ رہی۔ اقسام کے حوالے سے بریک اپ درج ذیل ہے:



### FY 2016

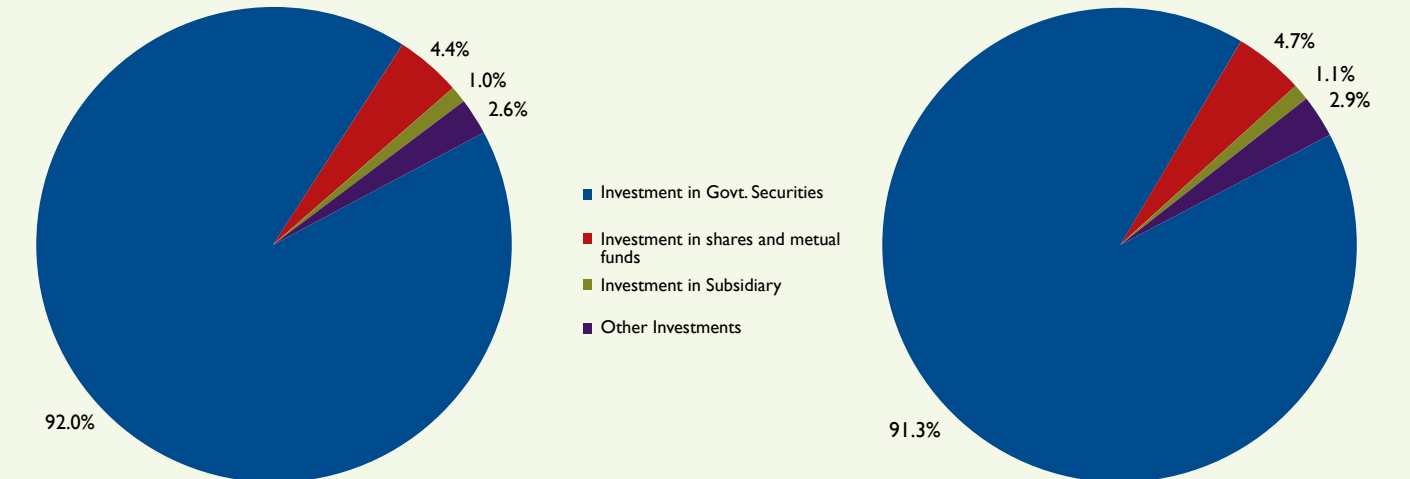


مذکورہ بالا میں سے، محکمہ خوراک حکومت سندھ کے 6.2 بلین روپے (یعنی 11.0%) اور پاور سیکٹر میں 3.5 بلین روپے (یعنی 6.2%)، حکومت پاکستان / حکومت سندھ کے گارنٹی / کمفرٹ لیٹرز کے عوض سیکورڈ ہیں۔ شوگر سیکٹر کو 16.5 بلین روپے کے ایکسپوژر کی 3.4 بلین روپے کی رقم 100% کیش collateral پر اور 4.3 بلین روپے کی رقم 20% مارجن کے ساتھ شوگر pledge کے عوض سیکورڈ ہے۔

### C. سرمایہ کاری

گورنمنٹ سیکورٹیز میں سرمایہ کاری میں 4.1 فیصد اضافہ ہوا اور یہ 31 دسمبر 2015 کو 64.3 بلین روپے کے مقابلے میں 31 دسمبر 2016 کو 66.9 بلین روپے تھی۔ اسٹاک مارکیٹ میں سرمایہ کاری 2,948 بلین روپے رہی اور 31 دسمبر 2015 تک اس میں 10.8 فیصد (2,661 بلین روپے) اضافہ ہوا، انویسٹمنٹ کی قسم کی تفصیل ذیل کے مطابق ہے:

### FY 2016







کم سے کم سرمائے کی ضرورت اور کمپیٹل ایڈیکوئسی ریشو  
 بینک، اسٹیٹ بینک آف پاکستان کی طرف سے مقرر کردہ کم سے کم سرمائے کی پابندی کی تعمیل کرتا ہے، جبکہ اس کا کمپیٹل ایڈیکوئسی ریشو 10.65% کی کم سے کم ضرورت کے مقابلے میں 18.33% پر ہے۔

#### رسک مینجمنٹ فریم ورک

سندھ بینک میں رسک مینجمنٹ سسٹم کام کر رہا ہے جو اس کے آپریشنز کے حجم اور پیچیدگی سے مطابقت رکھتا ہے تاکہ معقول طریقے سے یہ یقین دلایا جاسکے کہ خطرات کے ساتھ مناسب طریقے سے نمٹا جاتا ہے اور یہ اس کی دسترس میں ہے۔ سال کے دوران خود کار رسک مینجمنٹ سسٹم میں مزید بہتری / اضافہ کیا گیا تاکہ بینک کے آپریشنز پر کنٹرولز کو اور زیادہ مضبوط کیا جائے۔ معیاری بہتری لانے کے لیے کوششیں جاری رہتی ہیں تاکہ اس امر کو یقینی بنایا جاسکے کہ بینک کا رسک مینجمنٹ سسٹم، بڑے / مادی خطرات خصوصاً کریڈٹ، مارکیٹ اور بینکنگ سیکٹر کے ساتھ منسلک آپریشنل رسکس کا اندازہ لگانے کے لیے پوری طرح سے لیس ہے۔

#### فنانشل رپورٹنگ پرائنٹل کنٹرولز

سندھ بینک نے، بینک کو لاحق بڑے خطرات کی نشاندہی، ان کو جانچنے اور ان پر قابو پانے کے لیے ایک جاری رہنے والا عمل قائم کیا ہے اور اس عمل میں فنانشل رپورٹنگ پرائنٹل کنٹرول کا سسٹم شامل ہے۔ بورڈ آڈٹ کمیٹی اس پروسس کا باقاعدگی سے جائزہ لیتی ہے۔ بورڈ کی نگاہ میں فنانشل رپورٹنگ پرائنٹل کنٹرول کا نظام، فنانشل رپورٹنگ کے با اعتماد ہونے کے بارے میں معقول یقین دہانی فراہم کرنے کے لیے کافی ہے اور یہ کہ خارجی مقاصد کے لیے مالیاتی گوشواروں کی تیاری متعلقہ اکاؤنٹنگ اصولوں اور ریگولیٹری تقاضوں کے مطابق ہے۔ مینجمنٹ، فنانشل رپورٹنگ پرائنٹل کنٹرول کے سسٹم سے متعلق بورڈ کی پالیسیوں اور ہدایات پر عمل درآمد میں بورڈ کی معاونت کرتی ہے۔ مینجمنٹ، فنانشل رپورٹنگ پرائنٹل کنٹرول کے سسٹم کو بہتر بنانے کے لیے مسلسل کام کر رہی ہے۔

#### سال کی بڑی شہ سرخیاں

##### ☆ اسلامی بینکنگ ڈویژن

سال کے دوران کونینڈ میں ایک اسلامی بینکنگ برانچ (IBB) قائم کی گئی جس سے IBBs کا نیٹ ورک 14 تک پھیل چکا ہے کراچی اور لاہور میں 11 اسلامی بینکنگ ونڈز (IBWs) قائم کی گئیں، اس طرح اب یہ تعداد 13 ہو گئی ہے۔ پچھلے دو سال کے دوران، خاص طور سے اسلامی بینکنگ کی صنعت کے لیے تیزی سے مشکل ہوتے ہوئے ماحول کے باوجود، الحمد للہ، سندھ بینک اسلامی بینکاری نے اپنا ڈیپازٹ بیس (48%) اور فنانسنگ (313%) بڑھاتے ہوئے اپنی ترقی کا سفر جاری رکھا۔ اثاثوں اور ذمہ داریوں، دونوں میں بے افزائش، نئے بزنس سیکٹس تک رسائی کے ذریعے حاصل کی گئی ہے۔ امید ہے کہ آنے والے برسوں میں ترقی کی یہ رفتار تیز ہوگی، کیونکہ 2015 اور 2016 میں جو برانچیں کھولی گئیں انھوں نے اپنے آپریشن کے علاقے میں خاطر خواہ کسٹمرز کو اپنی جانب راغب کیا۔

##### ☆ مائیکرو فنانس بینک

سندھ مائیکرو فنانس بینک لمیٹڈ (SMFB) نے جو مکمل طور پر سندھ بینک کا ملکیتی ذیلی ادارہ ہے، مئی 2016 میں مائیکرو فنانس آپریشنز شروع کیے۔ SMFB نے اپنے آپریشنز کے پہلے سال یعنی 2016 میں 20.7 ملین روپے کا قبل از ٹیکس منافع حاصل کیا۔ 31 دسمبر 2016 کو SMFB کا سرمایہ اور ذخائر 777.7 ملین روپے تھے۔

بینک اس وقت اپنی سب سے بڑی لون پراڈکٹ، "سجاگ عورت" پر توجہ مرکوز کیے ہوئے ہے جس کا مقصد خواتین کو با اختیار بنانا ہے۔ اس پراڈکٹ کے تحت قرض کی رقم 20 ہزار سے 25 ہزار روپے کے درمیان ہے۔ 31 دسمبر 2016 تک 3,840 سے زیادہ خواتین کو 87 ملین روپے کے قرضے دیئے جا چکے تھے۔ سخت رسک کنٹرول اقدامات کے باعث 31 دسمبر 2016 تک ایس ایم ایف بی کی کوئی رقم واجب الادا نہیں تھی۔

ایس ایم ایف بی کی پانچ (5) شاخیں اور انیس (19) سروس سینٹر ہیں، جو زیادہ تر سندھ کے دیہی علاقوں یعنی مٹھی، اسلام کوٹ، عمر کوٹ، گولارچی، کسری، ڈگری اور اس قسم کے دوسرے علاقوں میں واقع ہیں۔ ایس ایم ایف بی 2017 کے آخر تک دس (10) برانچوں اور چالیس (40) سروس سینٹرز کے نیٹ ورک کا منصوبہ بنائے ہوئے ہے۔



## Annual Report 2016

کمپیٹل گینز میں 2.6 بلین روپے جو PIBs کی فروخت سے حاصل کیے گئے، شامل ہیں جبکہ 289.7 بلین روپے دیگر انویسٹمنٹس، زیادہ تر شیئرز / میوچل فنڈز کی فروخت سے حاصل کیے گئے۔

ایک کثیر احتیاط کے طور پر 1.5 بلین روپے کی مزید رقم (اب 4.0 بلین روپے) عمومی پروویژن کی مد میں الگ کر دی گئی ہے تاکہ ایڈوانسز کے پورٹ فولیو سے جڑے پہلے سے نظر نہ آنے والے کسی بھی خطرات سے نمٹا جاسکے۔ یہ کنزیومر / اسٹال انٹر پرائز فنانسنگ کی مد میں 1.834 بلین روپے کی جنرل پروویژن اور دیگر ایڈوانسز کی مد میں 105.614 بلین روپے کی مخصوص پروویژن کے علاوہ ہے، جو کہ پروڈنشل ریگولیشنز کے تقاضوں کے مطابق ہے۔

#### E. برانچ نیٹ ورک

بینک کی 260 شاخیں ہیں، جو پاکستان کے 130 شہروں اور ٹاؤنز میں پھیلی ہوئی ہیں اور ان میں 14 شاخیں بھی شامل ہیں جو اسلامی بینکاری کے لیے وقف ہیں، علاقہ وار تفصیل درج ذیل ہے:

علاقہ	شاخوں کی تعداد	شہروں / ٹاؤنز کی تعداد
جنوب: بشمول کراچی، سندھ کے دیگر شہر / ٹاؤنز اور بلوچستان	159	71
شمال: بشمول پنجاب، اسلام آباد، کے پی کے، اے جے کے اور جی بی	101	59
کل	260	130

#### اقتصادی جائزہ

مالی سال 2016 (FY16) کے دوران پاکستانی معیشت کی رفتار تیز ہو گئی اور مجموعی قومی پیداوار کی افزائش 4.7 فیصد ہو گئی، جو پچھلے آٹھ سالوں کے دوران سب سے زیادہ ہے۔ (FY15 میں 4.0 فیصد)۔ اس بھر پور کارکردگی کی وجہ یہ تھی کہ (i) صنعتی شعبے میں FY15 میں 4.8% کے مقابلے میں 6.8% فیصد ترقی ہوئی اور (ii) خدمات کے شعبہ میں FY15 کی 4.3% کے مقابلے میں 5.7% ترقی ہوئی۔ یہ ترقی، کپاس کی فصل کو بچھنے والے بھاری نقصان کی وجہ سے زراعت میں 0.2% کے معمولی انحطاط کے باوجود حاصل ہوئی۔

FY16 کے دوران اوسط ہیڈ لائن افراط زر FY15 کے 4.5 فیصد کے مقابلے میں 2.9 فیصد رہی۔ 31 دسمبر 2016 کو ختم ہونے والے چھ ماہ کے دوران اضافے کا رجحان دیکھا گیا جب اوسط افراط زر پچھلے سال کی اسی مدت کے 2.1 فیصد کے مقابلے میں 3.9 فیصد تھا۔ 2016 کے دوران پالیسی ریٹ میں صرف ایک روپ بدل ہوا، جس کو مانیٹری پالیسی کمیٹی (MPC) نے 25bps سے کم کر کے 5.75 فیصد کی کم ترین سطح پر کر دیا ہے۔

31 دسمبر 2016 کو FX ریزروز، سال گزشتہ کے 20.8 بلین امریکی ڈالر کے مقابلے میں 23.2 بلین امریکی ڈالر تھے، اس طرح ان میں 11.5 فیصد اضافہ

ہوا reserves کی اس بلند سطح نے سال کے دوران پاکستانی روپے کی قدر کے استحکام میں مدد دی۔

FY16 کے دوران برآمدات کی مالیت 21.97 بلین امریکی ڈالر رہی، جس میں FY15 کے 24.08 بلین امریکی ڈالر کے مقابلے میں 8.8 فیصد کمی ہوئی۔ چین پاکستان اقتصادی راہداری (CPEC) سے متعلق بڑھتی ہوئی درآمدات، برآمدات میں کمی، غیر ملکی ترسیلات زر کی سست رفتار (FY15 میں 17.3% کے مقابلے میں FY16 میں 16.4% افزائش) اور کولیشن سپورٹ فنڈ سے بہاؤ کے کم ہوجانے سے 31 دسمبر، 2016 تک CA خسارہ 3.6 بلین امریکی ڈالر بڑھ گیا۔ اس خسارے کو زیادہ دوطرفہ / کثیرالجہت فنڈنگ اور سرمایہ کاری کے بہاؤ کے ذریعے فنانس کیا گیا۔

پی ایس ایکس 100 انڈیکس نے پچھلے سال کے مقابلے میں 45.7 فیصد اضافے (دسمبر 2015 میں 32,816 پوائنٹس) کے ساتھ سال 2016 کا اختتام 47,807 پوائنٹس پر کیا، جو ایشیا کی تمام اسٹاک مارکیٹس سے زیادہ ہے۔ سال کے دوران، پاکستان دنیا کی ایک انتہائی مقبول ابھرتی ہوئی مارکیٹوں کی ایکویٹی کے پیمانے یعنی MSCI ایمرجنگ مارکیٹس انڈیکس میں داخل ہوا۔ یہ تقریباً 1.5 ٹریلین ڈالر کے زیر انتظام اثاثوں کے ساتھ IEM انڈیکس کو ٹریک کرتی ہے، جو مارکیٹ کے لیے ایک بہت بڑی پیش رفت تھی۔

#### کریڈٹ ریٹنگ

JCR-VIS کریڈٹ ریٹنگ کمپنی نے بینک کو AA (ڈبل AA) ایک مستحکم منظر نامے کے ساتھ درمیانی سے طویل المدت entity ریٹنگ دی ہے۔ قلیل المدت ریٹنگ A-1+ ہے۔





### کارپوریٹ سماجی ذمہ داری

بینک نے 2016 کے دوران حکومت پاکستان کے بے نظیر انکم سپورٹ پروگرام کے تحت 42 ہزار کے لگ بھگ مستفید ہونے والوں کو 798 ملین روپے کی ادائیگیوں میں تعاون کیا۔ سندھ زکوٰۃ اینڈ عشر ڈیپارٹمنٹ، حکومت سندھ کی طرف سے، 95 ہزار سے زیادہ افراد میں جو مستفید ہوتے ہیں، سندھ بینک کے بے نظیر معاونت کارڈ کے ذریعے مزید 787 ملین روپے کی تقسیم میں سہولت دی۔

اس کے علاوہ بینک کے پاس 6.2 ملین روپے کی بقایا رقم اس تقسیم کے ضمن میں تھی، جو حکومت سندھ کے محکمہ خوراک کی جانب سے گندم کی پروکیورمنٹ کے لیے براہ راست کاشت کاروں کو دی گئی۔

### کارپوریٹ اور مالیاتی رپورٹنگ

- ☆ بینک کی انتظامیہ کی طرف سے تیار کردہ مالیاتی گوشوارے، بینک کی صورت حال، اس کے آپریشنز کے نتائج، کیش فلو ز اور ایکٹیوٹی میں تبدیلیوں کا واضح اظہار ہیں۔
- ☆ بینک کے اکاؤنٹس کی درست کتاہیں تیار کی گئی ہیں۔
- ☆ مالیاتی گوشواروں کی تیاری میں درست اکاؤنٹنگ پالیسیوں کا یکساں اطلاق کیا گیا ہے اور اکاؤنٹنگ کے تخمینوں کی بنیاد معقول اور محتاط فیصلوں پر ہے۔

☆ مالیاتی گوشواروں کی تیاری میں انٹرنیشنل فنانشل رپورٹنگ اسٹینڈرڈز، جیسا کہ پاکستان کے بینکوں میں قابل اطلاق ہیں، پر عمل کیا گیا ہے اور ان سے کسی بھی قسم کے انحراف کو مناسب طریقے سے ظاہر کیا گیا ہے اور اس کی وضاحت کی گئی ہے۔

☆ داخلی کنٹرول کا نظام درست طرز پر ڈیزائن کیا گیا ہے اور اس پر موثر طریقے سے عمل کیا گیا ہے اور اس کی نگرانی کی جاتی ہے۔

☆ نظر آنے والے مستقبل میں بینک کے جاری رہنے والے ادارے کی حیثیت سے کام کرنے کی اہلیت میں کوئی شبہ نہیں ہے۔

☆ پبلک سیکر کمپنیز (کارپوریٹ گورننس) رولز، 2013 کے تحت تعمیلی اسٹینڈنٹ، سالانہ رپورٹ میں علیحدہ سے دی گئی ہے۔

☆ سال کے دوران ICAP کے منظور شدہ ایک ٹرینر کے ذریعے کارپوریٹ گورننس کے بارے میں ایک ڈائریکٹرز اور مینٹیشن کورس کا انتظام کیا گیا، جس میں CEO سمیت تمام ڈائریکٹرز شریک ہوئے۔

☆ اس سالانہ رپورٹ میں چھ سالوں کا کلیدی فنانشل اور آپریشننگ ڈیٹا فراہم کیا جا رہا ہے۔

☆ مالیاتی گوشواروں میں تمام قانونی ذمہ داریوں کو، اگر کوئی ہیں، مناسب طریقے سے منکشف کیا گیا ہے۔

☆ چیئرمین اور بورڈ کے دیگر ممبر صاحبان کے تقرر اور ان کے تقرر کی شرائط، بمعہ ان کے معاوضے کے لیے اختیار کردہ پالیسی بینک کے بہترین مفاد میں ہے اور بہترین طور طریقوں سے بھی مطابقت رکھتی ہے۔

☆ سندھ بینک لمیٹڈ ایمپلائز پراویڈنٹ فنڈ کی سرمایہ کاری کی قدر 31 دسمبر، 2016 کو 346.8 ملین روپے تھی۔ (2015 - 236.63 ملین روپے)۔ سندھ بینک لمیٹڈ کے ایمپلائز گریجویٹ فنڈ کی ویلیو آف انویسٹمنٹ 31 دسمبر 2016 کو 120.31 ملین روپے تھی (2015 - 69.29 ملین روپے) اور مزید یہ کہ 50.48 ملین روپے کی رقم، فنڈ کی actuarial ویلیویشن کی بنیاد پر پینلنس شیڈ کی تاریخ کے بعد ٹرانسفر کی گئی۔

بورڈ، چیئرمین، انفرادی ڈائریکٹرز، انڈیپنڈنٹ ڈائریکٹرز، CEO اور کمیٹیوں کی سالانہ ایویلیوشن

SBP, BPRD سرکلر نمبر 11، مورخہ 22 اگست، 2016 اور پبلک سیکلٹپنیز کارپوریٹ گورننس رولز 2013 کے حوالے سے بورڈ آف ڈائریکٹرز نے 21 نومبر، 2016 کو منعقد ہونے والے اپنے 44 ویں اجلاس میں خود اپنی کارکردگی، چیئرمین، انفرادی/اسپانسرڈ ڈائریکٹرز، انڈیپنڈنٹ ڈائریکٹرز، CEO اور اپنی کمیٹیوں کی کارکردگی جانچنے کے طریقہ کار کی منظوری دی۔

بورڈ کے ممبران نے اندرونی طور پر وضع کردہ طریقہ کار کی بنیاد پر کافینڈنشل انداز میں سالانہ کارکردگی کی جانچ کی اور اپنی رپورٹس چیئرمین کو پیش کر دیں۔ تمام ڈائریکٹرز کی طرف سے بورڈ کی کارکردگی کو اس طریقہ کار کے مطابق انفرادی بنیاد پر جانچا گیا، جس میں بورڈ کی تشکیل اور ڈھانچہ، حکمت عملی وضع کرنے میں بورڈ کی خدمات، پالیسی فریم ورک مضبوط اور موثر رسک مینجمنٹ، انٹرنل کنٹرول اور آڈٹ کا شعبہ وغیرہ شامل تھے۔

چیئرمین، انڈیپنڈنٹ ڈائریکٹرز اور CEO کی کارکردگی کی جانچ، جانچ کرنے والے ڈائریکٹرز کو چھوڑ کر، باقی تمام ممبرز کی طرف سے کی گئی۔ نان انڈیپنڈنٹ ڈائریکٹرز کی کارکردگی کی جانچ انڈیپنڈنٹ ڈائریکٹرز کی طرف سے کی گئی۔ کمیٹیوں کی پرفارمنس کی جانچ نان میرز نے کی۔

### ☆ بے نظیر انکم سپورٹ پروگرام

بینک، اس اسکیم کے شروع ہونے سے ہی سندھ کے ضلع ٹنڈو محمد خان میں اسے ہینڈل کر رہا ہے۔ 2015 میں اس اسکیم سے فائدہ اٹھانے والوں کی تعداد 40,359 تھی جو 2016 میں بڑھ کر 41,833 ہو گئی۔ 2016 میں جو کل رقم تقسیم کی گئی، وہ 798 ملین روپے تھی جبکہ 2015 میں 714 ملین روپے کی رقم تقسیم کی گئی۔ BISP کی ہینڈلنگ، بینک کو آبادی کے کم مراعات یافتہ طبقوں کی خدمت کا موقع فراہم کرتی ہے۔

### ☆ ملک کو ترسیل زر

بینک نے 2015 میں 35,700 ٹرانزیکشنز کے ذریعے 1.5 ملین روپے کی ہوم ریمنٹسز کے مقابلے میں 2016 میں 39,200 ٹرانزیکشنز کے ذریعے 1.7 ملین روپے کی ترسیلات زر کو ہینڈل کیا۔ سندھ بینک نے اس ضمن میں ویسٹرن یونین اور مینی گرام جیسی معتبر عالمی کمپنیوں کے ساتھ انتظامات کر رکھے ہیں۔

### زرعی قرضے

بینک نے 31 دسمبر 2016 تک اس سیکٹر میں 6,343 کاشت کاروں کو مجموعی طور پر 2,567 ملین روپے کے قرضے دے رکھے تھے، جبکہ 31 دسمبر 2015 تک 7,004 کاشت کاروں کو 2,797 ملین روپے کے قرضے جاری کیے گئے تھے۔

اسٹیٹ بینک آف پاکستان کی طرف سے 2016-17 کے لیے 3,800 ملین روپے کے زرعی قرضوں کی تقسیم کا ہدف دیا گیا تھا۔ 2016-17 کے پہلے نصف کے دوران اس ہدف میں سے 1,536 ملین روپے (40 فیصد) استعمال کر لیے گئے اور ہمیں امید ہے کہ 30 جون 2017 تک اس تفویض کردہ ہدف کو با آسانی پورا کر لیا جائے گا۔

### آئی ٹی اقدامات

سندھ بینک اپنے کسٹمرز کو آئی ٹی کی بنیاد پر جو سہولتیں / خدمات پیش کرتا ہے اگر وہ ملک کے ممتاز بینکوں سے بہتر نہیں ہیں تو ان کے مساوی ضرور ہیں۔ اپنے کسٹمرز کو بہتر خدمات کی فراہمی اور اسٹیٹ بینک آف پاکستان کے ویژن کے مطابق مالیاتی ہمہ گیری کو بڑھانے کے لیے انفارمیشن ٹیکنالوجی کا استعمال بدستور سندھ بینک کی توجہ کا مرکز ہے۔

کسٹمرز کے مختلف طبقوں کو مد نظر رکھتے ہوئے بینک نے PayPak ڈیبٹ کارڈ "کلاسک"، "گولڈ" اور VISA ڈیبٹ کارڈ "کلاسک"، "گولڈ" اور، "پلائئم" اقسام میں جاری کئے جو مختلف خصوصیات اور فوائد کے حامل ہیں۔ ویزا کارڈ (Euro Master Visa) EMV چپ ٹیکنالوجی استعمال کرتا ہے، جو اسے زیادہ محفوظ اور skimming سمیت دھوکے بازی کے امکان کو بہت کم کر دیتی ہے۔ PayPak پاکستان کا پہلا ڈیبٹ کارڈ ہے جو کم مرچنٹ اور اجرائی فیس کی خوبی کے باعث مقامی وینڈرز اور کسٹمرز کو سہولت فراہم کرے گا اور ملکی زر مبادلہ کی بھی بچت ہوگی۔

داخلی ترسیلات زر میں سہولت کے لیے بینک نے ایک موبائل app کا اجرا کیا، جس کے ذریعے غیر رہائشی پاکستانی کسی کرنسی ایکسچینج یا ایجنٹ تک جانے کی زحمت کئے بغیر ہفتے کے ساتوں دن، چوبیس گھنٹے فوری طور پر پاکستان میں اپنے خاندان کو پیسہ بھیج سکتے ہیں۔ اس پراڈکٹ کا اجرا Pakistan Remittances Initiative (PRI) کے تحت ہو رہا ہے۔

سندھ بینک ان چند بینکوں میں سے ایک ہے جنہوں نے اپنے بنیادی بینکاری نظام میں RTGS/STP (Real Time Gross Settlement/Straight Through Processing) کے عمل کو شامل کیا اور کسٹمرز کو اس قابل بنادیا کہ وہ ہوم ریمنٹسز سمیت اپنے فنڈز بروقت ٹرانسفر کریں۔

بینک کے نیٹ ورک میں 33 اے ٹی ایمز (ATMs) شامل کیے گئے، جس سے 31 دسمبر، 2016 کو ان مشینوں کی کل تعداد 225 ہو گئی۔

بینک کے انفارمیشن ٹیکنالوجی ڈیپارٹمنٹ نے سندھ بینک کی CSR سرگرمیوں خصوصاً BISP اور زکوٰۃ کی تقسیم کی معاونت میں بنیادی اہم کردار ادا کیا ہے۔

### اسٹاف کی تربیت اور ترقی

31 دسمبر 2016 کو بینک کا کل اسٹاف، یعنی ایگزیکٹوز، آفیسرز اور معاون عملہ کی تعداد 2,099 ہو گئی۔

انتظامیہ کی توجہ کے مطابق، ملازمین کی مہارت کی سطح کو بہتر بنانے اور سازگار ماحول میں تربیت کے ایک وسیع نظام پر عمل کیا گیا ہے۔ ادارے کے اندر اور باہر تربیت کا بڑا محور AML / CFT پر آن لائن ٹریننگ کے علاوہ برانچ بینکنگ رابطوں کی تعمیل، کنزیومر پروٹیکشن فریم ورک، ایس ایم ای فنائیننگ آڈٹ اینڈ انٹرنل کنٹرول اور سوفٹ اسکور تھیں۔ سال کے دوران 1400 اسٹاف ممبر نے (کل تعداد کا اندازاً 70 فیصد) ادارے کے اندر اور باہر تربیتی پروگراموں میں شرکت کی۔





### مستقبل کا منظر نامہ

بینک کے پاکستان اسٹاک ایکسچینج ("PSX") میں لسٹنگ کا عمل، سمٹ بینک کی سندھ بینک میں امکانی شمولیت / انضمام کے پیش نظر روک دیا گیا۔ اس ضمن میں بورڈ آف ڈائریکٹرز نے سمٹ بینک کی ڈیوڈ پلینچس کے لئے اپنی اصولی منظوری دے دی ہے، چنانچہ اسٹیٹ بینک آف پاکستان کی منظوری کے لیے رجوع کیا گیا جو 27 دسمبر، 2016 کو

دے دی گئی۔ اس مقصد کے لیے SPPRA کے طویل پروسیجر پر عمل کرتے ہوئے کنسلٹنٹ کا تقرر کر دیا گیا ہے اور کام شروع ہو چکا ہے۔ شیئر ہولڈرز اور اسٹیٹ بینک آف پاکستان کی / ریگولیٹری منظوریوں کے بعد مستقبل میں سمٹ بینک کے سندھ بینک میں حصول / انضمام کی راہ ہموار ہو سکتی ہے۔ ریگولیٹری منظوریوں سے مشروط اس ظہور پر زیر ادارے کو PSX میں لسٹ کیا جائے گا۔

FY16 میں مجموعی قومی پیداوار میں 4.7 فیصد کی ریکارڈ افزائش کے بعد حکومت کو توقع ہے کہ بہتر ہوتی ہوئی صنعتی سرگرمی اور اس سے ملحقہ خدمات کی بڑھتی ہوئی مانگ کی وجہ سے مستقبل میں پاکستان کی معیشت کو مزید وسعت ملے گی۔ سکیورٹی کی بہتر صورت حال بھی غیر ملکی سرمایہ کاری کو راغب کرنے میں مدد دے گی، جس سے ترقی کی رفتار میں استحکام پیدا ہوگا۔ مزید یہ کہ زیادہ متوقع افراط زر کے ساتھ شرح سود میں بھی اضافہ کا رجحان نظر آ سکتا ہے، جس سے بینکنگ سیکٹر کی خالص سودی آمدنی پر دباؤ کسی حد تک کم ہو جائے گا۔

بینک کو درپیش چیلنجوں کا کامیابی سے مقابلہ کرنے کے لیے انتظامیہ ایک جامع حکمت عملی پر عمل کر رہی ہے، جس کا مقصد بزنس کی مقدار، نیٹ انٹریسٹ امارک اپ انکم اور فیس پر منحصر آمدنی میں اضافہ کرنا ہے، ان میں ایڈوانسز میں اضافہ قائم شدہ برانچوں میں بہتری لانا اور صارفین کے لئے نئی ڈیپازٹری اور لون پراڈکٹس شروع کرنا شامل ہے۔

2017 کے دوران مزید 40 برانچیں کھولنے کا منصوبہ ہے تاکہ بینک اپنے نیٹ ورک / رسائی کو وسیع کر کے 300 آن لائن برانچوں کے سنگ میل تک پہنچنے کے قابل ہو سکے اور ملک کا پہلا ایسا بینک بن جائے جس نے سات سال سے بھی کم عرصہ میں تین سو برانچیں کھولی ہوں۔

2017 کے دوران بینک کے نیٹ ورک میں 80 اے ٹی ایمز (ATMs) شامل کرنے کا منصوبہ ہے جس کے بعد کل ATMs کی تعداد 305 ہو جائے گی۔ جس سے بینک کی برانچ لیس بینکاری فٹ پرنٹ میں اضافہ ہوگا۔ ہم /skimming /کسٹمر کے pin کوڈ کے غلط استعمال کے خطرے کو کم سے کم کرنے کے لیے بائیومیٹرک تصدیقی آلات متعارف کرنے کا بھی ارادہ رکھتے ہیں۔

عام لوگوں کے لیے، محدود اختیار کے ساتھ اکاؤنٹس کھول کر واک ان کسٹمرز کے لیے Mobile Wallet شروع کرنے کا منصوبہ بنایا گیا ہے۔ ابتدا میں اسے، سندھ بینک کی اپنی مثال آپ ایس ایم ایس بینکنگ فیسلٹی کو بروئے کار لاتے ہوئے یوٹیلیٹی بلوں کی ادائیگی اور موبائل ٹاپ اپ کے لیے استعمال کیا جائے گا۔

### اظہار تشکر

میں بورڈ آف ڈائریکٹرز کی جانب سے خلوص دل کے ساتھ ریگولیٹرز، شیئر ہولڈرز اور کسٹمرز کا ان کی مسلسل رہنمائی، معاونت اور بینک پر کیے جانے والے ان کے اعتماد کا شکریہ ادا کرتا ہوں۔

سندھ بینک کے اسٹاف کا شکریہ، جن کی ٹیم سپرٹ، انتھک محنت اور لگن نے بینک کو اتنے کم عرصہ میں ایسے شاندار نتائج حاصل کرنے کے قابل بنایا ہے۔ مجھے امید ہے کہ وہ اسی جوش و جذبے کے ساتھ بینک کی خدمت جاری رکھیں گے۔

از طرف، بورڈ آف ڈائریکٹرز



طارق احسن

پریذیڈنٹ / CEO

کراچی، 2 مارچ، 2017



## Annual Report 2016

### بورڈ میٹنگز

زیر غور سال کے دوران، ڈائریکٹرز کی طرف سے بورڈ اجلاسوں میں شرکت کی تفصیل درج ذیل ہے:

نمبر شمار	ڈائریکٹر کا نام	01.03.2016 کوہونے والا 40 واں اجلاس	15.04.2016 کوہونے والا 41 واں اجلاس	10.08.2016 کوہونے والا 42 واں اجلاس	18.10.2016 کوہونے والا 43 واں اجلاس	21.11.2016 کوہونے والا 44 واں اجلاس	شرکت کردہ کل اجلاس
1	جناب افضل غنی	✓	✓	✓	✓	✓	5
2	جناب سہیل خان راجپوت	✓	✓	--	--	--	2
3	سید حسن نقوی	--	--	--	✓	✓	2
4	جناب محمد شاہد مرتضیٰ	✓	✓	✓	✓	✓	5
5	جناب محمد نعیم سہگل	✓	✓	✓	✓	✓	5
6	جناب قمل حسین بخاری	✓	✓	✓	✓	✓	5
7	راجہ محمد عباس	--	✓	✓	✓	✓	4
8	جناب محمد بلال شیخ	✓	✓	✓	✓	✓	5
9	جناب ایم نعیم فاروقی	✓	✓	--	--	--	2
10	جناب طارق احسن	--	--	✓	✓	✓	3
		7	8	7	8	8	

نئے سیکرٹری خزانہ حکومت سندھ، سید حسن نقوی کو 05 ستمبر 2016 کو جناب محمد سہیل خان راجپوت کی جگہ شامل کیا گیا، جنہیں ایک اور ذمہ داری سونپ دی گئی ہے۔

جناب نعیم فاروقی نے 15 اپریل، 2016 کو بینک کی سروسز سے استعفا دے دیا۔

جناب طارق احسن کو 15 اپریل، 2016 کو جناب ایم نعیم فاروقی کی جگہ ایکٹیکنگ سی ای او مقرر کیا گیا اور بعد ازاں 29 جولائی 2016 کو صدر اور سی ای او کنفرم کر دیا گیا۔

بورڈ، سیکرٹری ہونے والے ڈائریکٹرز کی بینک سے منسلک رہتے ہوئے شرکت اور تعاون کو قدر کی نگاہ سے دیکھتا ہے۔

### بورڈ کی کمیٹی کے اجلاس

بورڈ ں کے اجلاسوں کی تفصیلات، اس رپورٹ میں پبلک سیکلیٹیو (کارپوریٹ گورننس) رولز، 2013 کی تعمیل کے اسٹیٹمیٹ میں بیان کیے گئے ہیں۔

### شیئر ہولڈنگ کا انداز

شیئر ہولڈنگ کا انداز اس رپورٹ کے ساتھ منسلک ہے۔

### ایکسٹرنل آڈیٹرز

ریٹائر ہونے والے آڈیٹرز گرانٹ تھارٹن انجم رحمان، چارٹرڈ اکاؤنٹینٹس نے اپنی پانچ سال کی مدت پوری کر لی ہے اور دوبارہ تقرر کے اہل نہیں ہیں۔ 31 دسمبر، 2017 کو ختم ہونے والے سال کے لیے بینک کے نئے قانونی آڈیٹرز کے تقرر پر آئندہ ہونے والے چھٹے (6th) سالانہ اجلاس عام میں غور کیا جائے گا۔

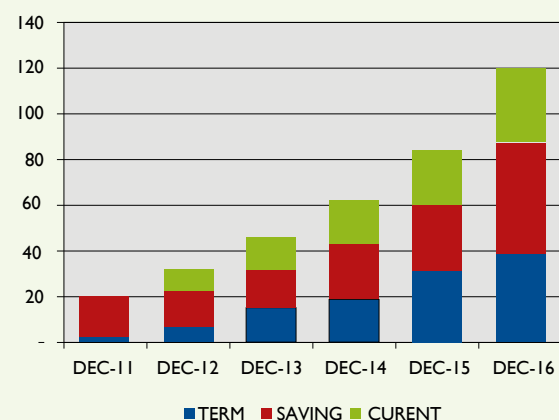




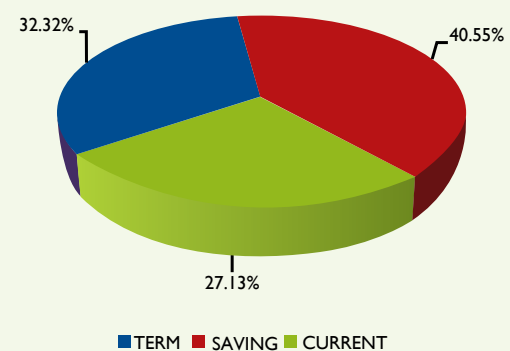
## FINANCIAL HIGHLIGHTS

### DEPOSITS

Rupees In billion

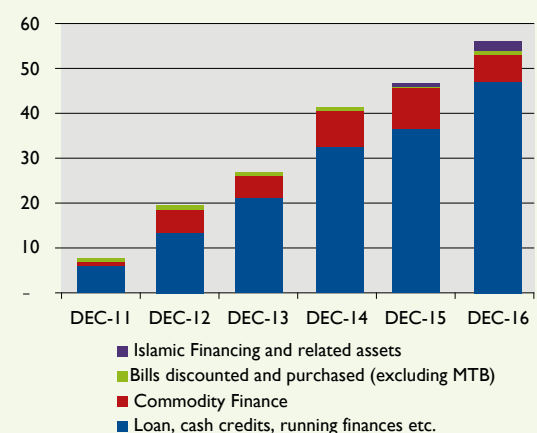


### FY 2016

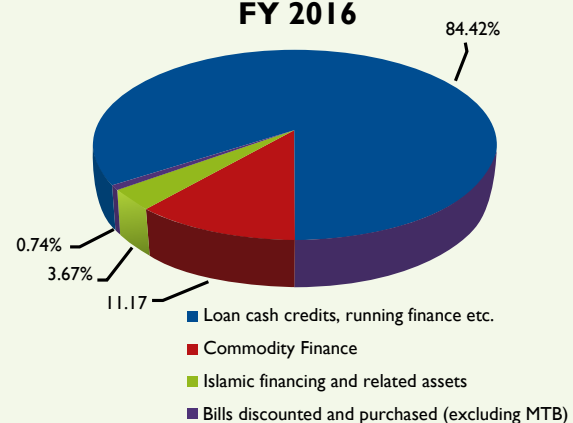


### ADVANCES

Rupees In billion

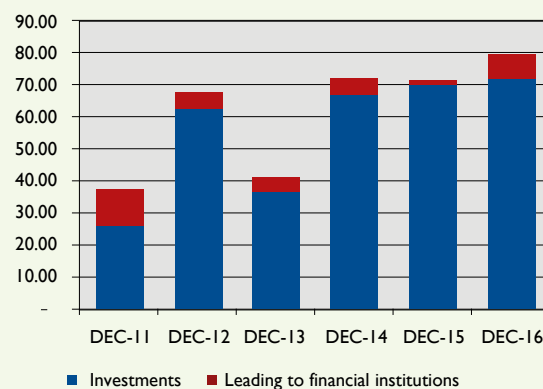


### FY 2016



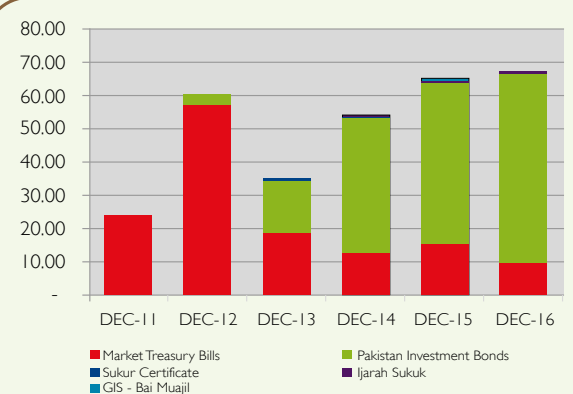
### INVESTMENTS

Rupees In billion



### GOVERNMENT SECURITIES

Rupees In billion

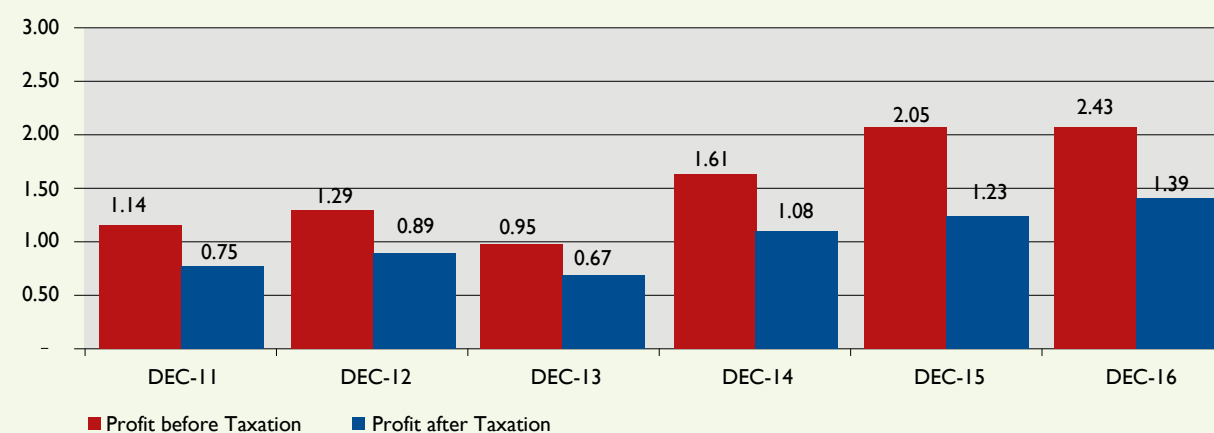


## Annual Report 2016

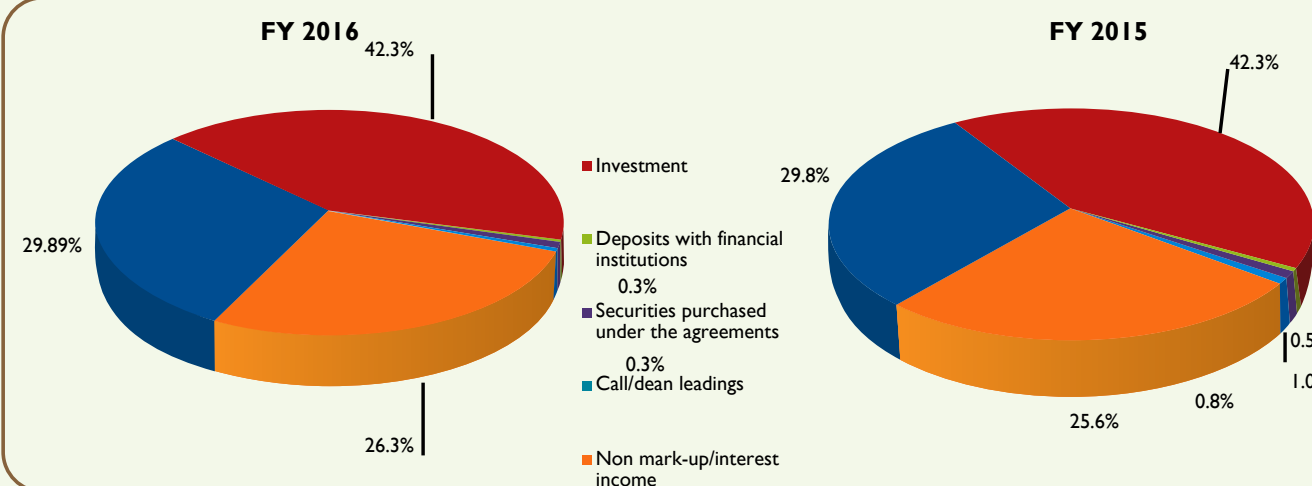


### PROFIT

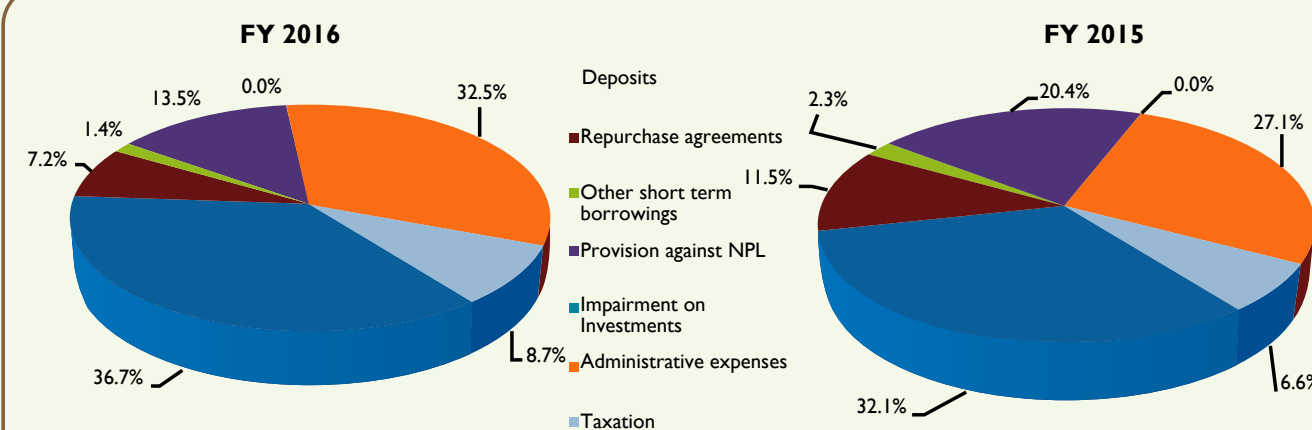
(Rupees in billions)



### INCOME



### EXPENCES

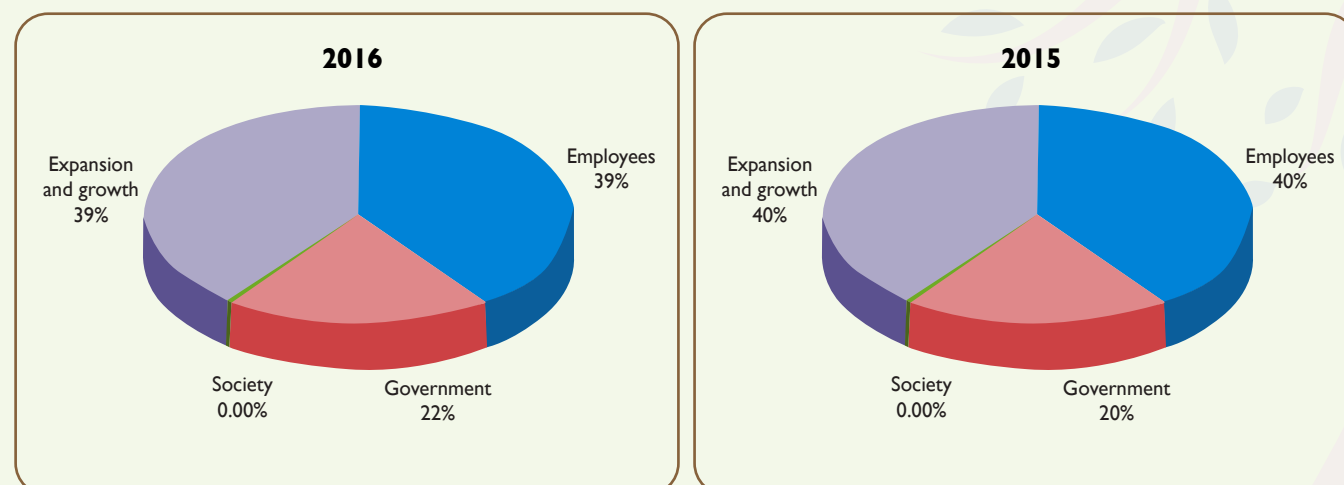






## Value Added Statement

	2016 Rs. in million	%	2015 Rs. in million	%
<b>Value Added</b>				
Net interest income	4,404		4,442	
Non interest income	3,496		3,492	
Operating expenses excluding staff costs depreciation, amortization and donations	(1,645)		(1,372)	
Provision against advances, investments & others	(1,607)		(2,516)	
<b>Value added available for distribution</b>	<b>4,648</b>		<b>4,046</b>	
<b>Distribution of value added:</b>				
<b>To employees</b>				
Remuneration, provident fund and other benefits	1,816	39.07%	1,613	39.87%
<b>To government</b>				
Income tax	1,037	22.31%	821	20.30%
<b>To society</b>				
Donations	-	0.00%	11	0.27%
<b>To expansion and growth</b>				
Depreciation	374	8.06%	340	8.40%
Amortization	30	0.64%	31	0.76%
Retained in business	1,391	29.92%	1,230	30.40%
	1,795	38.62%	1,601	39.57%
	<b>4,648</b>	<b>100%</b>	<b>4,046</b>	<b>100%</b>



## Vertical Analysis

### Statement of Financial Position / Profit & Loss

	2016 Rs. in million	%	2015 Rs. in million	%	2014 Rs. in million	%	2013 Rs. in million	%	2012 Rs. in million	%	2011 Rs. in million	%
<b>STATEMENT OF FINANCIAL POSITION</b>												
<b>ASSETS</b>												
Cash and balances with treasury banks	7,501	5%	5,298	4%	5,066	4%	3,519	5%	2,431	3%	1,656	3%
Balances with other banks	791	0%	1,086	1%	538	0%	191	0%	425	0%	244	1%
Lendings to financial institutions	6,939	5%	850	1%	12,665	10%	4,036	5%	4,620	5%	10,905	23%
Investments	71,540	49%	70,394	55%	59,467	48%	36,786	49%	62,631	68%	26,082	55%
Advances	51,833	35%	44,169	34%	41,185	33%	26,565	35%	19,282	21%	7,259	15%
Operating fixed assets	1,825	1%	1,899	1%	1,812	1%	1,766	2%	1,557	2%	584	1%
Deferred tax assets-net	1,190	1%	301	0%	-	-	-	-	-	-	-	-
Other assets	4,736	3%	4,245	3%	4,138	3%	2,170	3%	1,347	1%	1,000	2%
	<b>146,355</b>	<b>100%</b>	<b>128,242</b>	<b>100%</b>	<b>124,871</b>	<b>100%</b>	<b>75,033</b>	<b>100%</b>	<b>92,291</b>	<b>100%</b>	<b>47,730</b>	<b>100%</b>
<b>LIABILITIES</b>												
Bills payable	714	0%	289	0.25%	400	0%	363	0%	176	0%	42	0%
Borrowings from financial institutions	8,911	6%	27,161	24%	46,077	37%	16,758	22%	48,602	53%	13,013	27%
Deposits and other accounts	119,022	81%	84,077	74%	61,884	50%	45,756	61%	31,470	34%	23,518	49%
Deferred tax liability-net	-	0%	-	-	903	1%	10	0%	207	0%	10	0%
Other liabilities	2,177	1%	1,958	2%	1,506	1%	820	1%	747	1%	484	1%
	<b>130,824</b>	<b>89%</b>	<b>113,484</b>	<b>100%</b>	<b>110,769</b>	<b>89%</b>	<b>63,706</b>	<b>85%</b>	<b>81,203</b>	<b>88%</b>	<b>37,067</b>	<b>78%</b>
<b>NET ASSETS</b>	<b>15,531</b>	<b>11%</b>	<b>14,758</b>	<b>12%</b>	<b>14,102</b>	<b>11%</b>	<b>11,327</b>	<b>15%</b>	<b>11,088</b>	<b>12%</b>	<b>10,663</b>	<b>22%</b>
<b>REPRESENTED BY</b>												
Share capital	10,010	7%	10,000	8%	10,000	8%	10,000	13%	10,000	11%	10,000	21%
Reserves	1,201	1%	923	1%	676	1%	460	1%	327	0%	150	0%
Unappropriated profit	4,186	3%	3,077	2%	2,102	2%	1,242	2%	710	1%	600	1%
Surplus / (Deficit) on revaluation of investments - net of related deferred tax	134	0%	759	1%	1,325	1%	(375)	-1%	51	0%	(87)	0%
	<b>15,531</b>	<b>11%</b>	<b>14,758</b>	<b>12%</b>	<b>14,102</b>	<b>11%</b>	<b>11,327</b>	<b>15%</b>	<b>11,088</b>	<b>12%</b>	<b>10,663</b>	<b>22%</b>
<b>PROFIT &amp; LOSS ACCOUNT</b>												
Mark-up / return / interest earned	9,775	74%	10,127	74%	8,932	90%	6,329	88%	6,141	92%	3,704	94%
Fee, commission and brokerage	359	3%	234	2%	184	2%	163	2%	99	1%	11	0%
Income from dealing in foreign currencies	53	0%	69	1%	66	1%	44	1%	44	1%	2	0%
Capital gain and dividend income	3,075	23%	3,183	23%	702	7%	651	9%	382	6%	209	5%
Other income	9	0%	6	0%	4	0%	3	0%	1	0%	0.34	0%
<b>Total income</b>	<b>13,271</b>	<b>100%</b>	<b>13,619</b>	<b>100%</b>	<b>9,889</b>	<b>100%</b>	<b>7,189</b>	<b>100%</b>	<b>6,668</b>	<b>100%</b>	<b>3,926</b>	<b>100%</b>
Mark-up / return / interest expensed	5,371	40%	5,685	42%	5,497	56%	4,072	57%	4,103	62%	2,241	57%
Operating & admin expenses	3,865	29%	3,367	25%	2,759	28%	2,142	30%	1,278	19%	514	13%
Provision against investments & others	1,607	12%	2,516	18%	21	0%	22	0%	1	0%	31	1%
Taxation	1,037	8%	821	6%	532	5%	287	4%	399	6%	390	10%
<b>Total Expenses</b>	<b>11,880</b>	<b>90%</b>	<b>12,389</b>	<b>91%</b>	<b>8,809</b>	<b>89%</b>	<b>6,523</b>	<b>91%</b>	<b>5,781</b>	<b>87%</b>	<b>3,177</b>	<b>81%</b>
<b>Profit after taxation</b>	<b>1,391</b>	<b>10%</b>	<b>1,230</b>	<b>9%</b>	<b>1,079</b>	<b>11%</b>	<b>666</b>	<b>9%</b>	<b>887</b>	<b>13%</b>	<b>750</b>	<b>19%</b>





## Horizontal Analysis

	2016 Rs. in million	16 vs 15 %	2015 Rs. in million	15 vs 14 %	2014 Rs. in million	14 vs 13 %	2013 Rs. in million	13 vs 12 %	2012 Rs. in million	12 vs 11 %	2011 Rs. in million
<b>STATEMENT OF FINANCIAL POSITION</b>											
<b>ASSETS</b>											
Cash and balances with treasury banks	7,501	42%	5,298	5%	5,066	44%	3,519	45%	2,431	47%	1,656
Balances with other banks	791	-27%	1,086	102%	538	182%	191	-55%	425	74%	244
Lendings to financial institutions	6,939	716%	850	-93%	12,665	214%	4,036	-13%	4,620	-58%	10,905
Investments	71,540	2%	70,394	18%	59,467	62%	36,786	-41%	62,631	140%	26,082
Advances	51,833	17%	44,169	7%	41,185	55%	26,565	38%	19,282	166%	7,259
Operating fixed assets	1,825	-4%	1,899	5%	1,812	3%	1,766	13%	1,557	167%	584
Deferred tax assets-net	1,190	296%	301	-	-	-	-	-	-	-	-
Other assets	4,736	12%	4,245	3%	4,138	91%	2,170	61%	1,347	35%	1,000
	<b>146,355</b>	<b>14%</b>	<b>128,242</b>	<b>3%</b>	<b>124,871</b>	<b>66%</b>	<b>75,033</b>	<b>-19%</b>	<b>92,291</b>	<b>93%</b>	<b>47,730</b>
<b>LIABILITIES</b>											
Bills payable	714	147%	289	-28%	400	10%	363	106%	176	317%	42
Borrowings from financial institutions	8,911	-67%	27,161	41%	46,077	175%	16,758	-66%	48,602	274%	13,013
Deposits and other accounts	119,022	42%	84,077	36%	61,884	35%	45,756	45%	31,470	34%	23,518
Deferred tax liability	-	0	-	-	903	9391%	10	-95%	207	1908%	10
Other liabilities	2,177	11%	1,958	30%	1,506	84%	820	10%	747	54%	484
	<b>130,824</b>	<b>15%</b>	<b>113,484</b>	<b>2%</b>	<b>110,769</b>	<b>74%</b>	<b>63,706</b>	<b>-22%</b>	<b>81,203</b>	<b>119%</b>	<b>37,067</b>
<b>NET ASSETS</b>	<b>15,531</b>	<b>5%</b>	<b>14,758</b>	<b>5%</b>	<b>14,102</b>	<b>25%</b>	<b>11,327</b>	<b>2%</b>	<b>11,088</b>	<b>4%</b>	<b>10,663</b>
<b>REPRESENTED BY</b>											
Share capital	10,010	0%	10,000	0%	10,000	0%	10,000	0%	10,000	0%	10,000
Reserves	1,201	30%	923	37%	676	47%	460	41%	327	118%	150
Unappropriated profit	4,186	36%	3,077	46%	2,102	69%	1,242	75%	710	18%	600
Surplus / (Deficit) on revaluation of investments - net of related deferred tax	134	-82%	759	-43%	1,325	-453%	(375)	-838%	51	-159%	(87)
	<b>15,531</b>	<b>5%</b>	<b>14,758</b>	<b>5%</b>	<b>14,102</b>	<b>25%</b>	<b>11,327</b>	<b>2%</b>	<b>11,088</b>	<b>4%</b>	<b>10,663</b>
<b>PROFIT &amp; LOSS ACCOUNT</b>											
Mark-up / return / interest earned	9,775	-3%	10,127	13%	8,932	41%	6,329	3%	6,141	66%	3,704
Fee, commission and brokerage	359	53%	234	27%	184	13%	163	65%	99	830%	11
Income from dealing in foreign currencies	53	-24%	69	4%	66	51%	44	-1%	44	1840%	2
Capital gain and dividend income	3,075	-3%	3,183	353%	702	8%	651	70%	382	83%	209
Other income	9	60%	6	46%	4	41%	3	102%	1	311%	0.34
<b>Total income</b>	<b>13,271</b>	<b>-3%</b>	<b>13,619</b>	<b>38%</b>	<b>9,889</b>	<b>38%</b>	<b>7,189</b>	<b>8%</b>	<b>6,668</b>	<b>70%</b>	<b>3,926</b>
Mark-up / return / interest expensed	5,371	-6%	5,685	3%	5,497	35%	4,072	-1%	4,103	83%	2,241
Operating & admin expenses	3,865	15%	3,367	22%	2,759	29%	2,142	68%	1,278	149%	514
Provision against investments & others	1,607	-36%	2,516	11719%	21	-3%	22	1942%	1	-97%	31
Taxation	1,037	26%	821	54%	532	85%	287	-28%	399	2%	390
<b>Total Expenses</b>	<b>11,880</b>	<b>-4%</b>	<b>12,389</b>	<b>41%</b>	<b>8,809</b>	<b>35%</b>	<b>6,523</b>	<b>13%</b>	<b>5,781</b>	<b>82%</b>	<b>3,177</b>
<b>Profit after taxation</b>	<b>1,391</b>	<b>13%</b>	<b>1,230</b>	<b>14%</b>	<b>1,079</b>	<b>62%</b>	<b>666</b>	<b>-25%</b>	<b>887</b>	<b>18%</b>	<b>750</b>

## Key Performance Indicators

		2016	2015	2014	2013	2012	2011
<b>Financial</b>							
Investments-Gross	Rs. In million	71,341	69,235	57,437	37,383	62,556	26,246
Advances-Gross	" "	55,980	46,708	41,204	26,565	19,282	7,259
Deposits	" "	119,022	84,077	61,884	45,756	31,470	23,518
Shareholders' Equity	" "	15,397	14,000	12,777	11,702	11,037	10,750
Total Assets	" "	146,355	128,242	124,871	75,033	92,291	47,730
Net Interest Income	" "	4,404	4,442	3,435	2,258	2,038	1,463
Non Interest Income	" "	3,496	3,492	956	860	527	222
Operating Expenses	" "	3,865	3,367	2,759	2,142	1,278	514
Profit Before provisions	" "	4,035	4,567	1,633	975	1,287	1,171
Provision against investments & others	" "	1,607	2,516	21	22	1	31
Profit Before Taxation	" "	2,428	2,051	1,612	953	1,286	1,140
Profit After Taxation	" "	1,391	1,230	1,079	666	887	750
Dividend Paid	" "	-	-	-	-	600	-
<b>Non Financial</b>							
No. of Customers (as of)	Numbers	414,944	355,567	162,992	120,643	74,600	8,120
No. of New Branches Opened	" "	10	25	25	40	110	50
No. of New Accounts Opened	" "	61,638	192,572	47,419	56,541	74,949	9,971
No. of ATM/Debit Cards Issued (as of)	" "	128,667	83,729	32,293	17,926	6,923	1,158
No. of Permanent Employees (as of)	" "	1501	1456	1,298	1,167	924	462
No. of ATM Machine (as of)	" "	225	192	105	24	19	3
No. of Mobile Banking Customers	" "	170,367	143,608	86,045	62,248	34,040	5,983
<b>Key Financial Ratios</b>							
Earnings Per Share - Pre tax	Rupees	2.43	2.05	1.61	0.95	1.29	1.14
Book Value Per Share	" "	15.38	14.00	12.78	11.70	11.09	10.66
Return on Equity - Pre tax	%	16.52%	15.32%	13.17%	8.39%	11.81%	9.09%
Return on Assets - Pre tax	" "	1.77%	1.62%	1.61%	1.14%	1.97%	2.21%
Capital Adequacy Ratio	" "	18.33	20.13%	22.57%	23.97%	38.51%	56.28%



(SCHEDULE-I)

Statement of Compliance with the Public Sector Companies (Corporate Governance) Rules, 2013	
Name of company	- Sindh Bank Limited
Name of the line ministry	- Finance Department Govt. of Sindh
For the year ended	- 31st December, 2016

- I. This statement is being presented to comply with the Public Sector Companies (Corporate Governance) Rules, 2013 (hereinafter called "the Rules") issued for the purpose of establishing a framework of good governance, whereby a public sector company is managed in compliance with the best practices of public sector governance.
- II. The company has complied with the provisions of the Rules in the following manner:

S. No.	Provision of the Rules	Rule No.	Y	N																						
			Tick the relevant box																							
1.	The independent directors meet the criteria of independence, as defined under the Rules.	2(d)	✓																							
2.	The Board has the requisite percentage of independent directors. At present the board includes:	3(2)	✓																							
	<table><tr><th>Category</th><th>Names</th><th>Date of appointment</th></tr><tr><td rowspan="4">Independent Directors</td><td>1. Mr. Afzal Ghani</td><td>07.04.2015</td></tr><tr><td>2. Mr. Muhammad Naeem Sehgal</td><td>07.04.2015</td></tr><tr><td>3. Mr. Tajammal Husain Bokharee</td><td>07.04.2015</td></tr><tr><td>4. Mr. Raja Muhammad Abbas</td><td>07.04.2015</td></tr><tr><td rowspan="3">Non-Executive Directors</td><td>1. Mr. Mohammad Shahid Murtaza</td><td>07.04.2015</td></tr><tr><td>2. Mr. Muhammad Bilal Sheikh</td><td>08.02.2016</td></tr><tr><td>3. Mr. Syed Hasan Naqvi</td><td>05.09.2016</td></tr><tr><td>President &amp; CEO</td><td>1. Mr. Tariq Ahsan</td><td>15.04.2016</td></tr></table>				Category	Names	Date of appointment	Independent Directors	1. Mr. Afzal Ghani	07.04.2015	2. Mr. Muhammad Naeem Sehgal	07.04.2015	3. Mr. Tajammal Husain Bokharee	07.04.2015	4. Mr. Raja Muhammad Abbas	07.04.2015	Non-Executive Directors	1. Mr. Mohammad Shahid Murtaza	07.04.2015	2. Mr. Muhammad Bilal Sheikh	08.02.2016	3. Mr. Syed Hasan Naqvi	05.09.2016	President & CEO	1. Mr. Tariq Ahsan	15.04.2016
	Category				Names	Date of appointment																				
	Independent Directors				1. Mr. Afzal Ghani	07.04.2015																				
					2. Mr. Muhammad Naeem Sehgal	07.04.2015																				
					3. Mr. Tajammal Husain Bokharee	07.04.2015																				
4. Mr. Raja Muhammad Abbas		07.04.2015																								
Non-Executive Directors	1. Mr. Mohammad Shahid Murtaza	07.04.2015																								
	2. Mr. Muhammad Bilal Sheikh	08.02.2016																								
	3. Mr. Syed Hasan Naqvi	05.09.2016																								
President & CEO	1. Mr. Tariq Ahsan	15.04.2016																								
3.	A casual vacancy occurring on the board was filled up by the directors within ninety days.	3(4)	✓																							
4.	The directors have confirmed that none of them is serving as a director on more than five public sector companies and listed companies simultaneously, except their subsidiaries. The Finance Secretary, GoS in the capacity of "Ex-officio" is in more than '5' Public Sector Companies, which relaxation has been given by SECP vide its Letter No.CLD/CCD/PSC/37/2015/6163, dated 12.02.2016.	3(5)		✓																						
5.	The appointing authorities have applied the fit and proper criteria given in the Annexure in making nominations of the persons for election as board members under the provisions of the Ordinance.	3(7)	✓																							
6.	The chairman of the board is working separately from the chief executive of the Company.	4(1)	✓																							
7.	The chairman has been elected from amongst the independent directors.	4(4)	✓																							
8.	The Board has evaluated the candidates for the position of the chief executive on the basis of the fit and proper criteria as well as the guidelines specified by the Commission.	5(2)	✓																							
9.	(a) The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures, including posting the same on the company's website i.e. www.sindhbankltd.com	5(4)	✓																							
	(b) The Board has set in place adequate systems and controls for the identification and redressal of grievances arising from unethical practices.																									
10.	The Board has established a system of sound internal control, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty; and relationship with the stakeholders, in the manner prescribed in the Rules.	5(5)	✓																							
11.	The Board has developed and enforced an appropriate conflict of interest policy to lay down circumstances or considerations when a person may be deemed to have actual or potential conflict of interests, and the procedure for disclosing such interest.	5(5)(b)(ii)	✓																							
12.	The Board has developed and implemented a policy on anti-corruption to minimize actual or perceived corruption in the company.	5(5)(b5(5) (vi)	✓																							
13.	(a) The Board has ensured equality of opportunity by establishing open and fair procedures for making appointments and for determining terms and conditions of service.	5(5)(c)(ii)	✓																							
	(b) A Committee has been formed to investigating deviations from the company's code of conduct.																									

14	The Board has ensured compliance with the law as well as the company's internal rules and procedures relating to public procurement, tender regulations, and purchasing and technical standards, when dealing with suppliers of goods and services.	5(5)(c)(iii)	✓																			
15	The board has developed a vision or mission statement, corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.	5(6)	✓																			
16	The board has quantified the outlay of any action in respect of any service delivered or goods sold by the Company as a public service obligation, and has submitted its request for appropriate compensation to the Government for consideration.	5(8)	N/A																			
17	(a) The board has met at least four times during the year. (b) Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. (c) The minutes of the meetings were appropriately recorded and circulated.	6(1) 6(2) 6(3)	✓																			
18	The board has carried out performance evaluation of its members, including the chairman and the chief executive, on the basis of a process, based on specified criteria, developed by it. The board has also monitored and assessed the performance of senior management on annual basis.	8	✓																			
19	The board has reviewed and approved the related party transactions placed before it after recommendations of the audit committee. A party wise record of transactions entered into with the related parties during the year has been maintained.	9	✓																			
20	The board has approved the profit and loss account for, and balance sheet as at the end of, the first, second and third quarter of the year as well as the financial year end, and has placed the annual financial statements on the company's website. Monthly accounts were also prepared and circulated amongst the board members.	10	✓																			
21	All the board members underwent an orientation course arranged by the company to apprise them of the material developments and information as specified in the Rules.	11	✓																			
22	(a) The board has formed the requisite committees, as specified in the Rules. (b) The committees were provided with written term of reference defining their duties, authority and composition. (c) The minutes of the meetings of the committees were circulated to all the board members. (d) The committees were chaired by the following non-executive directors:	12	✓																			
	<table><tr><th>Committee</th><th>Number of members</th><th>Name of Chair</th></tr><tr><td>Audit Committee</td><td>04</td><td>Mr. Muhammad Naeem Sahgal, Independent Director</td></tr><tr><td>Risk Management Committee</td><td>03</td><td>Mr. Tajammal Husain Bokharee, Independent Director</td></tr><tr><td>Human Resources Committee</td><td>04</td><td>Mr. Afzal Ghani, Independent Director</td></tr><tr><td>Procurement Committee</td><td>05</td><td>Finance Secretary (GoS), Non-Executive Director</td></tr><tr><td>Nomination Committee</td><td>04</td><td>Mr. Raja Muhammad Abbas Independent Director</td></tr></table>				Committee	Number of members	Name of Chair	Audit Committee	04	Mr. Muhammad Naeem Sahgal, Independent Director	Risk Management Committee	03	Mr. Tajammal Husain Bokharee, Independent Director	Human Resources Committee	04	Mr. Afzal Ghani, Independent Director	Procurement Committee	05	Finance Secretary (GoS), Non-Executive Director	Nomination Committee	04	Mr. Raja Muhammad Abbas Independent Director
	Committee				Number of members	Name of Chair																
	Audit Committee				04	Mr. Muhammad Naeem Sahgal, Independent Director																
	Risk Management Committee				03	Mr. Tajammal Husain Bokharee, Independent Director																
	Human Resources Committee				04	Mr. Afzal Ghani, Independent Director																
Procurement Committee	05	Finance Secretary (GoS), Non-Executive Director																				
Nomination Committee	04	Mr. Raja Muhammad Abbas Independent Director																				
23	The board has approved appointment of Chief Financial Officer, Company Secretary and Chief Internal Auditor, with their remuneration and terms and conditions of employment, and as per their prescribed qualifications.	13/14	✓																			
24	The company has adopted International Financial Reporting Standards notified by the Commission under clause (i) of sub-section (3) of section 234 of the Ordinance.	16	✓																			
25	The directors' report for this year has been prepared in compliance with the requirements of the Ordinance and the Rules and fully describes the salient matters required to be disclosed.	17	✓																			
26	The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.	18	✓																			





(SCHEDULE-II)

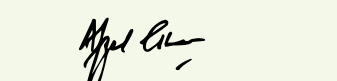
27.	A formal and transparent procedure for fixing the remuneration packages of individual directors has been set in place. The annual report of the company contains criteria and details of remuneration of each director.		19	✓		
28.	The financial statements of the company were duly endorsed by the chief executive and chief financial officer, before approval of the board.		20	✓		
29.	The board has formed an Audit Committee, with defined and written terms of reference and having the following members:		21	✓		
	Number of members	Category				Professional background
	Audit Committee	Mr. Naeem Sahgal Chairman/Independent Director				Advocate Supreme Court
		Finance Secretary (GoS) Member/Non-Executive Director				Secretary Finance Govt. of Sindh
		Mr. M. Shahid Murtaza Member/Non Executive Director				Ex-Banker
		Mr. Muhammad Bilal Sheikh Member/Non Executive Director				Ex-President & CEO of Sindh Bank/Banker
The chief executive and chairman of the board are not members of the audit committee						
30.	The board has set up an effective internal audit function, which has an audit charter, duly approved by the audit committee, and which worked in accordance with the applicable standards.		22	✓		
31.	The company has appointed its external auditors in line with the requirements envisaged under the Rules.		23	✓		
32.	The external auditors of the company have confirmed that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as applicable in Pakistan.		23(4)	✓		
33.	The external auditors have not been appointed to provide non-audit services and the auditors have confirmed that they have observed applicable guidelines issued by IFAC in this regard.		23(5)	✓		
34.	The company has complied with all the corporate and financial reporting requirements of the Rules.			✓		

Explanation for Non-Compliance with the Public Sector Companies (Corporate Governance) Rules, 2013
---

We confirm that all other material requirements envisaged in the Rules have been complied with [except for the following, toward which reasonable progress is being made by the company to seek compliance by the end of next accounting year]:

Sr. No.	Rule/sub-rule No.	Reasons for non-compliance	Future Course of Action
I.	3(5)*	Mr. Sohail Rajput the former Finance Secretary, GoS in the capacity of "Ex-officio" is director in more than '5' Public Sector Companies, for which relaxation was obtained vide SECP Letter No.CLD/CCD/PSC/37/2015/6163, dated 12.02.2016. The said relaxation was upto 12.02.2017. On 06.02.2017 Bank has applied for Relaxation for Mr: Hasan Naqvi, present Finance Secretary, which is pending with SECP.	The compliance of clause 3(5) will be made according to the directions of SECP.

  
Tariq Ahsan  
President & CEO

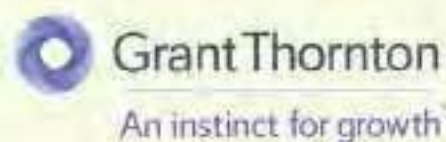
  
Afzal Ghani  
Chairman/Independent Director

\* The SECP vide its letter No.CLD/CCD/PSC/37/2015-4457, dated March 3, 2017 has approved the relaxation from Rule 3(5) of PSC Rules.

  
Tariq Ahsan  
President & CEO

  
Afzal Ghani  
Chairman/Independent Director





## Review Report to the Members on Statement of Compliance with Best Practices of the Code of Corporate Governance and Public Sector Companies (Corporate Governance) Rules, 2013

GRANT THORNTON ANJUM RAHMAN  
 27a & 2nd Floor  
 Modern Motors House  
 Regent Road,  
 Karachi 75530  
 T: +92-21-3563 2431/40  
 F: +92-21-3568 8504  
 www.grantthornton.com

We have reviewed the Statement of Compliance with the best practices (the Statement) contained in the Code of Corporate Governance (the Code) and Public Sector Companies (Corporate Governance) Rules, 2013 (the Rules) for the year ended December 31, 2016, prepared by the Board of Directors (the Board) of Sindh Bank Limited ("the Bank") to comply with the regulation G-1 of the Prudential Regulations for the Corporate / Commercial Banking issued by the State Bank of Pakistan.

The responsibility for compliance with the Code and the Rules is that of the Board of the Bank. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement reflects the status of the Bank's compliance with the provisions of the Code and the Rules and report if it does not. 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 and the Rules.

As part of our audit of 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'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 risk.

The Code requires the Bank to place before the Board for their consideration and approval of related party transactions distinguishing between transactions carried out on terms equivalent to those that prevailed in arm's length transactions and transactions which are not executed at arm's length priced recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board and placement of such transactions before 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.

Moreover, the Code and Public Sector Companies (Corporate Governance) Rules, 2013 require the Board to ensure compliance with the law as well as the Bank's internal rules and procedures relating to public procurement, tender regulations, and purchasing and technical standards, when dealing with supplier of goods and services, in accordance with SPPRA rules. We have only carried out procedures to check compliance with the above mentioned rules on a test basis as a part of our audit of the financial statements of the Bank.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement does not appropriately reflect the Bank's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance and Public Sector Companies (Corporate Governance) Rules, 2013 as applicable to the Bank, for the year ended December 31, 2016.

Further, we highlight instances of non-compliance with the requirements of the Code and the Rules as reflected in Schedule II to the Statement of Compliance.

Date: March 07, 2017  
 Karachi

Grant Thornton Anjum Rahman  
 Chartered Accountants  
 Muhammad Shaukat Naseeb  
 Engagement Partner

## Annual Report 2016

### Statement of Internal Controls

This statement is presented to comply with the requirement of State Bank of Pakistan BSD circular No.07 dated May 27, 2004 on "Guidelines on Internal Controls" and Annexure A of OSED Circular No. 01 dated February 07, 2014 on Internal Controls over Financial Reporting (ICFR).

The Board of Directors of the Bank is responsible for establishing and maintaining an adequate and effective system of internal controls which has the main objectives of ensuring effectiveness and efficiency of operations, reliability of financial reporting, safeguarding of assets and compliance with applicable laws and regulations. These regulations which contain information requirements on how internal control is organized are designed to provide reasonable certainty of the reliability of financial reporting.

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Bank and this process includes the system of Internal Control over Financial Reporting. The process is regularly reviewed by the Board and the control activities are being closely monitored across the Bank through, Internal Control Committee (ICC), Compliance Division, Internal Audit Division, Risk Management Division and Internal Control Department covering key internal controls in all banking activities.

In order to discharge the above responsibility, the Board Audit Committee has direct oversight responsibility to ensure the independence of the internal audit function and external audit. The Audit Committee meetings are held once in every quarter to discuss the scope and results of the work performed by the Internal Audit Department.

The Audit Committee also meets with external auditors prior to approval of half-yearly and final results of the Bank. Based on observations and weaknesses found and identified by the internal and external auditors, appropriate improvements in internal controls are made wherever possible, by the management and approval of the Board of Directors is taken where required.

Due to inherent limitations, any system of internal controls is exposed to the risk of human error, system failure, circumvention and overriding of controls. Therefore, evaluation and monitoring of existing internal controls is an ongoing process. It is pertinent to mention that an internal control system is designed to manage rather than eliminate the risk. As such it can only provide reasonable and not absolute assurance against material misstatement or loss.

The Bank has adopted and implemented the internationally accepted COSO (Committee of Sponsoring Organizations of Tread way Commission) Framework of Internal Control-Integrated Framework to further enhance its internal control system and to manage bank risk on an integrated enterprise wide basis enabling it to meet the requirements of 'Guidelines on Internal Controls' issued by the State Bank of Pakistan. The Bank has developed a comprehensive testing and reporting framework for ensuring ongoing operating effectiveness of majority of key controls and has significantly addressed the design improvement opportunities identified to complete the project related initiatives.

In order to ensure consistency in the process of compliance with the relevant guidelines, the Bank followed a structured roadmap by carrying out detailed documentation of the important processes and controls, together with comprehensive gap analysis of the control design and developed and implemented remediation plans for the gaps.

The management assists the Board in the implementation of its approved policies and procedures pertaining to Internal Control over Financial Reporting. The management is continuously in the process of enhancing the documentation of the system of Internal Control over Financial Reporting. While concerted efforts have always been made to comply with the guidelines issued by SBP, the identification, evaluation, and management of risks within each of the Bank's key activities, and their continued evaluation and changes to policies and procedures remains an ongoing process. The bank has developed a comprehensive management testing and reporting framework for ensuring ongoing operating effectiveness of majority of key controls and has significantly addressed the design improvement opportunities identified to complete the project related initiatives.

In accordance with SBP directives, the Bank has completed all the stages of ICFR and upon satisfactory completion of ICFR roadmap, the SBP had granted waiver for the submission of Long Form Reports from external auditors from the year 2015. An annual assessment report on ICFR has been submitted to SBP by the Board Audit Committee (BAC) for the year 2015.

The Bank also successfully completed the cycle of review Internal Control over Financial Reporting for the year 2016 and the process shall continue going forward, under the SBP Internal Control Guidelines. In accordance with SBP's directives, the Annual Assessment Report for the year 2016 shall be submitted by Board Audit Committee to the State Bank of Pakistan by March 31, 2017.

The Board is of the view that the system of Internal Control over Financial Reporting in place is sound and adequate to provide reasonable assurance regarding the reliability of Financial Reporting and that the preparation of Financial Statements for external purposes is in accordance with relevant accounting principles, standards and regulatory requirements.

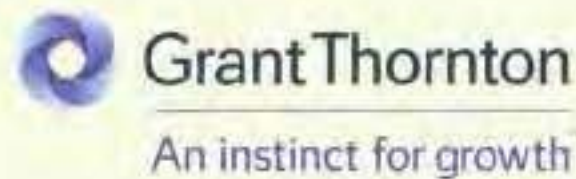
Based on the above, the Board of Directors endorses the management's evaluation of Internal Controls.

On behalf of the Board

Tariq Ahsan  
 President & CEO

Karachi  
 March 02, 2017





## AUDITORS' REPORT TO THE MEMBERS OF SINDH BANK LIMITED

**GRANT THORNTON ANJUM RAHMAN**  
 1st & 3rd Floor,  
 Modern Motors House,  
 Beaumont Road,  
 Karachi 75530  
 T: 021 3567 2951/56  
 F: 021 3568 8834  
 www.gtbank.com

We have audited the annexed unconsolidated statement of financial position of **Sindh Bank Limited** ("the Bank") as at December 31, 2016 and the related unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the "the financial statements") for the year then ended, in which are incorporated the unaudited certified returns from the branches except for seventeen 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 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 financial 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 case of loans and advances covered more than 60% of the total loans and advances of the Bank, we report that:

- (a) in our opinion, proper books of accounts 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 unconsolidated statement of financial position and the related unconsolidated profit and loss account together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 (LVII of 1962), and the

Companies Ordinance, 1984 (XLVII of 1984), and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

- (ii) the expenditure incurred during the year was for the purpose of the Bank's business; and
- (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof conform with 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 the December 31, 2016, and its true balance of profit, its comprehensive income, its cash flows and its 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.

### Emphasis of matter paragraph

We draw attention to note 1.4 to the financial statements which highlights the current status of listing requirement as imposed by the State Bank of Pakistan and the Bank's prospective merger with another bank in Pakistan. Our opinion is not qualified in respect of this matter.

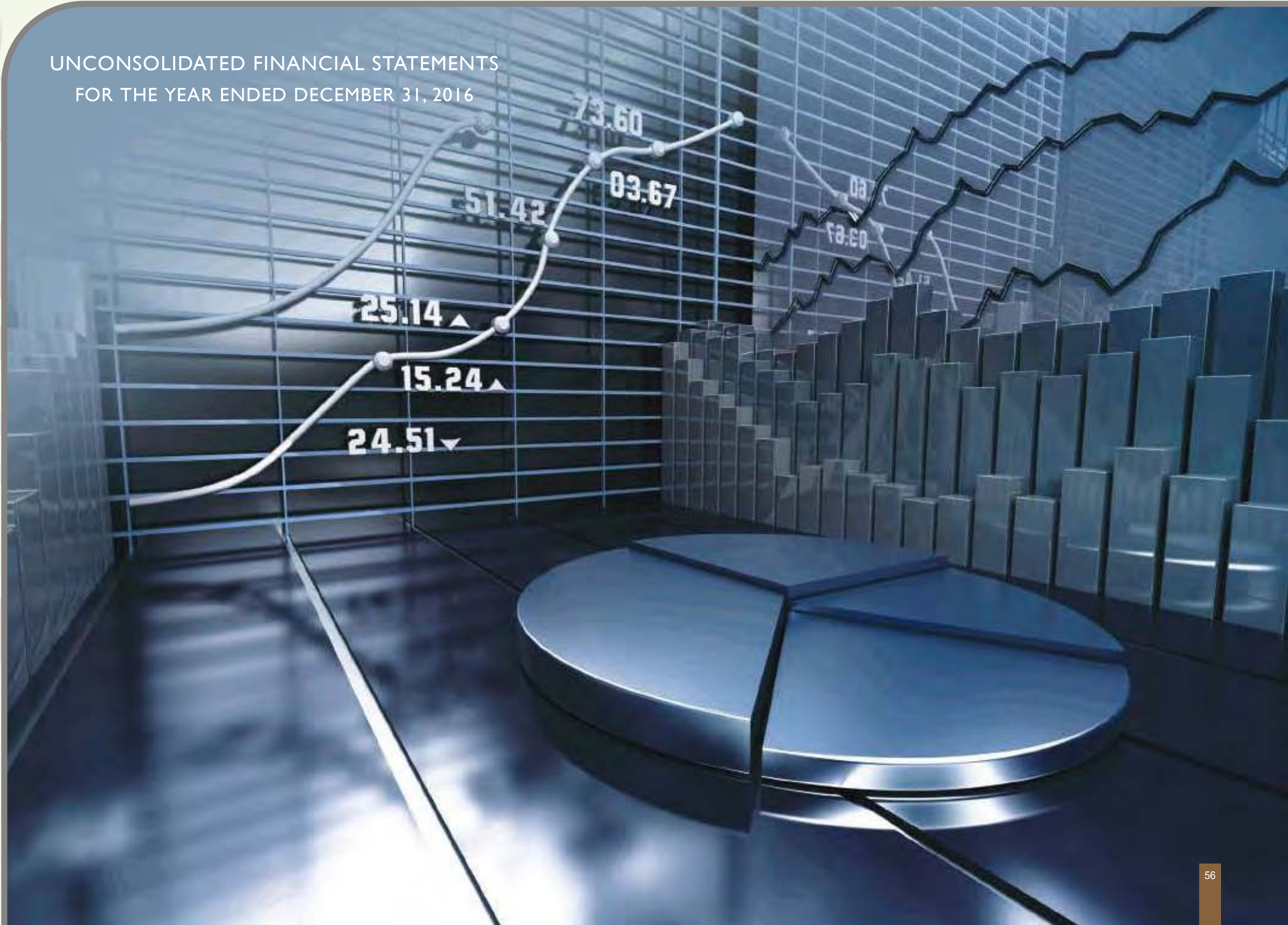
Dated: March 07, 2017  
 Karachi

  
**Grant Thornton Anjum Rahman**  
 Chartered Accountants  
**Muhammad Shaukat Naseeb**  
 Engagement Partner





UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016







## Sindh Bank Limited Unconsolidated Statement of Financial Position As at December 31, 2016

	Note	2016 (Rupees in '000)	2015
<b>ASSETS</b>			
Cash and balances with treasury banks	6	7,500,675	5,297,608
Balances with other banks	7	791,478	1,936,079
Lendings to financial institutions	8	6,938,610	-
Investments - net	9	71,539,737	70,394,245
Advances - net	10	51,833,182	44,169,089
Operating fixed assets	11	1,825,483	1,899,077
Deferred tax assets - net	12	1,190,485	300,805
Other assets - net	13	4,735,723	4,245,212
		<b>146,355,373</b>	<b>128,242,115</b>
<b>LIABILITIES</b>			
Bills payable	14	714,212	288,681
Borrowings	15	8,910,738	27,160,697
Deposits and other accounts	16	119,022,240	84,076,644
Sub-ordinated loan		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities - net	12	-	-
Other liabilities	17	2,177,298	1,957,703
		<b>130,824,488</b>	<b>113,483,725</b>
<b>NET ASSETS</b>		<b>15,530,885</b>	<b>14,758,390</b>
<b>REPRESENTED BY</b>			
Share capital	18	10,010,130	10,000,000
Reserves		1,200,812	922,596
Unappropriated profit		4,185,911	3,076,915
		<b>15,396,853</b>	<b>13,999,511</b>
Surplus on revaluation of assets - net of deferred tax	19	134,032	758,879
		<b>15,530,885</b>	<b>14,758,390</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	20		

The annexed notes from 1 to 41 and Annexure I form an integral part of these unconsolidated financial statements.

President & Chief Executive Officer

Chairman

Director

Director



## Annual Report 2016

## Sindh Bank Limited Unconsolidated Profit and Loss Account For the year ended December 31, 2016

	Note	2016 (Rupees in '000)	2015
Mark-up / return / interest earned	21	9,775,399	10,127,239
Mark-up / return / interest expensed	22	5,371,167	5,684,824
<b>Net mark-up / return / interest income</b>		<b>4,404,232</b>	<b>4,442,415</b>
Provision against non performing loans and advances - net	10.5.3	1,607,448	2,519,865
Provision for diminution in the value of investments - net	9.4	-	490
Bad debts written off directly		-	-
		<b>1,607,448</b>	<b>2,520,355</b>
<b>Net mark-up / return / interest income after provisions</b>		<b>2,796,784</b>	<b>1,922,060</b>
<b>Non mark-up / interest income</b>			
Fee, commission and brokerage income		358,828	234,278
Dividend income		141,517	120,098
Income from dealing in foreign currencies		52,754	69,180
Gain on sale of securities - net	23	2,933,656	3,062,553
Unrealised gain on revaluation of investments classified as held-for-trading		-	-
Other income	24	9,195	5,729
Total non mark-up / interest income		<b>3,495,950</b>	<b>3,491,838</b>
		<b>6,292,734</b>	<b>5,413,898</b>
<b>Non mark-up / interest expenses</b>			
Administrative expenses	25	3,864,279	3,353,026
Other provisions / (reversals) against other assets		-	(4,418)
Other charges	26	525	13,791
Total non mark-up / interest expenses		<b>3,864,804</b>	<b>3,362,399</b>
		<b>2,427,930</b>	<b>2,051,499</b>
Extraordinary / unusual items		-	-
<b>Profit before taxation</b>		<b>2,427,930</b>	<b>2,051,499</b>
<b>Taxation</b>			
- Current		1,404,921	1,617,389
- Prior years		185,408	102,556
- Deferred		(553,225)	(898,709)
	27	<b>1,037,104</b>	<b>821,236</b>
		<b>1,390,826</b>	<b>1,230,263</b>
<b>Profit after taxation</b>			
Basic and diluted earnings per share (Rupees)	28	<b>1.39</b>	<b>1.23</b>

The annexed notes from 1 to 41 and Annexure I form an integral part of these unconsolidated financial statements.

President & Chief Executive Officer

Chairman

Director

Director





## Sindh Bank Limited Unconsolidated Statement of Comprehensive Income For the year ended December 31, 2016

	2016 (Rupees in '000)	2015
Profit after taxation	1,390,826	1,230,263
Other comprehensive income		
Components of comprehensive income reflected in equity		
Items that will be reclassified subsequently to profit and loss account	-	-
Items that will not be reclassified subsequently to profit and loss account:		
Measurement of net defined benefit liability	(5,639)	(12,624)
Related current tax credit	1,974	4,418
	(3,665)	(8,206)
Total comprehensive income for the year transferred to equity	1,387,161	1,222,057
Components of comprehensive income reflected below equity		
Items that will be reclassified subsequently to profit and loss account:		
Deficit on revaluation of investments	(961,303)	(870,864)
Related deferred tax charge	336,456	304,803
	(624,847)	(566,061)
Items that will not be reclassified subsequently to profit and loss account	-	-
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>762,314</b>	<b>655,996</b>

The annexed notes from I to 4I and Annexure I form an integral part of these unconsolidated financial statements.

President & Chief Executive Officer

Chairman

Director

Director



## Annual Report 2016

## Sindh Bank Limited Unconsolidated Statement of Cash Flow For the year ended December 31, 2016

Note	2016 (Rupees in '000)	2015
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	2,427,930	2,051,499
Less: Dividend income	(141,517)	(120,098)
	<b>2,286,413</b>	<b>1,931,401</b>
Adjustments:		
Depreciation	374,452	339,953
Amortisation	29,791	30,769
Provision against non performing loans and advances - net	1,607,448	2,519,865
Provision for diminution in the value of investments - net	-	490
Other reversals	-	(4,418)
Charge for defined benefit plan	44,842	36,662
Gain on sale of operating fixed assets	(4,146)	(780)
	<b>2,052,387</b>	<b>2,922,541</b>
	<b>4,338,800</b>	<b>4,853,942</b>
(Increase) / decrease in operating assets		
Lendings to financial institutions	(6,938,610)	12,665,492
Advances - net	(9,271,541)	(5,504,251)
Other assets - net	(489,843)	31,383
	<b>(16,699,994)</b>	<b>7,192,624</b>
Increase / (decrease) in operating liabilities		
Bills payable	425,531	(110,910)
Borrowings	(18,249,959)	(18,915,939)
Deposits and other accounts	34,945,596	22,192,608
Other liabilities (excluding current taxation)	339,452	177,834
	<b>17,460,620</b>	<b>3,343,593</b>
Contribution to gratuity fund	5,099,426	15,390,159
Income tax paid	(49,287)	(34,878)
	<b>(1,709,405)</b>	<b>(1,641,722)</b>
<b>Net cash flow from operating activities</b>	<b>3,340,734</b>	<b>13,713,559</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net investment in available-for-sale securities	(2,686,633)	(8,713,772)
Net investment in held-to-maturity securities	579,838	(2,326,747)
Investment in subsidiary	-	(750,000)
Dividend income	140,849	120,098
Investments in operating fixed assets	(342,988)	(428,605)
Sale proceeds of operating fixed assets disposed-off	16,485	15,091
<b>Net cash used in investing activities</b>	<b>(2,292,449)</b>	<b>(12,083,935)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Issue of share capital	10,181	-
<b>Net cash flow from financing activities</b>	<b>10,181</b>	<b>-</b>
<b>Increase in cash and cash equivalents</b>	<b>1,058,466</b>	<b>1,629,624</b>
Cash and cash equivalents at the beginning of the year	7,233,687	5,604,063
<b>Cash and cash equivalents at the end of the year</b>	<b>8,292,153</b>	<b>7,233,687</b>

The annexed notes from I to 4I and Annexure I form an integral part of these unconsolidated financial statements.

President & Chief Executive Officer

Chairman

Director

Director



## Sindh Bank Limited Unconsolidated Statement of Changes in Equity For the year ended December 31, 2016

	Share Capital	Capital Reserves	Revenue Reserves	Total
		Share Premium	Statutory Reserve *	Unappropriated profit **
		(Rupees in '000)		
Balance as at January 01, 2015	10,000,000	-	676,543	2,100,911
Profit for the year ended December 31, 2015	-	-	-	1,230,263
Other comprehensive loss	-	-	-	(8,206)
Total comprehensive income for the year ended December 31, 2015	-	-	-	1,222,057
Transfer to statutory reserve	-	-	246,053	(246,053)
Balance as at December 31, 2015	10,000,000	-	922,596	3,076,915
Profit for the year ended December 31, 2016	-	-	-	1,390,826
Other comprehensive loss	-	-	-	(3,665)
Total comprehensive income for the year ended December 31, 2016	-	-	-	1,387,161
Transfer to statutory reserve	-	-	278,165	(278,165)
Issue of share capital (Note 18.3)	10,130	51	-	-
Balance as at December 31, 2016	10,010,130	51	1,200,761	4,185,911

\* Statutory reserve represents amount set aside as per the requirements of section 21 of the Banking Companies Ordinance, 1962.

\*\* As more fully explained in note 10.5.2 of these unconsolidated financial statements, unappropriated profit includes an amount of Rs. 472.71 million net of tax as at December 31, 2016 (December 31, 2015: Rs 37.86 million) representing additional profit arising from availing forced sale value benefit for determining provisioning requirement which is not available for the purpose of distribution of dividend to shareholders.

The annexed notes from I to 41 and Annexure I form an integral part of these unconsolidated financial statements

President & Chief Executive Officer

Chairman

Director

Director

## Annual Report 2016



## Sindh Bank Limited Notes to the Unconsolidated Financial Statements For the year ended December 31, 2016

### I STATUS AND NATURE OF BUSINESS

- 1.1 Sindh Bank Limited (the Bank) was incorporated in Pakistan on October 29, 2010 as a public unlisted company and is engaged in Commercial Banking, Corporate and Investment related activities. The Bank operates 260 branches (2015: 250) including 8 sub branches (2015: 8) and 14 Islamic banking branches (2015: 13) in Pakistan. The Bank's registered office is located at 3rd floor, Federation House, Abdullah Shah Ghazi Road, Clifton, Karachi, Pakistan.
- 1.2 The Government of Sindh, through its Finance Department owns 99.9% ordinary shares of the Bank.
- 1.3 JCR –VIS Credit Rating Company Limited has reaffirmed the medium to long term entity rating of 'AA' (Double A) with a "Stable outlook", and short term rating of 'A-I+' (A-One plus) of the Bank.
- 1.4 The State Bank of Pakistan (SBP) granted license to the Bank to conduct banking business subject to certain conditions which inter alia includes that the Bank shall get listed on stock exchange within three years from the date of commencement of business. The Bank, however, from time to time had obtained extensions in the time limit from SBP. During the year the Bank initiated the process of listing of its shares on PSX . Approval of the draft Prospectus was given by PSX on October 25, 2016, with a deadline to publish the same in the newspapers by October 31, 2016. Publication of the Prospectus was however halted and the listing process put on hold as the Government of Sindh (sole sponsor of Sindh Bank Limited) and the majority shareholder/sponsor of Summit Bank Limited agreed in principle, to consider a merger of the two institutions, with Sindh Bank being the surviving entity. Board of Directors of the Bank resolved to seek SBP's approval to conduct due diligence of Summit Bank which was conveyed on December 27, 2016. In the Bank's letter seeking SBP's permission to carry out due diligence, SBP was intimated about putting on hold the listing process.

### 2 BASIS OF PRESENTATION

These unconsolidated financial statements represent separate financial statements of the Bank. The consolidated financial statements of the Group are being issued separately.

These unconsolidated financial statements have been prepared on the format prescribed by SBP under BSD Circular No. 4 dated February 17, 2006, 'Revised Forms of Annual Financial statements', effective from the accounting year ended December 31, 2006.

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 unconsolidated financial statements as such but are restricted to the amount of facility actually utilised and the appropriate portion of mark-up thereon. The Islamic Banking branches of the Bank have complied with the requirements set out under the Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) and notified under the provisions of the Companies Ordinance, 1984.

The financial results of the Islamic Banking branches have been consolidated in these unconsolidated financial statements for reporting purposes, after eliminating material inter-branch transactions / balances. Key financial figures of the Islamic Banking branches are disclosed in Annexure I to these unconsolidated financial statements.

### 3 STATEMENT OF COMPLIANCE

These unconsolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies





Ordinance, 1984 and the Banking Companies Ordinance, 1962 and the directives issued by the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP). In case requirements differ, the provisions and directions issued under Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the directives issued by the SBP and SECP shall prevail.

The SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for Banking companies / DFIs through BSD Circular Letter No. 10 dated August 26, 2002.

Further, according to the notification of the Securities and Exchange Commission of Pakistan (SECP) through S.R.O 411(I)/2008 dated April 28, 2008, IFRS - 7 'Financial Instruments: Disclosures' has not been made applicable for Banking companies / financial institutions. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by SBP.

IFRS 8, 'Operating Segments' is effective for the Bank's 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 unconsolidated financial statements is based on the requirements laid down by the SBP.

SBP vide its BSD Circular No. 07 dated April 20, 2010 has clarified that for the purposes of preparation of financial statements in accordance with 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' be presented, and Balance Sheet be renamed as 'Statement of Financial Position'. Furthermore, the surplus / (deficit) on revaluation of available for sale (AFS) securities only, may be included in the 'Statement of Comprehensive Income'. However, it should continue to be shown separately in the statement of financial position below equity. Accordingly, the above requirements have been adopted in the preparation of these unconsolidated financial statements.

The State Bank of Pakistan through BPRD Circular No. 04 of 2015 dated February 25, 2015 has deferred applicability of Islamic Financial Accounting Standard 3 for Profit & Loss sharing on Deposits (IFAS-3) issued by the ICAP and notified by the Securities and Exchange Commission of Pakistan (SECP), vide their SRO 571 of 2013 dated June 12, 2013 for institutions offering Islamic Financial Services. The standard will result in certain new disclosures in the unconsolidated financial statements.

### 3.1 Standards, amendments and interpretations to published approved accounting standards

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

The Bank has adopted the following new standards, amendments to published standards and interpretations of IFRSs which became effective during the current year.

Amendments, interpretations and improvements	Effective date
IAS 1 - Disclosure Initiative (Amendments)	January 1, 2016
IFRS 10, IFRS 12 and IAS 28 - Investment Entities: Applying the Consolidation Exception (Amendments)	January 1, 2016
IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)	January 1, 2016
Annual Improvements to IFRS 2012 - 2014 Cycle	January 1, 2016

## Annual Report 2016



IAS 27 - Equity method in Separate Financial Statements (Amendments) January 1, 2016

IAS 16 and IAS 38 - Clarification of Acceptable Methods of Depreciation and Amortization (Amendments) January 1, 2016

#### 3.1.2 Standards, amendments to published standards and interpretations that are effective but not relevant

The other new standards, amendments to published standards and interpretations that are mandatory for the financial year beginning on January 01, 2016 are considered not to be relevant or to have any significant effect on the Bank's financial reporting and operations and are therefore not presented here.

#### 3.1.3 Standards, amendments and interpretations to published approved accounting standards, that are not yet effective and not early adopted by the Bank

The following new standards, amendments to published standards and interpretations would be effective from the dates mentioned against the respective standard or interpretation.

Amendments, interpretations and improvements	Effective date
IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	Postponed
IAS 7 - Disclosure Initiative (Amendments to IAS 7)	January 1, 2017
IAS 12 - Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12)	January 1, 2017
IFRS 2 - Classification and Measurement of Share-based Payment Transaction (Amendments to IFRS 2)	January 1, 2018

The Bank is in the process of assessing the impact of these Standards, amendments and interpretations to the published standards on the financial statements of the Bank.

#### 3.1.4 Standards, amendments and interpretations to the published standards that are not yet notified by the Securities and Exchange Commission of Pakistan (SECP)

Following new standards have been issued by the International Accounting Standards Board (IASB) which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

	IASB effective date (Annual periods beginning on or after)
IFRS 14 - Regulatory Deferral Accounts	January 1, 2016
IFRS 15 - Revenue from Contracts with Customers	January 1, 2018
IFRS 9 - Financial Instruments (2014)	January 1, 2018
IFRS 16 - Leases	January 1, 2019

## 4 BASIS OF MEASUREMENT

### 4.1 Accounting convention

These unconsolidated financial statements have been prepared under the historical cost convention except for certain investments and commitments in respect of foreign exchange contracts and futures contracts which are measured at fair values and certain employee benefits and investments which are measured on present value basis.



Items included in the unconsolidated financial statements are measured using the currency of the primary economic environment in which the Bank operates. The unconsolidated financial statements are presented in Pak Rupee, which is the Bank's functional and presentation currency.

#### 4.2 Critical accounting estimates and judgments

The preparation of unconsolidated financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and income and expenses. Actual results may differ from these estimates. These estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized 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.

In particular, information about significant areas of estimates, uncertainty and critical judgments in applying accounting policies that have the most significant affect on the amounts recognized in the unconsolidated financial statements are as follows:

- i) classification and impairment against investments (notes 5.3 and 9)
- ii) classification and provision against advances (notes 5.4 and 10)
- iii) depreciation and amortization / useful lives of operating fixed assets (5.5 and 11)
- iv) taxation (note 5.7)
- v) staff retirement and other benefits (note 5.8)
- vi) fair value of derivatives (note 5.14)
- vii) judgements made by management in identification and reporting segment information.

#### 5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these unconsolidated financial statements are consistent with those of the previous financial year, unless otherwise disclosed or specified.

##### 5.1 Cash and cash equivalents

For the preparation of cash flow statement, cash and cash equivalents include cash and balances with treasury banks and balances with other banks excluding any term deposits with original term of greater than three months.

##### 5.2 Repurchase / resale agreements

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

###### a) Sale of securities under repurchase agreement

Securities sold subject to repurchase agreements (repo) remain on the unconsolidated statement of financial position as investments and the counter party liability is included in borrowings from financial institutions. The difference between the sale and repurchase price is treated as mark-up / return expense and accrued over the period of the agreement using the effective interest rate method.

###### b) Purchase of securities under resale agreement

Securities purchased under agreements to resell (reverse repo) are recorded as lendings to financial institutions. These transactions are accounted for on the settlement date. The difference between the purchase and resale price is recognized as mark-up income over the period of the agreement using the effective interest rate method.



#### 5.3 Investments

Investment in subsidiary is stated at cost less provision for impairment, if any. Other investments are classified as follows:

##### a) Held-for-trading

These are securities which are either acquired for generating 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 securities with fixed or determinable payments and fixed maturity that the Bank has the positive intent and ability to hold till maturity.

##### c) Available-for-sale

These are investments, which do not fall under the held-for-trading and held-to-maturity categories.

All purchases and sales of investments that require delivery within the time frame established by regulations or market convention are recognized at the trade date. Trade date is the date on which the Bank commits to purchase or sell the investment.

Investments other than those categorized as 'held-for-trading' are initially recognized at fair value and includes transaction costs associated with the investment. Investments classified as 'held-for-trading' are initially recognized at fair value and transaction costs are expensed in the unconsolidated profit and loss account.

Quoted securities, other than those classified as held-to-maturity are subsequently stated at fair value.

Investments classified as held-to-maturity are carried at amortized cost. Unquoted equity securities are valued at lower of cost and break-up value. Break-up value of unquoted equity securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. Investments in other unquoted securities are valued at cost less impairment losses, if any.

Unrealized surplus / deficit arising on revaluation of quoted securities classified as 'available-for-sale' is disclosed below shareholders' equity in the statement of financial position. Unrealized gain / loss arising on revaluation of quoted securities which are classified as 'held-for-trading' is taken to the unconsolidated profit and loss account.

Cost of investment is determined on moving average basis.

##### Impairment

Impairment loss in respect of investments classified as available-for-sale and held-to-maturity is recognized on the basis of 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 the investments. A significant or prolonged decline in market value of an equity security is considered as an objective evidence of impairment, significant means 20% decline in market value as compared to carrying value and prolonged means twelve months decline in fair value of an equity investment below its cost. Provision for diminution in the value of term finance certificates is made as per the requirements of Prudential Regulations issued by the State Bank of Pakistan. In case of impairment of available-for-sale securities, the cumulative loss that has been recognized directly in the surplus / (deficit) on revaluation of securities on the unconsolidated statement of financial position below equity is removed there from and recognized in the unconsolidated profit and loss account. For investments classified as held-to-maturity, the impairment loss is recognized in the unconsolidated profit and loss account.





Gain or loss on sale of investments is included in the profit and loss account in the year in which they arise.

#### Bai Maujjal

In Bai Muajjal transactions, the Bank sells Shariah compliant instruments on credit to other financial institutions. The credit price is agreed at the time of sale and such proceeds are received at the end of the credit period. The difference between the sale and the credit price is recognised over the credit period and recorded as income.

### 5.4 Advances

Advances are stated net of provisions for non-performing advances. Specific and general provisions are made based on appraisal of the loan portfolio that takes into account the requirements of the Prudential Regulations issued by the State Bank of Pakistan. The provisions against non-performing advances are charged to the unconsolidated profit and loss account. Advances are written off when there is no realistic prospect of recovery after explicit approval from the Board of Directors. The general provision is for the inherent risk of losses which are known from experience to be present in any loan portfolio.

#### Ijarah Financing

Under IFAS-2, assets underlying Ijarah have been carried at cost less accumulated depreciation and impairment, if any, and are shown under Islamic financing and related assets. Rentals accrued from Ijarah financing net of depreciation charge are taken to the unconsolidated profit and loss account. Depreciation on Ijarah assets is charged by applying the straight line method over the Ijarah period which is from the date of delivery of respective assets to mustajir upto the date of maturity / termination of Ijarah agreement.

#### Diminishing Musharakah

Under Musharakah based financing, the Bank enters into Musharakah for financing an agreed share of fixed assets with its customer and enters into a periodic profit payment agreement for the utilization of the Bank's Musharakah share by the customer. Specific and general provision is made in accordance with the requirements of prudential regulations and other directives issued by the SBP and charged to unconsolidated profit and loss account.

### 5.5 Operating fixed assets and depreciation

#### a) Property and equipment - owned

Property and equipment is stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Subsequent costs are included in an asset's carrying amount or recognized as a separate asset as appropriate, only when it is probable that future benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance expenses are charged to the unconsolidated profit and loss account as and when incurred.

Depreciation is charged to the unconsolidated profit and loss account applying the straight line method at the rates specified in note 11 to these unconsolidated financial statements after taking into account residual value, if significant. The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each date of unconsolidated statement of financial position. Depreciation is charged from the month the assets are available for use while no depreciation is charged in the month in which the assets are disposed off.

Gains or losses on disposal, if any, are recognized in the unconsolidated profit and loss account in the year in which they arise.



#### b) Capital work-in-progress

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

#### c) Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Amortisation is charged to the unconsolidated profit and loss account applying the straight line method at the rate specified in note 11, to these unconsolidated financial statements from the date an intangible asset is available for use. The useful life and amortisation method are reviewed and adjusted, if appropriate, at each date of unconsolidated statement of financial position.

### 5.6 Impairment of non financial assets

The carrying amount of assets is reviewed at each reporting date to determine whether there is any indication of impairment of any asset or group of assets. If any such indication exists, the recoverable amount of such assets is estimated and impairment losses are recognized immediately in the unconsolidated financial statements. The resulting impairment loss is taken to the unconsolidated profit and loss account.

### 5.7 Taxation

Income tax expense relates to current, prior years and deferred tax. Income tax expense is recognized in the unconsolidated profit and loss account except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

#### a) Current

Provision for current tax is the tax payable on the expected taxable income for the year using tax rates enacted or substantively enacted at the reporting date and, any adjustment to tax payable relating to prior years, after taking into consideration available tax credits, rebates, tax losses etc.

#### b) Deferred

Deferred tax is recognized using the balance sheet liability method, providing for temporary difference between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences and carried forward unused tax losses, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and carried forward unused tax losses can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized.

### 5.8 Staff retirement and other benefits

#### a) Defined contribution plan

The Bank operates a recognised contributory provident fund scheme for all its permanent employees to which equal contributions at the rate of 10 percent (2015: 10 percent) of basic salary are made by both the Bank and the employees. The contributions are recognized as employee benefit expense when they are due.



#### b) Defined benefit plan

The Bank operates a recognised gratuity scheme for all its permanent employees who complete the prescribed eligibility period of service. Provision is made annually to meet the cost of such gratuity benefits on the basis of actuarial recommendations using the Projected Unit Credit Method.

#### c) Compensated absences

The Bank makes provision in the financial statements for its liabilities towards compensated absences. Liability under the scheme is determined on the basis of actuarial advice using the Projected Unit Credit Method.

### 5.9 Provisions against liabilities

Provisions are recognized when the Bank has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each date of unconsolidated statement of financial position and are adjusted to reflect the current best estimate.

#### 5.10 Borrowings / deposits and their cost

Borrowings / deposits are recorded at the proceeds received. Borrowing / deposit costs are recognized as an expense in the period in which these are incurred using the effective mark-up / interest rate method.

#### 5.11 Revenue recognition

Revenue is recognized to the extent that the economic benefit associated with the transaction will flow to the Bank and of the revenue can be reliably measured.

**5.11.1** Mark-up / interest / return on loans and advances and investments are recognized on a time proportion basis using the effective interest rate method except that mark-up / interest / return on non-performing advances and investments is recognized on receipt basis, in accordance with the requirements of the Prudential Regulations issued by the SBP. Where debt securities are purchased at a premium or discount, such premium or discount is amortised through the unconsolidated profit and loss account over the remaining period to maturity.

**5.11.2** Dividend income from investments is recognized when the Bank's right to receive the dividend is established.

**5.11.3** Fees, brokerage and commission on letters of credit / guarantees and others is recognized on time proportion basis.

**5.11.4** Financial advisory fees is recognized when the right to receive the fees is established.

**5.11.5** Gain or loss on sale of investments is included in unconsolidated profit and loss account in the year in which it arises.

**5.11.6** Rentals from Ijarah is recognized as income over the term of the contract net of depreciation expense.

**5.11.7** Profit on Diminishing Musharakah is recognized in unconsolidated profit and loss account on accrual basis.

#### 5.12 Proposed dividend and transfers between reserves

Dividends and appropriations to reserves, except appropriations which are by law required to be made subsequent to the date of statement of financial position 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 period in which they are approved / transfers are made.



#### 5.13 Foreign currency translation

Transactions in foreign currencies are translated into Pak Rupee at the exchange rates prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currencies are re-translated to Pak Rupees at the rates of exchange prevailing at the reporting date. Translation gains and losses are included in the unconsolidated profit and loss account.

#### 5.14 Financial instruments

##### a) Financial assets and liabilities

Financial assets and liabilities carried on the unconsolidated statement of financial position include cash and bank balances, lendings to financial institutions, investments, advances, certain receivables, bills payable, borrowings from financial institutions, deposits, subordinated loans and certain payables. The particular recognition methods adopted for significant financial assets and financial liabilities are disclosed in the individual policy notes associated with them.

##### b) Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date at which the derivative contract is entered into and subsequently remeasured at fair value using appropriate valuation techniques. All derivative financial instruments are carried as assets where fair value is positive and as liabilities where fair value is negative. Any changes in the fair value of derivative financial instruments are taken to unconsolidated profit and loss account.

#### 5.15 Offsetting

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

#### 5.16 Segment reporting

A segment is a distinguishable component of the Bank that is engaged either in providing particular products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), and is subject to risks and rewards that are different from those of other segments.

##### Business segments

##### a) Corporate Finance

It includes investment banking activities such as mergers and acquisitions, underwriting, privatization, securitization, Initial Public Offerings (IPOs) and secondary private placements.

##### b) Trading and sales

It includes fixed income, equity, foreign exchange, commodities, credit, funding, own position securities, lendings and repos, brokerage debt and prime brokerage.

##### c) Retail Banking

It includes mortgage finance and personal loans to individual customers.

##### d) Commercial banking and others

It includes loans, deposits and other transactions with corporates, small and medium sized customers including agriculture loans.

##### Geographical segments

The Bank operates only in Pakistan.





#### 5.17 Dividend distribution and appropriation

Dividends and other appropriations (except appropriations which are required by law) are recognized in the period in which these are approved.

#### 5.18 Earnings per share

The Bank presents basic earnings per share (EPS) which is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year / period. Diluted EPS is determined by adjusting the unconsolidated profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

#### 5.19 Acceptances

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

#### 5.20 Commitments

Commitments for outstanding forward foreign exchange contracts are disclosed in these unconsolidated financial statements at committed amounts. Contingent liabilities / commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in Rupee terms at the rates of exchange prevailing at the date of the unconsolidated statement of financial position.

#### 5.21 Provision against off balance sheet obligations

Provision for guarantees, claims and other off balance sheet obligations is made when the Bank has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Charge to unconsolidated profit and loss account is stated net of expected recoveries.

6	CASH AND BALANCES WITH TREASURY BANKS	Note	2016	2015
			(Rupees in '000)	
	In hand			
	Local currency	6.1	1,873,000	1,382,014
	Foreign currency		77,766	73,578
			1,950,766	1,455,592
	With State Bank of Pakistan (SBP) in			
	Local currency current accounts	6.2	4,510,387	2,646,094
	Foreign currency current accounts	6.3	5,156	7,639
	Foreign currency deposit accounts			
	- Non Remunerative	6.4	62,289	99,924
	- Remunerative	6.5	168,666	280,812
			4,746,498	3,034,469
	With National Bank of Pakistan in			
	- Local currency current account		786,674	785,967
	- Local currency PLS account		16,737	21,580
			803,411	807,547
			7,500,675	5,297,608

## Annual Report 2016



- 6.1 This includes national prize bonds of Rs. 1.03 million (2015: Rs. 1.28 million).
- 6.2 This represents the cash reserve required to be maintained with SBP as per the requirement of Section 22 of the Banking Companies Ordinance, 1962. This is 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 represents US Dollar Settlement Account maintained with SBP.
- 6.4 This represents foreign currency cash reserve maintained with SBP, presently, equivalent to at least 5% of the Bank's foreign currency deposits mobilised under the FE-25 scheme.
- 6.5 This represents foreign currency special cash reserve maintained with SBP. The Bank is entitled to earn profit which is declared by SBP on a monthly basis. During the year, the SBP has not announced any return on the account.

		2016	2015
		(Rupees in '000)	
7	BALANCES WITH OTHER BANKS	Note	
	In Pakistan		
	In current accounts		15,016 23,949
	In savings account	7.1	90,746 68,351
	In term deposit account	7.2	200,000 850,000
	Outside Pakistan		
	In current accounts	7.3	485,716 993,779
			791,478 1,936,079

- 7.1 This includes savings deposit with a commercial bank carrying profit at the rate of 3.75% per annum (2015: 4%).
- 7.2 This represents term deposit account with a commercial bank for 3 months carrying mark-up at 6.95% per annum (2015: 6.50% to 7.40%).
- 7.3 This includes Rs. 201.87 million (2015: Rs. 846.05 million) held in Automated Investment Plans. This balance is current in nature and in case this goes above a specified amount, the Bank is entitled to earn interest from the correspondent banks at the agreed rates.

8 LENDINGS TO FINANCIAL INSTITUTIONS	Note	2016	2015
		(Rupees in '000)	
Call money lendings	8.2	2,000,000	-
Repurchase agreement lendings (Reverse repo)	8.3 & 8.4	4,938,610	-
		6,938,610	-
<b>8.1 Particulars of lendings - by currency</b>			
Local currency		6,938,610	-
Foreign currency		-	-
		6,938,610	-

- 8.2 This represents lending to commercial banks carrying mark-up at 6.10% per annum (2015: Nil).
- 8.3 This represents resale agreement lending with a commercial bank carrying mark-up at 5.80% per annum (2015: Nil)
- 8.4 Securities held as collateral against lendings to financial institutions

	2016			2015		
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
(Rupees in '000)						
Market Treasury Bills	-	4,940,415	4,940,415	-	-	-
	-	4,940,415	4,940,415	-	-	-



## 9 Investments - net

### 9.1 Investments by types

#### Available-for-sale securities

Note		2016 Held by Bank	2016 Given as collateral	2016 Total	2015 Held by Bank	2015 Given as collateral	2015 Total
		(Rupees in '000)					
9.2.1	Pakistan Investment Bonds	49,193,663	-	49,193,663	19,453,305	21,598,694	41,051,999
9.2.2	Market Treasury Bills	8,233,454	1,249,209	9,482,663	14,743,790	-	14,743,790
9.2.6	Fully paid ordinary shares - listed	2,235,424	-	2,235,424	2,068,118	-	2,068,118
9.2.9	Term finance certificates - listed	99,880	-	99,880	99,920	-	99,920
9.2.10	Term finance certificates - unlisted	12,527	-	12,527	397,657	-	397,657
9.2.11	Units of mutual funds	613,533	-	613,533	493,580	-	493,580
9.2.12	Islamic funds REIT	99,000	-	99,000	99,000	-	99,000
9.2.5	Government of Pakistan - Ijarah Sukuk	200,000	-	200,000	200,000	-	200,000
9.2.3 & 9.2.4	Sukuk certificates	482,143	-	482,143	578,571	-	578,571
		61,169,624	1,249,209	62,418,833	38,133,941	21,598,694	59,732,635

#### Held-to-maturity securities

9.2.1	Pakistan Investment Bonds	7,458,429	-	7,458,429	7,444,973	-	7,444,973
9.2.5	Government of Pakistan - Ijarah Sukuk	239,729	-	239,729	239,780	-	239,780
-	Government of Pakistan Ijarah Sukuk - Bai Muajjal	-	-	-	232,880	-	232,880
9.2.7	Preference shares - listed	249,961	-	249,961	249,961	-	249,961
9.2.8	Preference shares - unlisted	-	-	-	360,260	-	360,260
9.2.9	Term finance certificates - listed	224,392	-	224,392	224,495	-	224,495
		8,172,511	-	8,172,511	8,752,349	-	8,752,349

#### Investment in Subsidiary

9.3	Fully paid ordinary shares	750,000	-	750,000	750,000	-	750,000
-----	----------------------------	---------	---	---------	---------	---	---------

#### Total investments at cost

9.4	Less: Provision for diminution in value of investments	(7,810)	-	(7,810)	(490)	-	(490)
-----	--	---------	---	---------	-------	---	-------

#### Investments (net of provisions)

19	Surplus / (Deficit) on revaluation of available-for-sale securities	206,208	(5)	206,203	475,992	683,759	1,159,751
----	---	---------	-----	---------	---------	---------	-----------

#### Total investments - net

		70,290,533	1,249,204	71,539,737	48,111,792	22,282,453	70,394,245
--	--	------------	-----------	------------	------------	------------	------------

### 9.2 Investments by segment

#### Federal Government Securities

9.2.1	Pakistan Investment Bonds	56,652,092	48,496,972
9.2.2	Market Treasury Bills	9,482,663	14,743,790
9.2.3	Sukuk certificates	303,572	364,285
	Government of Pakistan Ijarah Sukuk - Bai Muajjal	-	232,880
9.2.5	Government of Pakistan - Ijarah Sukuk	439,729	439,780
		66,878,056	64,277,707

#### Fully paid-up ordinary shares

9.2.6	Listed companies	2,235,424	2,068,118
-------	------------------	-----------	-----------

#### Preference shares

9.2.7	Listed	249,961	249,961
9.2.8	Unlisted	-	360,260
		249,961	610,221

#### Term finance certificates

9.2.9	Listed	324,272	324,415
9.2.10	Unlisted	12,527	397,657
		336,799	722,072

#### Investment in Subsidiary - unlisted

#### Other investments

9.2.11	Units of mutual funds	613,533	493,580
9.2.12	Islamic funds REIT	99,000	99,000
9.2.4	Sukuk certificates	178,571	214,286
		891,104	806,866

#### Total investments at cost

		71,341,344	69,234,984
--	--	------------	------------

#### Provision for diminution in value of investments

9.4		(7,810)	(490)
-----	--	---------	-------

#### Investments (net of provisions)

		71,333,534	69,234,494
--	--	------------	------------

#### Surplus on revaluation of available-for-sale securities

19		206,203	1,159,751
----	--	---------	-----------

#### Total investments at market value - net of provisions

		71,539,737	70,394,245
--	--	------------	------------

**9.2.1** These securities have tenure of 10 to 20 years (2015: 5 to 20 years). The effective yield on these investments ranges from 6.92% to 12.98% per annum (2015: 7.79% to 12.94%) with maturities due from August 2021 to August 2031 (2015: July 2018 to August 2031).

**9.2.2** These securities are for a maximum period of 6 months (2015: 1 year). The effective yield on these investments ranges from 5.78% to 5.90% per annum (2015: 6.35% to 6.90%) with maturities due from 1 month to 2 months (2015: 2 months to 8 months).

**9.2.3** This represents investment in Sukuk certificates of Water and Power Development Authority (WAPDA) maturing on October 14, 2021. The effective rate of profit is 6 months KIBOR plus 1% per annum (2015: 6 months KIBOR plus 1%) payable semi annually.

**9.2.4** This represents investment in privately placed Sukuk certificate of Al-Baraka Bank Pakistan Limited maturing on September 26, 2021. The effective rate of profit is 6 months KIBOR plus 1.25% per annum (2015: 6 months KIBOR plus 1.25%) payable semi-annually.

**9.2.5** This represents investment in Ijarah Sukuk of Government of Pakistan having maturity of 3 years (2015: 3 years). The effective rate of profit ranges from 3.98% to 5.45% per annum (2015: 4.75% to 5.89%).





## 9.2.6 Details of investments in shares of listed companies

	2016				2015				
	Rating	Number of shares	Market value	Cost	Rating	Number of shares	Market value	Cost	
			----- (Rupees in '000) -----				----- (Rupees in '000) -----		
Available-for-sale securities									
Fully paid ordinary shares of Rs. 10/- each (unless stated otherwise)									
Pakistan Refinery Limited	A-/A2	108,100	4,716	7,682	A-/A2	108,100	4,887	7,682	
Fauji Fertilizer Company Limited	AA/A1 +	3,701,600	386,336	479,074	Unrated	3,445,600	406,512	499,994	
Fauji Fertilizer Bin Qasim Limited	Unrated	3,018,000	154,552	188,364	Unrated	3,018,000	158,988	188,365	
Fatima Fertilizer Company Limited	AA-/A1 +	1,541,500	56,866	63,357	AA-/A-1	1,080,000	48,308	47,901	
Amreli Steels Limited	A/A1	50,000	3,330	2,531	-	-	-	-	
Crescent Steel & Allied Products Limited	A+/A-1	50,000	7,709	6,042	-	-	-	-	
Mughal Iron & Steel Industries Limited	Unrated	150,000	13,224	10,651	-	-	-	-	
Thatta Cement Company Limited	A-/A-2	3,375,000	132,908	121,703	Unrated	3,375,000	87,379	95,808	
Nishat Chunian Power Limited	A+/A-2	1,741,500	96,618	100,011	A+/A-2	1,741,500	95,870	100,011	
Hub Power Company Limited	AA+/A1 +	445,000	54,949	57,071	AA+/A1 +	445,000	45,657	46,030	
Sui Southern Gas Company Limited	A+/A1	11,296,500	410,628	447,043	AA- / A1	11,296,500	421,924	499,411	
Sui Northern Gas Pipelines Limited	AA-/A1	4,532,500	369,716	369,798	AA- / A1	4,000,000	96,160	95,272	
Allied Bank Limited		-	-	-	AA+/A1 +	900,000	84,834	102,121	
Bank Al-Falah Limited	AA/A1 +	1,110,000	42,136	31,201	AA/A1 +	1,110,000	31,990	31,201	
National Bank of Pakistan	AAA/A1 +	3,265,500	244,553	243,993	AAA/A-1 +	4,265,500	230,508	269,406	
NIB Bank Limited	AA-/A1 +	28,394,500	51,394	60,264	AA-/A1 +	15,402,500	29,265	36,292	
Summit Bank Limited	A/A-1	11,546,585	50,805	46,639	A/A-1	11,872,585	46,659	48,624	
Total investment in shares of listed companies			2,080,440	2,235,424				1,788,941	2,068,118

## 9.2.7 Details of investment in preference shares - listed

	2016				2015			
	Rating	Number of shares	Market value	Cost	Rating	Number of shares	Market value	Cost
			---- (Rupees in '000) ----				---- (Rupees in '000) ----	
Held to maturity securities								
Summit Bank Limited	A/A-1	24,996,067	249,961	249,961	A/A-1	24,996,067	249,961	249,961

## 9.2.8 Details of investments in preference shares - unlisted

	2016				2015			
	Rating	Number of shares	Market value	Amortized cost	Rating	Number of shares	Market value	Amortized cost
			---- (Rupees in '000) ----				---- (Rupees in '000) ----	
Held to maturity securities			-	-	A-/A-2	100,000,000	250,000	360,260
Silk Bank Limited								

## 9.2.9 Details of investment in term finance certificates - listed

Unsecured	Note	2016					2015					
		Rating	Number of certificates	Face value per certificate	Market value	Cost	Rating	Number of certificates	Face value per certificate	Market value	Cost	
						----- (Rupees in '000) -----						
Available-for-sale securities												
NIB Bank Limited	9.2.9.1	A+	20,000	5,000	101,014	99,880	A+	20,000	5,000	98,921	99,920	
Held-to-maturity securities												
Summit Bank Limited	9.2.9.1	A (SO)	44,982	5,000	224,392	224,392	A (SO)	44,982	5,000	224,495	224,495	
					325,406	324,272						

9.2.9.1 These terms finance certificate are sub-ordinated in nature. In case of default, the payment in respect of principal and profit will rank subordinated to all the depositors and other creditor of the issuing banks.

# Annual Report 2016

## 9.2.9.2 Other particulars of listed term finance certificates are as follows:

Particulars	Coupon / Profit rate	Profit payment	Redemption terms
NIB Bank Limited - Second issue (unsecured)	1.15% above 6 months KIBOR	Semi-annually	Eight years from June 19, 2014 (date of issue).
Summit Bank Limited (unsecured)	3.25% above 6 months KIBOR	Semi-annually	Seven years from October 27, 2011 (date of issue).

## 9.2.10 Details of investment in term finance certificates - unlisted

	Note	2016					2015				
		Rating	Number of certificates	Paid-up value per certificate	Market value	Cost	Rating	Number of certificates	Paid-up value per certificate	Market value	Cost
		----- (Rupees in '000) ----					----- (Rupees in '000) ----				
Bank Al-Habib Limited - 4th issue	9.2.10.1	-	-	-	-	-	AA	10,000	5,000	56,778	51,389
Faysal Bank Limited - 2nd issue	9.2.10.1	AA-	5,000	5,000	12,628	12,527	AA-	5,000	5,000	25,686	25,121
Engro Fertilizer Limited - 4th issue		-	-	-	-	-	AA	5,000	5,000	24,389	24,410
Engro Fertilizer Limited - 5th issue		-	-	-	-	-	AA	6,000	5,000	271,703	296,737
					12,628	12,527				378,556	397,657

9.2.10.1 These term finance certificates are sub-ordinated in nature. In case of default, the payment in respect of principal and profit will rank subordinated to all the depositors and other creditors of the issuing banks.

## 9.2.10.2 Other particulars of un-listed term finance certificates are as follows:

Particulars	Other information	Coupon / Profit rates	Profit payment	Redemption terms
Faysal Bank Limited - 2nd issue (unsecured)	Chief Executive Officer: Mr. Nauman Ansari	2.25% above 6 months KIBOR	Semi- annually	Seven years from December 27, 2010 (date of issue).

## 9.2.11 Details of investment in mutual funds

	2016				2015			
	Rating	Number of units	Market / net asset value	Cost	Rating	Number of units	Market / net asset value	Cost
			----- (Rupees in '000) -----				----- (Rupees in '000) -----	
Available for sale securities								
Open end								
National Investment Unit Trust	AM2+	5,892,058	515,791	500,000	AM2-	5,040,000	318,730	350,046
NIT - Islamic Equity fund			-	-	AM2	3,001,541	29,580	30,000
			515,791	500,000			348,310	380,046
Closed end								
PICIC growth fund	AM2	1,049,500	31,968	28,459	AM2	1,049,500	23,645	28,459
PICIC investment fund	AM2	6,346,500	88,216	85,074	AM2	6,346,500	72,540	85,075
			120,184	113,533			96,185	113,534
Total investment in mutual funds			635,975	613,533			444,495	493,580

## 9.2.12 Details of investments in Islamic funds

Arif Habib dolmen (REIT)	AM2	9,000,000	97,830	99,000	AM2-	9,000,000	96,570	99,000
--------------------------	-----	-----------	--------	--------	------	-----------	--------	--------



### 9.3 Particulars of investment in subsidiary

	Number of shares held	Paid-up value per share Rupees	Total book value (Rupees in '000)	Percentage holding	Break-up value per share Rupees	Based on audited accounts as at	Name of Chief Executive
Sindh Micro Finance Bank Limited - unlisted (Incorporated on March 27, 2015)	75,000,000	10.00	750,000	100%	10.37	31-Dec-16	Mr. Shoaib Arif

### 9.4 Particulars of provision for diminution in the value of investments - net

	2016 (Rupees in '000)	2015 (Rupees in '000)
Opening balance	490	-
Charge for the year - through profit and loss account	-	490
Charge for the year - through other comprehensive income	7,320	-
	7,320	490
Reversals	-	-
Closing balance	7,810	490

#### 9.4.1 Particulars of provision in respect of type

Available-for-sale securities		
Shares of listed companies	7,810	490

### 10 ADVANCES - NET

Loans, cash credits, agriculture, running finances etc.		
- In Pakistan	47,168,443	36,554,438
Commodity finance		
- In Pakistan	6,245,905	9,410,220
Islamic financing and related assets		
- Diminishing musharakah financing	2,075,944	501,705
- Ijarah financing	74,647	19,052
	55,564,939	46,485,415
Bills discounted and purchased (excluding market treasury bills)		
- Payable in Pakistan	404,430	198,106
- Payable outside Pakistan	10,204	24,511
	414,634	222,617
Advances - gross	55,979,573	46,708,032
Provision for non-performing advances		
- Specific provision	(143,034)	(37,420)
- General provision against consumer & small enterprise advances	(3,357)	(1,523)
- General provision	(4,000,000)	(2,500,000)
	(4,146,391)	(2,538,943)
Advances - net	51,833,182	44,169,089

10.1 Particulars of advances - gross		
10.1.1 In local currency	55,979,573	46,708,032
In foreign currency	-	-
	55,979,573	46,708,032

10.1.2 Short term (for upto one year)	28,507,197	29,108,692
Long term (for more than one year)	27,472,376	17,599,340
	55,979,573	46,708,032

## Annual Report 2016



10.2 This represents commodity financing provided to Food Department, Government of Sindh, in syndication with other commercial banks.

	Note	2016 (Rupees in '000)	2015
10.3 Diminishing musharakah financing			
Diminishing musharakah		2,075,944	501,705

#### 10.4 Ijarah financing

Net book value of assets	10.4.1	50,732	13,916
Advance against Ijarah financing		23,915	5,136
		74,647	19,052

	2016	
	Cost	Accumulated Depreciation
	As at January 01	As at January 01
	Additions	Charge
	As at December 31	As at December 31
		Book Value
		As at December 31
		Rate of depreciation (%)
		(Rupees '000)
Vehicles	15,724	17,731
Plant & Machinery	-	27,605
Total	15,724	45,336
	33,455	61,060
	1,808	1,808
	7,040	8,848
	1,480	1,480
	8,520	10,328
		24,607
		26,125
		50,732
		Over the Ijarah period
	2015	
	Cost	Accumulated Depreciation
	As at January 01	As at January 01
	Additions	Charge
	As at December 31	As at December 31
		Book Value
		As at December 31
		Rate of depreciation (%)
		(Rupees '000)
Vehicles	-	15,724
Total	-	15,724
		15,724
		-
		1,808
		1,808
		13,916
		33.33%

	Note	2016 (Rupees in '000)	2015
10.4.2 Future Ijarah payments receivable			
Not later than one year		14,028	3,860
Later than one year and not later than five years		36,704	10,056
		50,732	13,916

10.5 Advances include Rs.1,569.38 million (2015: Rs. 290.28 million) which have been placed under non-performing status as detailed below:

	2016		2015	
Category of classification	Classified Advances	Provision Required	Classified Advances	Provision Required
	Domestic	Overseas	Domestic	Overseas
	Total	Provision Held	Total	Provision Held
Note	(Rupees '000)		(Rupees '000)	
Other Assets Especially Mentioned (OAEM)	77,514	-	138,177	-
Substandard	727,957	4,878	33,036	554
Doubtful	139,090	20,291	62,029	5,936
Loss	624,814	117,865	57,039	30,930
	1,569,375	143,034	290,281	37,420





**10.5.1** This represents non-performing portfolio of agricultural and small and medium enterprise financing classified as OAEM as per the requirements of the Prudential Regulation, for Agricultural and Small and Medium Enterprise Financing issued by the State Bank of Pakistan.

**10.5.2** The Bank has availed the benefit of FSV on plant & machinery under charge and mortgaged residential and commercial property (land and building only) held as collateral against non-performing advances on the basis of instructions of State Bank of Pakistan. Had the benefit not been taken by the Bank, specific provision against non-performing advances would have been higher by Rs. 727.25 million (2015: Rs. 58.24 million). The resultant increase in profit due to FSV benefit taken will not be available for distribution as cash and stock dividend to shareholders.

**10.5.3 Particulars of provision against non-performing advances**

Note	2016			2015		
	Specific	General	Total	Specific	General	Total
	----- (Rupees '000) -----					
Opening balance	37,420	2,501,523	2,538,943	19,078	-	19,078
<b>Charge for the year</b>						
- Specific provision	105,614	-	105,614	18,342	-	18,342
- General provision 10.5.3.1	-	1,500,000	1,500,000	-	2,500,000	2,500,000
- General provision against consumer & small enterprise advances 10.5.3.2	-	1,834	1,834	-	1,523	1,523
Reversals	-	-	-	-	-	-
Net charge	105,614	1,501,834	1,607,448	18,342	2,501,523	2,519,865
Amount written off	-	-	-	-	-	-
<b>Closing balance</b>	<b>143,034</b>	<b>4,003,357</b>	<b>4,146,391</b>	<b>37,420</b>	<b>2,501,523</b>	<b>2,538,943</b>

**10.5.3.1** In line with prudent policies, the Bank has made general provision against its loans and advances portfolio. This general provision is in addition to the requirements of the Prudential Regulations in relation to objective basis of provisioning.

**10.5.3.2** General provision against consumer loans represents provision maintained at an amount equal to 1% (2015: 1.5%) of the fully secured performing portfolio and 4% (2015: 5%) of the unsecured performing portfolio as required by the Prudential Regulations issued by SBP. General provision against Small Enterprise Financing represents provision maintained at an amount equal to 1% of the fully secured performing portfolio as required by the Prudential Regulations issued by SBP.

**10.6 Particulars of loans and advances to directors, executives / officers associated companies, subsidiaries etc.**

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	278,549	176,965
Loans granted during the year	225,376	188,248
Repayments made during the year	(107,262)	(86,664)
<b>Balance at end of the year</b>	<b>396,663</b>	<b>278,549</b>

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	296,875	375,000
Loans granted during the year	-	-
Repayments made during the year	(62,500)	(78,125)
<b>Balance at end of the year</b>	<b>234,375</b>	<b>296,875</b>
	<b>631,038</b>	<b>575,424</b>

## Annual Report 2016



**10.6.1** This represents staff loans given by the Bank to its executives / officers as per their terms of employment.

**10.6.2** This includes balance of loan outstanding of an entity where more than 20% equity was acquired by the Government of Sindh.

Note	2016	2015
	(Rupees in '000)	
<b>11 OPERATING FIXED ASSETS</b>		
Capital work-in-progress	31,064	51,928
Property and equipment	1,728,128	1,774,591
Intangible assets	66,291	72,558
	<b>1,825,483</b>	<b>1,899,077</b>

**11.1** This represents advance payment for purchase of software, furniture and fixture, office equipment and vehicles.

**11.2 Property and equipment - owned**

	2016		2015		2014		Rate of depreciation %"	
	Cost		Accumulated depreciation		Accumulated depreciation			
	As at January 01,	Additions / (disposals) / *adjustment	As at December 31,	As at January 01,	Charge for the year/ (disposals) / *adjustment"	As at December 31,		Book value as at Decembe31,
					(Rupees in '000)			
Leasehold improvements	1,014,723	29,850	1,039,601	140,122	51,105	191,227	848,374	5
		-			-			
		*(4,972)			-			
Furniture and fixtures	449,376	24,744	473,086	137,776	46,808	184,152	288,934	10
		-			-			
		*(1,034)			*(432)			
Computer and office equipment	1,080,006	186,472	1,265,333	579,639	227,640	806,043	459,290	33.33 & 20
		(1,507)			(1,225)			
		*362			*(11)			
Vehicles	212,662	104,904	262,737	124,639	49,339	131,207	131,530	20
		(54,829)			(42,771)			
		*-			*-			
	2,756,767	345,970	3,040,757	982,176	374,892	1,312,629	1,728,128	
		(56,336)			(43,996)			
		*(5,644)			*(443)			

\* This pertains to (over) / under charged cost which was initially capitalized to fixed assets due to delay in receipt of invoice. The amount was initially capitalized on estimation basis, which has been subsequently adjusted accordingly on receipt of invoice.



	Cost		2015 Accumulated depreciation					Rate of depreciation %
	As at January 01,	Additions / (disposals) / *adjustment	As at December 31,	As at January 01,	Charge for the year / (disposals) / *adjustment	As at December 31,	Book value as at December 31,	
					(Rupees in '000)			
Leasehold improvements	881,218	134,505 -	1,014,723	94,743	45,379 -	140,122	874,601	5
		*(1,000)			-			
Furniture and fixtures	416,736	34,217 (387) *(1,190)	449,376	94,552	43,571 (299) (48)	137,776	311,600	10
Computer and office equipment	878,367	202,971 (2,083) *751	1,080,006	374,535	207,007 (1,794) (109)	579,639	500,367	33.33 & 20
Vehicles	212,874	29,238 (29,420) *(30)	212,662	95,972	44,199 (15,486) (46)	124,639	88,023	20
	2,389,195	400,931 (31,890) *(1,469)	2,756,767	659,802	340,156 (17,579) (203)	982,176	1,774,591	

11.2.1 Depreciation amounting to Rs. 374.45 million (2015: Rs. 339.95 million) has been reported in administrative expenses (note 25) after adjusting the amounts referred to in note 11.2.

11.2.2 The cost of fully depreciated furniture and fixture, office and computer equipment still in use amounted to Rs. 328.19 million (2015: Rs. 80.70 million).

### 11.3 Intangible Assets

	Cost		2016 Accumulated amortization					Rate of amortization %
	As at January 01,	Additions	As at December 31,	As at January 01,	Amortization for the year	As at December 31,	Book value as at December 31,	
					(Rupees in '000)			
Software	163,317	23,524	186,841	90,759	29,791	120,550	66,291	20
	163,317	23,524	186,841	90,759	29,791	120,550	66,291	

	Cost		2015 Accumulated amortization					Rate of amortization %
	As at January 01,	Additions	As at December 31,	As at January 01,	Amortization for the year	As at December 31,	Book value as at December 31,	
					(Rupees in '000)			
Software	130,343	32,974	163,317	59,990	30,769	90,759	72,558	20
	130,343	32,974	163,317	59,990	30,769	90,759	72,558	

### 11.4 Disposal

Details of disposal of fixed assets having cost of more than Rs. 1,000,000/- or net book value of Rs. 250,000/- or above are given below:

	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of buyers
	Rupees in '000					
<b>Vehicle</b>						
Mercedes Benz C180	8,741	728	8,013	8,013	As per Bank Policy	M/S Sindh Leasing Co. Ltd.
Toyota Altis Grande	2,383	238	2,145	2,145	As per Bank Policy	M/S Sindh Leasing Co. Ltd.
Honda Civic	1,820	1,820	-	-	As per Bank Policy	Ms. Masooma Hussain
Honda Civic	1,794	1,794	-	-	As per Bank Policy	Mr. Tariq Ahsan
Honda Civic	1,794	1,794	-	-	As per Bank Policy	Mr. Anis Iqbal
Toyota Corolla XLI	1,424	1,424	-	-	As per Bank Policy	Ms. Javeria Zafar
Toyota Corolla XLI	1,394	1,394	-	-	As per Bank Policy	Mr. Shaukat Javed Anjum
Toyota Corolla XLI	1,374	1,374	-	-	As per Bank Policy	Mr. Farhan Ashraf
Toyota Corolla XLI	1,357	1,357	-	-	As per Bank Policy	Ms. Jeanett Chohan
Toyota Corolla XLI	1,357	1,357	-	-	As per Bank Policy	Mr. Shamsudin Khan
Toyota Corolla XLI	1,337	1,337	-	-	As per Bank Policy	Mr. Syed Assad Ali
Toyota Corolla XLI	1,337	1,337	-	-	As per Bank Policy	Mr. Shahzad Begg
Toyota Corolla XLI	1,337	1,337	-	-	As per Bank Policy	Mr. Nadeem Altaf
Toyota Corolla XLI	1,337	1,337	-	-	As per Bank Policy	Mr. Shaukat Larik
Suzuki WagonR	1,047	314	733	820	Insurance Claim	M/S Sindh Insurance Co. Ltd.
Suzuki Mehran	668	234	434	550	Insurance Claim	M/S Sindh Insurance Co. Ltd.
Suzuki Cultus	990	644	346	820	Insurance Claim	M/S Sindh Insurance Co. Ltd.
Aggregate of disposals not meeting criteria	23,338	22,951	387	3,769	As per Bank Policy	Various
	<b>54,829</b>	<b>42,771</b>	<b>12,058</b>	<b>16,117</b>		
<b>Office Equipment</b>						
30 KVA Generator	1,035	897	138	220	As per BID	M/S Imran Ahmed
Aggregate of disposals not meeting criteria	411	271	140	145	As per BID	Various
	<b>1,446</b>	<b>1,168</b>	<b>278</b>	<b>365</b>		
<b>Computers</b>						
Aggregate of disposals not meeting criteria	61	58	3	3	As per Bank Policy	Various
<b>December 31, 2016</b>	<b>56,336</b>	<b>43,997</b>	<b>12,339</b>	<b>16,485</b>		
<b>December 31, 2015</b>	<b>31,890</b>	<b>17,579</b>	<b>14,311</b>	<b>15,091</b>		





## 12 DEFERRED TAX ASSETS - net

Note	2016 (Rupees in '000)	2015
<b>Deductible temporary differences on:</b>		
- Provision against advances - general	(1,400,000)	(875,000)
- Provision for diminution in the value of investments	(171)	(171)
- Provision against other assets	-	-
	(1,400,171)	(875,171)
<b>Taxable temporary differences on:</b>		
- Operating fixed assets - tangible	127,651	155,221
- Operating fixed assets - intangible	9,864	10,519
- Surplus on revaluation of investments - net	72,171	408,626
	209,686	574,366
	(1,190,485)	(300,805)

### 12.1 Reconciliation of deferred tax

	2016				2015			
	Balance as at January 01,	Recognized in profit and loss account	Recognized in equity	Balance as at December 31,	Balance as at January 01,	Recognized in profit and loss account	Recognized in equity	Balance as at December 31,
	(Rupees in '000)							
<b>Deductible temporary differences on:</b>								
- Provision for diminution in the value of investments	(171)	-	-	(171)	-	(171)	-	(171)
- Provision against advances - general	(875,000)	(525,000)	-	(1,400,000)	-	(875,000)	-	(875,000)
- Provision for other assets	-	-	-	-	(1,546)	1,546	-	-
	(875,171)	(525,000)	-	(1,400,171)	(1,546)	(873,625)	-	(875,171)
<b>Taxable temporary differences on:</b>								
- Operating fixed assets - tangible	155,221	(27,570)	-	127,651	177,215	(21,994)	-	155,221
- Operating fixed assets - intangible	10,519	(655)	-	9,864	13,609	(3,090)	-	10,519
- Surplus on revaluation of investments	408,626	-	(336,455)	72,171	713,429	-	(304,803)	408,626
	574,366	(28,225)	(336,455)	209,686	904,253	(25,084)	(304,803)	574,366
	(300,805)	(553,225)	(336,455)	(1,190,485)	902,707	(898,709)	(304,803)	(300,805)

## 13 OTHER ASSETS - NET

Note	2016 (Rupees in '000)	2015
Accrued income on bank deposits, investments, COIs, placements and advances	3,218,063	3,637,416
Accrued commission income	322	5,337
Advances, deposits, advance rent and other prepayments	192,393	343,125
Advance against term finance certificates and preference shares	608,183	-
Receivable against sale of shares	369,716	133,979
Insurance premium receivable against agriculture loans	45,166	54,448
Stationery and stamps on hand	12,359	2,789
Dividend receivable	668	-
Receivable against I Link ATM settlement account	275,379	59,901
Insurance claims receivable	3,306	1,407
Other receivables	10,168	6,810
	4,735,723	4,245,212

- 13.1 Advance has been paid to Ms. Al-Arabia Sugar Mills Limited on December 30, 2016 for purchase of unlisted preference shares and term finance certificates of the company. The investee company is in the process of issuance of these shares and term finance certificates.

# Annual Report 2016



## 14 BILLS PAYABLE

Note	2016 (Rupees in '000)	2015
In Pakistan	714,212	288,681
Outside Pakistan	-	-
	714,212	288,681

## 15 BORROWINGS

In Pakistan	8,910,738	27,160,697	
Outside Pakistan	-	-	
15.1	8,910,738	27,160,697	
<b>15.1 Borrowings by currency</b>			
In local currency	8,910,738	27,160,697	
In foreign currency	-	-	
	8,910,738	27,160,697	

### 15.2 Details of borrowings

#### Secured

Borrowings from State Bank of Pakistan under export refinance scheme

Repurchase agreement borrowings

- State Bank of Pakistan

- Other commercial banks / DFI's

15.2.1	1,081,500	1,571,771
	-	22,088,926
15.2.2	6,187,415	-
	6,187,415	22,088,926

#### Unsecured

Call / Clean borrowings

15.2.3	1,641,823	3,500,000
	8,910,738	27,160,697

- 15.2.1 These represent borrowings from SBP under export refinance scheme at the rates ranging from 1% to 2% (2015: 3.50%) per annum having maturity upto six months.

- 15.2.2 These represent repurchase agreement borrowings at the rate of 5.80% (2015: 6.25%) per annum, maturing in January 2017.

- 15.2.3 These represent call borrowings from commercial banks at the rates ranging from 5.25% to 5.70% (2015: 6.40%) per annum, maturing in January & April 2017.

## 16 DEPOSITS AND OTHER ACCOUNTS

Note	2016 (Rupees in '000)	2015
<b>Customers</b>		
Fixed deposits	33,787,351	28,145,127
Savings deposits	44,489,694	28,795,581
Current accounts - non-remunerative	31,360,250	22,722,693
Margin and other accounts - non-remunerative	799,926	1,273,544
	110,437,221	80,936,945
<b>Financial Institutions</b>		
Remunerative deposits	8,454,596	3,100,991
Non-remunerative deposits	130,423	38,708
	8,585,019	3,139,699
16.1	119,022,240	84,076,644



	Note	2016 (Rupees in '000)	2015
<b>16.1 Deposits by currency</b>			
In local currency		117,854,636	82,223,494
In foreign currency		1,167,604	1,853,150
		<u>119,022,240</u>	<u>84,076,644</u>
<b>17 OTHER LIABILITIES</b>			
Mark-up / return/ interest payable in local currency		1,173,337	1,238,986
Mark-up / return/ interest payable in foreign currency		5,041	7,123
Unearned commission on LCs		-	5,094
Accrued expenses		107,585	82,217
Net defined benefit liability	31.1.2	50,481	49,286
Provision for compensated absences	32	118,612	63,498
Payable against forward forex revaluation - net		45,039	12,931
Payable against purchase of operating fixed assets		45,892	94,916
Payable against purchase of shares		393,307	142,025
Retention money		60,459	66,153
Federal excise duty / sales tax on services payable		4,617	4,481
Provision for taxation - net		32,878	151,954
Withholding tax payable		8,866	10,018
Others		131,184	29,021
		<u>2,177,298</u>	<u>1,957,703</u>

## 18 SHARE CAPITAL

### 18.1 Authorized share capital

2016	2015		2016	2015
Number of shares			(Rupees in '000)	
1,200,000,000	1,000,000,000	Ordinary shares of Rs. 10/- each	12,000,000	10,000,000

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

2016	2015		2016	2015
Number of shares			(Rupees in '000)	
1,001,013,000	1,000,000,000	Ordinary shares of Rs. 10/- each	10,010,130	10,000,000
		Fully paid in cash		

**18.3** This includes new shares issued under pre-IPO arrangement at Rs. 10.05 per share (including share premium of Rs. 0.05 per share) to the Directors and employees of the Bank and its related concerns. Under Rule 4 (vi) of the Companies (Issue of Capital) Rules, 1996, these Pre-IPO shares shall not be transferable for a period of six months from the date of closing of the public subscription of the public offering of the Bank's shares.

**18.4** The Government of Sindh, through its Finance Department, owns 99.9% ordinary shares of the Bank.

## Annual Report 2016



## 19 SURPLUS / (DEFICIT) ON REVALUATION OF INVESTMENTS - NET OF TAX

### Available-for-sale securities

	2016 (Rupees in '000)	2015
Federal government securities	319,177	1,517,228
Fully paid ordinary shares - listed	(147,175)	(274,417)
Units of mutual funds (units/certificates)	21,272	(51,516)
Sukuk certificates	11,693	(11,429)
Term finance certificates	1,236	(20,115)
	<u>206,203</u>	<u>1,159,751</u>
Reversal of impairment on shares of listed companies	-	7,755
	<u>206,203</u>	<u>1,167,506</u>
Related deferred taxation	(72,171)	(408,627)
	<u>134,032</u>	<u>758,879</u>

## 20 CONTINGENCIES AND COMMITMENTS

### 20.1 Direct credit substitutes

Includes general guarantees of indebtedness in favor of:

Government	2,479,754	2,554,885
Banking companies and other financial institutions	382,618	5,000
Others	739,659	911,134
	<u>3,602,031</u>	<u>3,471,019</u>
<b>20.2 Trade related contingent liabilities</b>		
- Others	<u>4,953,626</u>	<u>3,214,204</u>

### 20.3 Commitments to extend credit

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

### 20.4 Transaction related contingent liabilities

Contingent liabilities in respect of guarantees given, favoring others

### 20.5 Commitments in respect of forward rate agreements - currency

- Purchase	7,407,583	12,728,132
- Sale	6,960,019	12,153,946

### 20.6 Commitments in respect of repo / reverse repo transactions

- Sale and repurchase agreements	6,191,349	22,119,184
- Purchase and resale agreements	4,941,750	-

### 20.7 Other commitments

- Against purchase of shares	23,591	8,046
------------------------------	--------	-------





	Note	2016 (Rupees in '000)	2015
<b>21 MARK-UP / RETURN / INTEREST EARNED</b>			
On loans and advances to:			
Customers		3,958,291	4,063,754
On investments in:			
Held-for-trading securities		-	240
Available-for-sale securities		4,630,339	4,749,357
Held-to-maturity securities		987,771	1,008,775
On deposits with financial institutions		35,297	67,797
On securities purchased under resale agreements		132,371	131,106
On call / clean lending		31,330	106,210
		<u>9,775,399</u>	<u>10,127,239</u>
<b>22 MARK-UP / RETURN / INTEREST EXPENSED</b>			
Deposits		4,361,730	3,979,852
Securities sold under repurchase agreements		850,375	1,425,781
Other short term borrowings		159,062	279,191
		<u>5,371,167</u>	<u>5,684,824</u>
<b>23 GAIN ON SALE OF SECURITIES - NET</b>			
<b>Federal government securities</b>			
- Market Treasury Bills		44	750
- Pakistan Investment Bonds		2,643,990	2,636,197
<b>Others</b>			
- Units of mutual funds		36,174	20,272
- Shares of listed companies		253,048	405,234
- Other investments		400	100
		<u>2,933,656</u>	<u>3,062,553</u>
<b>24 OTHER INCOME</b>			
Rental income		2,240	-
Gain on sale of operating fixed assets		4,146	780
Prequalification application fee for tender		108	171
Excess insurance claim received		-	1,786
Others		2,701	2,992
		<u>9,195</u>	<u>5,729</u>

## Annual Report 2016



	Note	2016 (Rupees in '000)	2015
<b>25 ADMINISTRATIVE EXPENSES</b>			
Salaries, allowances and other benefits	25.1	1,720,429	1,532,703
Contribution to defined benefit plan	31.1.4	44,842	36,662
Contribution to defined contribution plan	31.2	50,499	43,685
Non-Executive Directors' fees		12,325	10,350
Rent, taxes, insurance, electricity, etc.		752,065	638,264
Legal and professional charges		21,495	10,516
Communications		146,473	99,208
Repairs and maintenance		189,583	151,284
Stationery and printing		74,738	75,449
Security services		232,559	188,728
Advertisement and publicity		65,456	55,358
Donations	25.2	-	11,000
Auditors' remuneration	25.3	7,221	8,326
Depreciation	11.2	374,452	339,953
Amortization	11.3	29,791	30,769
Travelling and conveyance		20,418	24,091
Brokerage and commission		10,643	13,423
Fees and subscription		51,418	33,728
Entertainment		31,940	27,197
Miscellaneous expense		27,932	22,332
		<u>3,864,279</u>	<u>3,353,026</u>

**25.1** This includes balance of compensated absences amounting to Rs. 57.10 million (2015: Rs. 41.29 million). Further refer to note 32.

**25.2** None of the directors, executives or their spouses had any interest in the donees. Detail of donations made are given below:

	Note	2016 (Rupees in '000)	2015
<b>Donees name</b>			
Aga Khan Hospital and Medical College Foundation		-	1,000
Sindh Institute of Urology and Transplantation (SIUT)		-	10,000
		<u>-</u>	<u>11,000</u>

<b>25.3 Auditors' remuneration</b>			
Audit fee		2,855	1,914
Half yearly review		1,172	1,000
Certifications and other advisory services		2,575	1,560
Corporate finance services		-	3,150
Out-of-pocket expenses		619	702
		<u>7,221</u>	<u>8,326</u>

**25.4** The Bank operates a short term employee benefit scheme which includes grant of special bonus to employees. Under this scheme, the special bonus for employees, including the President & Chief Executive Officer of the Bank is determined on the basis of employees evaluation and the Bank's performance during the year. The aggregate amount determined for eligible employees in respect of the above scheme relating to Executives and Ex-President & Chief Executive Officer of the Bank amounted to Rs. 23.37 million (2015: Rs. 26.22 million) and Rs. 23.66 million (2015: Rs. 28.39 million) respectively and is included in salaries, allowances and benefits.



## 26 OTHER CHARGES

Penalties imposed by the SBP

## 27 TAXATION

Current  
Prior years  
Deferred

Note	2016 (Rupees in '000)	2015 (Rupees in '000)
	525	13,791
	1,404,921	1,617,389
	185,408	102,556
12.1	(553,225)	(898,709)
	1,037,104	821,236
	2,427,930	2,051,499
	849,776	718,025
	-	36,721
	2,483	655
	184,845	65,835
	1,037,104	821,236

### 27.1 Relationship between tax expense and accounting profit

Profit before tax

Tax on income @ 35%

Prior year's tax due to amendment in Finance Bill

Effect of permanent differences

Adjustment of super tax

**27.2** For the tax year 2012, amendment of deemed assessment was carried out, whereby certain disallowances to the taxable income were made. Due to this amendment, charge of Workers' Welfare Fund (WWF) Rs. 20,789,251 was also levied as the assessing officer did not agree with the dispensation given in the law that WWF is not applicable to Government owned organization, and is therefore applicable on the Bank.

First appeal against the amended assessment order was filed before the Commissioner Inland Revenue Authority (CIRA), who deleted all disallowances and additions including the charge of WWF. Thereafter Large Taxpayers Unit (LTU) has filed an appeal in the Appellate Tribunal Inland Revenue (ATIR) against the decision of CIRA. Bank's tax advisor is of the view that the Bank has a strong case and the decision of CIRA should be maintained because the bank is Government owned entity and the decision of CIRA has a support of decision of the Supreme Court of Pakistan WWF.

Besides the above, banks become chargeable to WWF as a result of amendment made in WWF Ordinance by virtue of Finance Act 2008 wherein the definition of the term 'industrial establishment' was extended to include entities on which West Pakistan Shops and Establishment Ordinance, 1969 is applicable. The manner in which the said amendment was made in the WWF Ordinance was not approved by the Supreme Court of Pakistan in its recent decision in which the amendments made through the Finance Acts 2006 and 2008 were declared as ultra vires to the Constitution of Pakistan. Therefore the amount charged in the tax year 2012 which was based on the amendment of Finance Act 2008, should otherwise not to be maintained.

**27.3** For the tax year 2014, an amendment of deemed assessment was carried out, whereby certain disallowances and additions to taxable income were made. A net demand of Rs. 110.68 million (including WWF demand of Rs. 19.59 million) was raised. First appeal against the amended assessment order was filed before the CIRA, which deleted major disallowances and additions including the charge of WWF, except some disallowances on which a demand of Rs. 5.95 million arose.

Subsequently, the Bank has filed an appeal before ATIR in respect of above matters, which are pending. Further, LTU has also filed an appeal in the ATIR against the decision of CIRA.

# Annual Report 2016



## 28 BASIC AND DILUTED EARNINGS PER SHARE

Profit after taxation

Weighted average number of ordinary shares

Basic and diluted earnings per share

## 29 CASH AND CASH EQUIVALENTS

Cash and balances with treasury banks

Balances with other banks

## 30 STAFF STRENGTH

Permanent

Temporary / on contractual basis

Bank's own staff

Outsourced

Total staff strength

**30.1** This represents personnel hired by an outside contractor / agency and posted in the Bank to perform various tasks/ activities of the Bank.

## 31 DEFINED BENEFIT AND CONTRIBUTION PLANS

### 31.1 Defined benefit plan

The Bank operates a recognised gratuity plan for all its permanent and full time employees in the management cadres who have completed the minimum qualifying period of three years. Contributions are made to the fund in accordance with the recommendations of an actuary. Employees are entitled to the benefits under the plan which comprise of the last drawn basic salary for each completed year of service, subject to completion of minimum three years services with the Bank.

#### 31.1.1 Principal actuarial assumptions

The latest actuarial valuation was carried out as of December 31, 2016 using the Projected Unit Credit Method. Following were the significant assumptions used in the actuarial valuation:

	2016	2015
- Discount rate	9.50%	10.00%
- Expected rate of increase in salaries	9.00%	9.50%
- Expected return on plan assets	9.50%	10.00%

#### 31.1.2 Reconciliation of net defined benefit liability

Present value of defined benefit liability

Fair value of plan assets

Payable to defined benefit plan

Note	2016 (Rupees in '000)	2015 (Rupees in '000)
	1,390,826	1,230,263
	1,000,334,899	1,000,000,000
	1.39	1.23
	7,500,675	5,297,608
	791,478	1,936,079
	8,292,153	7,233,687
	1,501	1,456
	210	170
	1,711	1,626
	388	359
	2,099	1,985
	170,787	118,574
	(120,306)	(69,288)
	50,481	49,286





### 31.1.3 Movement in net defined benefit liability

Note	2016 (Rupees in '000)	2015
Opening balance	49,286	34,878
Charge to profit and loss during the year	44,842	36,662
Remeasurement loss recognized in OCI	5,640	12,624
Bank's contribution	(49,287)	(34,878)
Closing balance	50,481	49,286

### 31.1.4 Charge for defined benefit plan

<b>In profit and loss</b>		
Current service cost	42,378	34,700
Interest cost - net	2,464	1,962
Charge for the year	44,842	36,662
<b>In other comprehensive income</b>		
Remeasurement loss on defined benefit obligation	3,653	11,089
Remeasurement loss on plan assets	1,987	1,535
	5,640	12,624

### 31.1.5 Changes in present value of defined benefit liability

Opening balance	118,574	74,948
Current service cost	42,378	34,700
Interest cost	11,587	7,867
Benefits paid	(5,405)	(10,030)
Actuarial loss / (gain) on obligation		
- Financial assumptions	-	5,515
- Experience assumptions	3,653	5,574
	3,653	11,089
Closing balance	170,787	118,574

### 31.1.6 Fair value of plan assets

Fair value of plan assets at the beginning of the year	69,288	40,070
Expected return on plan assets	9,123	5,905
Bank's contributions	49,287	34,878
Benefits paid	(5,405)	(10,030)
Actuarial loss on asset - experience assumptions	(1,987)	(1,535)
Fair value of plan assets at the end of the year	120,306	69,288

### 31.1.7 Plan assets comprise

Balance held in bank accounts	120,306	69,288
-------------------------------	---------	--------

## Annual Report 2016



### 31.1.8 Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

Note	2016 (Rupees in '000)	2015
Discount rate (1% variation)	151,585	104,951
Future salary growth (1% variation)	194,690	135,576
Future mortality (1 year variation)	170,826	118,575

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of sensitivity of the assumptions shown.

31.1.9 The expected gratuity expense for the year commencing January 01, 2017 works out to Rs. 47.03 million (2015: Rs. 43.49 million).

### 31.1.10 Maturity analysis

The weighted average duration of the defined benefit obligation works out to be 12.40 years. Expected benefit payments for the next five year are:

	2017	2018	2019	2020	2021
	Rupees in '000				
Expected benefit payments	10,764	6,359	9,710	10,637	11,498

### 31.2 Defined contribution plan

The Bank operates a recognised provident fund plan for all its permanent employees. Equal monthly contributions are made, both by the Bank and its employees, to the fund at the rate of 10% of basic salaries of the employees. The minimum qualifying period of service for the purpose of the Bank's contribution is one year. The contribution made by the Bank and its employees during the year amounted to Rs. 100.99 million (2015: 87.37 million). The number of employees as at December 31, 2016 eligible under the plan were 1428 (2015: 1271).

## 32 COMPENSATED ABSENCES

The Bank grants compensated absences to all its regular employees as per service rules. Minimum qualifying period for encashment is three years of service. Regular employees are entitled to 30 days privileged leave for each completed year of service. Unutilized privilege leaves are accumulated upto a maximum of 60 days which would be encashed at the time of retirement from the regular service of the Bank or severance of service except in case of dismissal. These are encashable on the basis of last drawn gross salary. The Bank recognises the liability for compensated absences in respect of employees in the period in which these are earned up to the balance sheet date. The provision amount of Rs. 118.61 million (2015: 63.49 million) has been provided on the basis of actuarial recommendations.

Note	2016 (Rupees in '000)	2015
Opening balance	63,498	37,054
Expense for the year	57,101	41,289
Benefit paid for the year	(1,987)	(14,845)
Closing balance	118,612	63,498



### 33 COMPENSATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

	President / Chief Executive Officer		Directors		Executives	
	2016	2015	2016	2015	2016	2015
	(Rupees in '000)					
Fees	-	-	12,325	10,350	-	-
Managerial remuneration	11,008	29,747	3,097	-	355,296	292,479
Charge for defined benefit plan	814	2,939	-	-	21,601	27,155
Contribution for defined contribution plan	803	2,936	-	-	25,231	19,512
Rent and house maintenance	4,953	13,386	1,394	-	159,883	131,615
Utilities	1,101	2,975	310	-	35,530	29,248
Medical	1,101	2,975	310	-	35,530	29,248
Conveyance	510	573	158	-	84,355	71,971
Bonus	1,847	4,840	257	-	56,001	48,156
Others	2,392	13,830	1,603	588	40,632	37,237
	24,529	74,201	19,454	10,938	814,059	686,621
Number of persons	2	2	7	6	325	267

- 33.1 Directors' compensation includes salary paid to ex-president amounting to Rs. 4.95 million.
- 33.2 The Chief Executive Officer and certain executives of the Bank are provided with free use of Bank's maintained cars.
- 33.3 Executives mean employees, other than the President & Chief Executive Officer and Directors, whose basic salary exceeds five hundred thousand Rupees in a financial year.
- 33.4 In addition to above, all executives, including the President & Chief Executive Officer of the Bank are also entitled to bonus which is disclosed in note 25.4 to these unconsolidated financial statements.

### 34 FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of traded investments is based on quoted market prices, except for tradable securities classified by the Bank as 'held to maturity'. Quoted securities classified as held to maturity are carried at cost. Fair value of unquoted equity investments other than investments in subsidiaries 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, fixed term deposits and borrowings 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 of advances has been calculated in accordance with the Bank's accounting policy as stated in note 5 to these unconsolidated financial statements.

The maturity and repricing profile and effective rates are stated in notes 38.3.5, 38.4.1 and 38.4.2 respectively.

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 and deposits are frequently re-priced.

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

## Annual Report 2016



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

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

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

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

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

Financial instruments included in level 1 comprise of investments in listed ordinary shares and units of mutual funds.

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

Financial instruments included in level 2 comprise of Sukuk Bonds, Pakistan Investment Bonds, Market Treasury Bills, Term Finance Certificates and Forward Exchange Contracts.

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

Currently, no financial instruments are classified in level 3.

- 34.3 The table below analyses the financial and non-financial assets carried at fair values, by valuation methods. For financial assets, the Bank essentially carries its investments in debt and equity securities at fair values. Valuation of investments is carried out as per guidelines specified by the SBP.

	2016				
		Fair Value			
	Carrying value (Rupees in '000)	Level 1	Level 2	Level 3	Total
	(Rupees in '000)				
On balance sheet financial instruments					
Financial assets measured at fair value					
Available-for-sale securities					
Pakistan Investment Bonds	49,507,894	-	49,507,894	-	49,507,894
Market Treasury Bills	9,482,710	-	9,482,710	-	9,482,710
Shares of listed companies	2,080,439	2,080,439	-	-	2,080,439
Term finance certificates	113,643	-	113,643	-	113,643
Units of mutual funds	733,805	733,805	-	-	733,805
Sukuk bonds	698,735	-	698,735	-	698,735





	2016				
	Carrying value (Rupees in '000)	Level 1	Level 2	Level 3	Total
<b>Financial assets not measured at fair value</b>					
Cash and balances with treasury banks	7,500,675	-	-	-	-
Balances with other banks	791,478	-	-	-	-
Lendings to financial institutions	6,938,610	-	-	-	-
<b>Held to maturity investments</b>					
Pakistan Investment Bonds	7,458,429	-	-	-	-
GoP - Ijarah Sukuk	239,729	-	-	-	-
Preference shares - listed	249,961	-	-	-	-
Term finance certificates - unlisted	224,392	-	-	-	-
Ordinary shares of unlisted companies	-	-	-	-	-
Subsidiary	750,000	-	-	-	-
Advances	51,833,182	-	-	-	-
Other assets	4,735,723	-	-	-	-
	<u>143,339,405</u>	<u>2,814,244</u>	<u>59,802,982</u>	<u>-</u>	<u>62,617,226</u>
<b>Financial liabilities not measured at fair value</b>					
Bills payable	714,212	-	-	-	-
Borrowings	8,910,738	-	-	-	-
Deposits and other accounts	119,022,240	-	-	-	-
Other liabilities	2,177,298	-	-	-	-
	<u>130,824,488</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Off balance sheet financial instruments</b>					
Foreign exchange contracts (purchase)	-	-	7,407,583	-	7,407,583
Foreign exchange contracts (sale)	-	-	6,960,019	-	6,960,019
	2015				
	Carrying value (Rupees in '000)	Level 1	Level 2	Level 3	Total
<b>On balance sheet financial instruments</b>					
<b>Financial assets measured at fair value</b>					
<b>Available-for-sale securities</b>					
Pakistan Investment Bonds	42,563,182	-	42,563,182	-	42,563,182
Market Treasury Bills	14,747,575	-	14,747,575	-	14,747,575
Shares of listed companies	1,889,395	1,889,395	-	-	1,889,395
Term finance certificates	477,462	-	477,462	-	477,462
Units of mutual funds	444,879	444,879	-	-	444,879
Sukuk bonds	769,403	-	769,403	-	769,403

	2015				
	Carrying (Rupees in '000)	Level 1	Level 2	Level 3	Total
<b>Financial assets not measured at fair value</b>					
Cash and balances with treasury banks	5,297,608	-	-	-	-
Balances with other banks	1,086,079	-	-	-	-
Lendings to financial institutions	850,000	-	-	-	-
<b>Held to maturity investments</b>					
Pakistan Investment Bonds	7,444,973	-	-	-	-
GoP - Ijarah Sukuk	239,780	-	-	-	-
GIS - Bai Muajjal	232,880	-	-	-	-
Preference shares - listed	249,961	-	-	-	-
Term finance certificates - listed	360,260	-	-	-	-
Term finance certificates - unlisted	224,495	-	-	-	-
Ordinary shares of unlisted companies	-	-	-	-	-
Subsidiary	750,000	-	-	-	-
Advances	44,169,089	-	-	-	-
Other assets	4,245,212	-	-	-	-
	<u>126,042,233</u>	<u>2,334,274</u>	<u>58,557,622</u>	<u>-</u>	<u>60,891,896</u>
<b>Financial liabilities not measured at fair value</b>					
Bills payable	288,681	-	-	-	-
Borrowings	27,160,697	-	-	-	-
Deposits and other accounts	84,076,644	-	-	-	-
Other liabilities	1,957,703	-	-	-	-
	<u>113,483,725</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Off balance sheet financial instruments</b>					
Foreign exchange contracts (purchase)	-	-	12,685,104	-	12,685,104
Foreign exchange contracts (sale)	-	-	12,162,392	-	12,162,392



The valuation techniques used for the above assets are the same as disclosed below.

Item	Valuation techniques and input used
Fully paid-up ordinary shares /Close end mutual funds	Fair value is determined on the basis of closing quoted market prices available at the Pakistan Stock Exchange.
Open ended mutual funds	Fair value is based on redemption prices as at the close of the business day.
Pakistan Investment Bonds / Market Treasury Bills	Fair values of Pakistan Investment Bonds and Treasury Bills are derived using the PKRV rates (Reuters page).
Government of Pakistan (GoP) - Ijarah Sukuks	Fair values are derived using the PKISRV rates announced by the Financial Market Association (FMA) through Reuters.
Term Finance, Bonds and Sukuk certificates	Investments in debt securities (comprising term finance certificates, bonds, sukuk certificates and any other security issued by a company or a body corporate for the purpose of raising funds in the form of redeemable capital) are valued on the basis of the rates announced by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by the Securities and Exchange Commission of Pakistan.

### 35 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	2016				
	Trading and sales	Retail banking	Corporate finance	Commercial banking and others	Total
	----- (Rupees in '000) -----				
Total income	8,900,326	-	-	4,371,023	13,271,349
Inter segment revenue - net	(4,681,580)	-	-	4,681,580	-
Total income - net	4,218,746	-	-	9,052,603	13,271,349
Total expenses	(1,119,069)	-	-	(9,724,350)	(10,843,419)
Net income / (loss) before tax	3,099,677	-	-	(671,747)	2,427,930
Segment assets	86,415,355	-	-	59,940,018	146,355,373
Segment liabilities	8,325,801	-	-	122,498,687	130,824,488
Segment return on assets (ROA) (%)*	11.49%	-	-	9.35%	-
Segment cost of funds (%)*	7.60%	-	-	4.41%	-

\* Includes inter-segment revenue / cost.

## Annual Report 2016

	2015			
	Trading and sales	Retail banking	Corporate finance	Commercial banking and others
	----- (Rupees in '000) -----			
Total income	9,235,946	-	-	4,383,131
Inter segment revenue - net	(3,772,312)	-	-	3,772,312
Total income - net	5,463,634	-	-	8,155,443
Total expenses	(1,783,499)	-	-	(9,784,079)
Net income before tax	3,680,135	-	-	(1,628,636)
Segment assets	76,191,806	-	-	52,050,309
Segment liabilities	25,781,179	-	-	87,702,546
Segment return on assets (ROA) (%)*	13.19%	-	-	10.30%
Segment cost of funds (%)*	8.17%	-	-	5.11%

\* Includes inter-segment revenue / cost.

### 36 RELATED PARTY TRANSACTIONS

The related parties of the Bank comprise associated undertakings, directors, staff retirement funds and key management personnel (including their associates).

Transactions with related parties includes deposits, advances and other banking services which are carried out on an arm's length basis. Transaction with executives are undertaken at terms in accordance with employment agreements and service rules. Contributions to and accruals in respect of staff retirement benefit plans are made in accordance with the terms of the benefit plan. Remuneration of the President & Chief Executive Officer and directors are determined in accordance with the terms of their appointment.

Government of Sindh (GoS) through its Finance Department holds 99.9% shareholding in the Bank and therefore entities which are owned and / or controlled by the GoS, or where the GoS may exercise significant influence, are related parties of the Bank. The Bank in the ordinary course of business enters into transaction with Government-related entities. Such transactions include lending to, deposits from and provision of other banking service to Government related entities. However, it is impracticable to disclose transactions with all other entities owned or controlled by GoS.

The details of balances and transactions with related parties, other than those disclosed under respective notes, during the year are as follows:





	2016			
	Key management personnel	Directors	Associates / subsidiaries	Other related parties
	----- (Rupees in '000) -----			
<b>Advances</b>				
Balance at the beginning of the year	31,480	-	-	296,875
Disbursed during the year	103,001	-	-	-
Repaid during the year	(13,713)	-	-	(62,500)
Balance at the end of the year	120,768	-	-	234,375
<b>Deposits</b>				
Balance at the beginning of the year	52,469	19,796	153,710	457,948
Received during the year	369,131	154,367	1,464,380	10,471,174
Withdrawals during the year	(367,354)	(155,025)	(1,436,383)	(9,927,691)
Balance at the end of the year	54,246	19,138	181,707	1,001,431
Purchase of Government securities	-	-	-	508,017
Investment in shares of subsidiary	-	-	750,000	-
Sale of Government securities	-	-	-	799,537
Expenses recovered under agency arrangement	-	-	-	591
Mark-up receivable	69	-	-	4,972
Profit payable	367	163	326	10,824
Insurance premium paid	-	-	-	63,762
Sale proceeds of fixed assets	-	-	-	10,157
	Year ended December 31, 2016			
Mark-up / return / interest earned	1,596	-	-	22,536
Mark-up / return / interest expensed	2,096	1,379	14,834	41,997
Gain on sale of Government securities	-	-	-	346
Rental income	-	-	-	2,240
Remuneration paid	154,970	5,491	-	-
Contribution to provident fund	4,606	-	-	-
Provision for gratuity	3,916	-	-	-
Other staff benefits	16,354	257	-	-
Directors' meeting fee	-	12,325	-	-
Other expenses	-	1,380	-	-

As at the date of unconsolidated statement of financial position, loans/advances, deposits and contingencies related to government related entities amounted to Rs. 6,245.91 million (note 10.2), Rs. 58,905.81 million (note 16) and Rs. 116.80 million (note 20) respectively. The above includes deposits amounting to Rs. 19,896.41 million (2015: Rs. 15,688 million) received through the Finance Department, Government of Sindh.

	2015			
	Key management personnel	Directors	Associates / subsidiaries	Other related parties
	----- (Rupees in '000) -----			
<b>Advances</b>				
Balance at the beginning of the year	18,445	-	-	375,000
Disbursed during the year	21,917	-	-	-
Repaid during the year	(8,882)	-	-	(78,125)
Balance at the end of the year	31,480	-	-	296,875
<b>Deposits</b>				
Balance at the beginning of the year	72,032	15,516	-	2,556,369
Received during the year	439,183	27,088	1,337,083	25,862,030
Withdrawals during the year	(458,746)	(22,808)	(1,183,373)	(27,960,451)
Balance at the end of the year	52,469	19,796	153,710	457,948
Purchase of Government securities	-	-	-	4,606,075
Investment in shares of subsidiary	-	-	750,000	-
Sale of Government securities	-	-	-	330,813
Expenses recovered under agency arrangement	-	-	-	518
Mark-up receivable	21	-	-	6,813
Profit payable	572	123	2,398	6,343
Insurance premium paid	-	-	-	22,744
	Year ended December 31, 2015			
Mark-up / return / interest earned	952	-	-	33,258
Mark-up / return / interest expensed	3,407	1,155	36,619	128,851
Gain on sale of Government securities	-	-	-	153
Rental income	-	-	-	1,200
Remuneration paid	161,127	-	-	-
Contribution to provident fund	5,841	-	-	-
Provision for gratuity	7,551	-	-	-
Other staff benefits	30,995	-	-	-
Directors' meeting fee	-	10,350	-	-
Other expenses	-	588	-	-

### 37 CAPITAL ADEQUACY RATIO

**37.1** The Basel-III Framework is applicable to the Bank both at the consolidated level (comprising of wholly owned subsidiaries) and on a stand alone basis. Subsidiary is included while calculating consolidated capital adequacy for the Bank using full consolidation method. Standardized approach is used for calculating the capital adequacy for credit and market risk, whereas, basic indicator approach (BIA) is used for operational risk capital adequacy purposes.

### 37.2 Capital Management

#### Objectives and goals of managing capital

The Bank manages its capital to attain the following objectives and goals:

- an appropriately capitalized status, as defined by banking regulations;
- acquire strong credit ratings that enable an optimized funding mix and liquidity sources at lesser costs;
- cover all risks underlying business activities; and
- retain flexibility to harness future investment opportunities, build and expand even in stressed times.



### Statutory Minimum Capital Requirement and Capital Adequacy Ratio

The State Bank of Pakistan through BSD Circular No.07 of 2009 dated April 15, 2009 required the minimum paid up capital (net of losses) for all locally incorporated banks to be raised to Rs. 10 billion by the year ended on December 31, 2016. The raise was to be achieved in a phased manner. The paid up capital of the Bank for the year ended December 31, 2016 stands at Rs. 10.01 billion and is in compliance with the SBP requirement.

The capital adequacy ratio of the Bank is subject to the Basel-III capital adequacy guidelines stipulated by the State Bank of Pakistan through BPRD Circular No. 06 of 2013 dated August 15, 2013. These requirements are applicable from December 31, 2013 with full implementation in a phased manner intended by December 31, 2019. Under the Basel-III guidelines, banks are required to maintain the following ratios on an ongoing basis:

#### Phase-in arrangement and full implementation of the minimum capital requirements:

S. No.	Ratio	Year ended					
		2014	2015	2016	2017	2018	2019
1	CET I	5.50%	6.00%	6.00%	6.00%	6.00%	6.00%
2	ADT-I	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
3	Tier-I	7.00%	7.50%	7.50%	7.50%	7.50%	7.50%
4	Total Capital	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
5	* CCB	0.00%	0.25%	0.65%	1.275%	1.90%	2.50%
6	Total Capital plus CCB	10.00%	10.25%	10.65%	11.275%	11.90%	12.50%

\*(Consisting of CET I only)

#### 37.3 Bank's regulatory capital is analysed into three tiers

- Common Equity Tier I capital (CET I), which includes fully paid up capital (including the bonus shares), balance in share premium account, general reserves, statutory reserves as per the financial statements and net unappropriated profits after all regulatory adjustments applicable on CET I (refer to note 37.5).
- Additional Tier I Capital (AT I), which includes perpetual non-cumulative preference shares and share premium resulting from the issuance of preference shares, balance in share premium account after all regulatory adjustments applicable on AT I (refer to note 37.5).
- Tier 2 capital, which includes Subordinated debt/ Instruments, share premium on issuance of Subordinated debt/ instruments, general provisions for loan losses (up to a maximum of 1.25% of credit risk weighted assets), Net of tax reserves on revaluation of fixed assets and equity investments up to a maximum of 45% of the balance and foreign exchange translation reserves after all regulatory adjustments applicable on Tier-2 (refer to note 37.5)

The required capital adequacy ratio (10.65% of the risk-weighted assets) is achieved by the Bank through improvement in the asset quality at the existing volume level, ensuring better recovery management and composition of asset mix with low risk. Banking operations are categorized as either trading book or banking book and risk-weighted assets are determined according to specified requirements of the State Bank of Pakistan that seek to reflect the varying levels of risks attached to assets and off-balance sheet exposures. The total risk-weighted exposures comprise of the credit risk, market risk and operational risk.

Basel-III Framework enables a more risk-sensitive regulatory capital calculation to promote long term viability of the Bank. As the Bank carries on the business on a wide area network basis, it is critical that it is able to continuously monitor the exposure across the entire organization and aggregate the risks so as to take an integrated approach/view. Maximization of the return on risk-adjusted capital is the principal basis to be used in determining how capital is allocated within the Bank to particular operations or activities.

## Annual Report 2016

### 37.4 Leverage Ratio

The leverage ratio of the Bank as at December 31, 2016 is 9.50% (2015: 9.81%). The ratio has been computed as prescribed by the State Bank of Pakistan through instructions for Basel-III implementation in Pakistan.

As on December 31, 2016 total Tier I Capital of the Bank amounts to Rs. 14,942,592 thousands (2015: Rs. 13,371,207 thousands) whereas the total exposure measured amounts to Rs. 157,329,783 thousands (2015: Rs. 136,313,212 thousands).

### 37.5 Capital Adequacy

The Bank remained compliant with all externally imposed capital requirements through out the year. Further, there has been no material change in the Bank's management of capital during the year.

		2016	2015
		(Rupees in '000)	
<b>37.5.1 Capital Adequacy</b>			
<b>Common Equity Tier I capital (CET I): Instruments and reserves</b>			
1	Fully Paid-up Capital/ Capital deposited with SBP	10,010,130	10,000,000
2	Balance in Share Premium Account	51	-
3	Reserve for issue of Bonus Shares	-	-
4	Discount on Issue of shares	-	-
5	General/Statutory Reserves	1,200,761	922,596
6	Gain/(Losses) on derivatives held as Cash Flow Hedge	-	-
7	Unappropriated/unremitted profits/ (losses)	4,185,911	3,076,915
8	Minority Interests arising from CET I capital instruments issued to third parties by consolidated bank subsidiaries (amount allowed in CET I capital of the consolidation group)	-	-
9	<b>CET I before Regulatory Adjustments</b>	<b>15,396,853</b>	<b>13,999,511</b>
10	Total regulatory adjustments applied to CET I (Note 37.6.1)	94,483	540,203
11	<b>Common Equity Tier I</b>	<b>15,302,370</b>	<b>13,459,308</b>
<b>Additional Tier I (AT I) Capital</b>			
12	Qualifying Additional Tier-I capital instruments plus any related share premium	-	-
13	of which: Classified as equity	-	-
14	of which: Classified as liabilities	-	-
15	Additional Tier-I capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group AT I)	-	-
16	of which: instrument issued by subsidiaries subject to phase out	-	-
17	<b>AT I before regulatory adjustments</b>	<b>-</b>	<b>-</b>
18	Total regulatory adjustment applied to AT I capital (Note 37.6.2)	-	-
19	Additional Tier I capital after regulatory adjustments	-	-
20	<b>Additional Tier I capital recognized for capital adequacy</b>	<b>-</b>	<b>-</b>
21	<b>Tier I Capital (CET I + admissible AT I) (11+20)</b>	<b>15,302,370</b>	<b>13,459,308</b>





	2016 (Rupees in '000)	2015
<b>Tier 2 Capital</b>		
22 Qualifying Tier 2 capital instruments under Basel III plus any related share premium	-	-
23 Tier 2 capital instruments subject to phaseout arrangement issued under pre-Basel 3 rules	-	-
24 Tier 2 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group tier 2)	-	-
25 of which: instruments issued by subsidiaries subject to phase out	-	-
26 General provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	635,306	547,029
27 Revaluation Reserves (net of taxes)	-	-
28 of which: Revaluation reserves on fixed assets	-	-
29 of which: Unrealized gains/losses on AFS	134,032	758,879
30 Foreign Exchange Translation Reserves	-	-
31 Undisclosed/Other Reserves (if any)	-	-
32 <b>T2 before regulatory adjustments</b>	<b>769,338</b>	<b>1,305,908</b>
33 Total regulatory adjustment applied to T2 capital (Note 37.6.3)	10,290	120,461
34 Tier 2 capital (T2) after regulatory adjustments	-	-
35 Tier 2 capital recognized for capital adequacy	-	-
36 Portion of Additional Tier 1 capital recognized in Tier 2 capital	-	-
37 <b>Total Tier 2 capital admissible for capital adequacy</b>	<b>759,048</b>	<b>1,185,447</b>
38 <b>TOTAL CAPITAL (T1 + admissible T2) (21+37)</b>	<b>16,061,418</b>	<b>14,644,755</b>
39 <b>Total Risk Weighted Assets (RWA) {for details refer Note 37.7}</b>	<b>87,624,250</b>	<b>72,753,903</b>
<b>Capital Ratios and buffers (in percentage of risk weighted assets)</b>		
40 <b>CET I to total RWA</b>	<b>17.46%</b>	18.50%
41 <b>Tier-I capital to total RWA</b>	<b>17.46%</b>	18.50%
42 <b>Total capital to total RWA</b>	<b>18.33%</b>	20.13%
43 Bank specific buffer requirement (minimum CET I requirement plus capital conservation buffer plus any other buffer requirement)	6.65%	6.25%
44 of which: capital conservation buffer requirement	0.65%	0.25%
45 of which: counter cyclical buffer requirement	0.00%	0.00%
46 of which: D-SIB or G-SIB buffer requirement	0.00%	0.00%
47 CET I available to meet buffers (as a percentage of risk weighted assets)	10.81%	12.25%
<b>National minimum capital requirements prescribed by SBP</b>		
48 <b>CET I minimum ratio</b>	<b>6.00%</b>	6.00%
49 <b>Tier I minimum ratio</b>	<b>7.50%</b>	7.50%
50 <b>Total capital minimum ratio</b>	<b>10.00%</b>	10.00%
51 <b>Total capital minimum ratio plus CCB</b>	<b>10.65%</b>	10.25%

## 37.6 Regulatory Adjustments and Additional Information:

### 37.6.1 Common Equity Tier 1 capital: Regulatory adjustments

	2016 Amount	2016 Amounts subject to Pre- Basel III treatment	2015 Amounts subject to Pre- Basel III treatment
	----- Rupees in '000 -----		
1 Goodwill (net of related deferred tax liability)	-	-	-
2 All other intangibles (net of any associated deferred tax liability)	56,427	56,427	62,039
3 Shortfall in provisions against classified assets	-	-	-
4 Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-	-
5 Defined-benefit pension fund net assets	-	-	-
6 Reciprocal cross holdings in CET I capital instruments of banking, financial and insurance entities	-	-	-
7 Cash flow hedge reserve	-	-	-
8 Investment in own shares/ CET I instruments	-	-	-
9 Securitization gain on sale	-	-	-
10 Capital shortfall of regulated subsidiaries	-	-	-
11 Deficit on account of revaluation from bank's holdings of fixed assets/AFS	-	-	-
12 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)	38,056	22,834	478,164
13 Significant investments in the common stocks of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	-	-
14 Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-	-
15 Amount exceeding 15% threshold	-	-	-
16 of which: significant investments in the common stocks of financial entities	-	-	-
17 of which: deferred tax assets arising from temporary differences	-	-	-
18 National specific regulatory adjustments applied to CET I capital	-	-	-
19 Investments in TFCs of other banks exceeding the prescribed limit	-	-	-
20 Any other deduction specified by SBP (mention details)	-	-	-
21 Adjustment to CET I due to insufficient AT I and Tier 2 to cover deductions	-	375,000	-
22 Total regulatory adjustments applied to CET I (sum of 1 to 21)	94,483	454,261	540,203

### 37.6.2 Additional Tier-I & Tier-I Capital: regulatory adjustments

23 Investment in mutual funds exceeding the prescribed limit [SBP specific adjustment]	-	-	-
24 Investment in own AT I capital instruments	-	-	-
25 Reciprocal cross holdings in Additional Tier I capital instruments of banking, financial and insurance entities	-	-	-



	2016		2015	
	Amount	Amounts subject to Pre-Basel III treatment	Amounts	subject to Pre-Basel III treatment
----- Rupees in '000 -----				
26 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)	-	-	-	-
27 Significant investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	375,000	-	375,000
28 Portion of deduction applied 50:50 to Tier-I and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from additional tier-I capital	-	-	-	-
29 Adjustments to Additional Tier I due to insufficient Tier 2 to cover deductions	-	-	-	-
30 Total regulatory adjustment applied to AT1 capital (sum of 23 to 29)	-	375,000	-	375,000

#### 37.6.3 Tier 2 Capital: regulatory adjustments

31 Portion of deduction applied 50:50 to Tier-I and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	-	375,000	-	375,000
32 Reciprocal cross holdings in Tier 2 instruments of banking, financial and insurance entities	-	-	-	-
33 Investment in own Tier 2 capital instrument	-	-	-	-
34 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)	10,290	6,174	120,461	48,185
35 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-	-	-
36 Total regulatory adjustment applied to T2 capital (sum of 31 to 35)	10,290	381,174	120,461	423,185

#### 37.6.4 Additional Information

Risk weighted assets in respect of deduction items (which during the transitional period will be risk weighted subject to Pre-Basel III treatment)

- (i) of which: deferred tax assets
- (ii) of which: defined-benefit pension fund net assets
- (iii) of which: recognized portion of investment in capital of banking, financial and insurance entities where holding is less than 10% of the issued common share capital of the entity
- iv) of which: recognized portion of investment in capital of banking, financial and insurance entities where holding is more than 10% of the issued common share capital of the entity

2016		2015	
----- Rupees in '000 -----			
period will be risk weighted subject			
-	-	-	-
-	-	-	-
1,582,389		1,992,372	
-	-	-	-
1,582,389		1,992,372	

## Annual Report 2016



#### 37.6.5 Amounts below the thresholds for deduction (before risk weighting)

- 38 Non-significant investments in the capital of other financial entities
- 39 Significant investments in the common stock of financial entities
- 40 Deferred tax assets arising from temporary differences (net of related tax liability)

2016	2015
----- Rupees in '000 -----	
-	-
-	-
1,190,485	300,805
1,190,485	300,805

#### 37.6.6 Applicable caps on the inclusion of provisions in Tier 2

- 41 Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)
- 42 Cap on inclusion of provisions in Tier 2 under standardized approach
- 43 Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)
- 44 Cap for inclusion of provisions in Tier 2 under internal ratings-based approach

-	-
-	-
-	-
-	-

#### 37.7 Capital Structure Reconciliation

As per published financial statements	Under regulatory scope of reporting
December 31, 2016	
Rupees in '000	

Step I

##### Assets

- Cash and balances with treasury banks
- Balanced with other banks
- Lending to financial institutions
- Investments
- Advances
- Operating fixed assets
- Deferred tax assets
- Other assets
- Total assets**
- Liabilities & Equity**
- Bills payable
- Borrowings
- Deposits and other accounts
- Sub-ordinated loans
- Liabilities against assets subject to finance lease
- Deferred tax liabilities
- Other liabilities

##### Total liabilities

- Share capital / head office capital account
- Reserves
- Unappropriated/ unremitted profit / (losses)
- Minority interest
- Surplus on revaluation of assets
- Total equity**

##### Total liabilities & equity

7,500,675	7,500,675
791,478	791,478
6,938,610	6,938,610
71,539,737	71,539,737
51,833,182	51,833,182
1,825,483	1,825,483
1,190,485	1,190,485
4,735,723	4,735,723
146,355,373	146,355,373
714,212	714,212
8,910,738	8,910,738
119,022,240	119,022,240
-	-
-	-
-	-
2,177,298	2,177,298
130,824,488	130,824,488
10,010,130	10,010,130
1,200,812	1,200,812
4,185,911	4,185,911
-	-
134,032	134,032
15,530,885	15,530,885
146,355,373	146,355,373





Step 2	December 31, 2016		Reference
	As per published financial statements	Under regulatory scope of consolidation	
	Rupees in '000		
<b>Asset</b>			
Cash and balances with treasury banks	7,500,675	7,500,675	
Balanced with other banks	791,478	791,478	
Lending to financial institutions	6,938,610	6,938,610	
Investments	71,539,737	71,539,737	
- of which: non-significant capital investments in capital of other financial institutions exceeding 10% threshold	48,346	48,346	a
- of which: significant capital investments in financial sector entities exceeding regulatory threshold	-	-	b
- of which: mutual funds exceeding regulatory threshold	-	-	c
- of which: reciprocal crossholding of capital instrument	-	-	d
- of which: others (mention details)	71,491,391	71,491,391	e
Advances	51,833,182	51,833,182	
Shortfall in provisions/ excess of total EL amount over eligible provisions under IRB	-	-	f
General provisions reflected in Tier 2 capital	635,306	635,306	g
Fixed assets	1,825,483	1,825,483	
Deferred tax assets	1,190,485	1,190,485	
- of which: DTAs excluding those arising from temporary differences	-	-	h
- of which: DTAs arising from temporary differences exceeding regulatory threshold	-	-	i
Other assets	4,735,723	4,735,723	j
- of which: goodwill	66,291	66,291	k
- of which: intangibles	-	-	l
- of which: Defined-benefit pension fund net assets	-	-	
<b>Total assets</b>	<b>146,355,373</b>	<b>146,355,373</b>	
<b>Liabilities &amp; Equity</b>			
Bills payable	714,212	714,212	
Borrowings	8,910,738	8,910,738	
Deposits and other accounts	119,022,240	119,022,240	
Sub-ordinated loans	-	-	
- of which: eligible for inclusion in AT I	-	-	m
- of which: eligible for inclusion in Tier 2	-	-	n
Liabilities against assets subject to finance lease	-	-	
Deferred tax liabilities	9,864	9,864	
- of which: DTLs related to goodwill	-	-	o
- of which: DTLs related to intangible assets	9,864	9,864	p
- of which: DTLs related to defined pension fund net assets	-	-	q
- of which: other deferred tax liabilities	-	-	r
Other liabilities	2,177,298	2,177,298	
Total liabilities	130,824,488	130,824,488	
Share capital	10,010,130	10,010,130	
- of which: amount eligible for CET I	10,010,130	10,010,130	s
- of which: amount eligible for AT I	-	-	t
Reserves	1,200,812	1,200,812	
- of which: portion eligible for inclusion in CET I	1,200,812	1,200,812	u
- of which: portion eligible for inclusion in Tier 2	-	-	v

Unappropriated profit/ (losses)  
Minority interest  
- of which: portion eligible for inclusion in CET I  
- of which: portion eligible for inclusion in AT I  
- of which: portion eligible for inclusion in Tier 2  
Surplus on revaluation of assets  
- of which: revaluation reserves on property  
- of which: unrealized gains / (losses) on AFS  
- In case of deficit on revaluation (deduction from CET I)  
**Total Equity**

**Total liabilities & Equity**

Step 3		Source based on reference number from step 2	Source based on reference number from step 2
		Rupees in '000	
<b>Common Equity Tier I capital (CET I): Instruments and reserves</b>			
1	Fully paid-up capital/ capital deposited with SBP	10,010,130	(s)
2	Balance in share premium account	51	
3	Reserve for issue of bonus shares	-	
4	General/ statutory reserves	1,200,761	(u)
5	Gain/(loss) on derivatives held as cash flow hedge	-	
6	Unappropriated/unremitted profits/(losses)	4,185,911	(w)
7	Minority Interests arising from CET I capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET I capital of the consolidation group)	-	(x)
8	<b>CET I before Regulatory Adjustments</b>	<b>15,396,853</b>	
<b>Common Equity Tier I capital: Regulatory Adjustments</b>			
9	Goodwill (net of related deferred tax liability)	-	(j) - (o)
10	All other intangibles (net of any associated deferred tax liability)	56,427	(k) - (p)
11	Shortfall of provisions against classified assets	-	(f)
12	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	{(h) - (r)} * x%
13	Defined-benefit pension fund net assets	-	{(l) - (q)} * x%
14	Reciprocal cross holdings in CET I capital instruments	-	(d)
15	Cash flow hedge reserve	-	
16	Investment in own shares/ CET I instruments	-	
17	Securitization gain on sale	-	
18	Capital shortfall of regulated subsidiaries	-	
19	Deficit on account of revaluation from bank's holdings of property / AFS	-	(ab)
20	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	38,056	(a) - (ac) - (ae)



Step 3		Source based on reference number from step 2	Source based on reference number from step 2
		Rupees in '000	
21	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	(b) - (ad) - (af)
22	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	(i)
23	Amount exceeding 15% threshold	-	
24	- of which: significant investments in the common stocks of financial entities	-	
25	- of which: deferred tax assets arising from temporary differences	-	
26	National specific regulatory adjustments applied to CET I capital	-	
27	Investment in TFCs of other banks exceeding the prescribed limit	-	
28	Any other deduction specified by SBP (mention details)	-	
29	Regulatory adjustment applied to CET I due to insufficient AT I and Tier 2 to cover deductions	-	
30	<b>Total regulatory adjustments applied to CET I</b>	<b>94,483</b>	
31	<b>Common Equity Tier I</b>	<b>15,302,370</b>	
<b>Additional Tier I (AT I) Capital</b>			
32	Qualifying additional Tier-I instruments plus any related share premium	-	
33	- of which: classified as equity	-	(t)
34	- of which: classified as liabilities	-	(m)
35	Additional Tier-I capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT I)	-	(y)
36	- of which: instrument issued by subsidiaries subject to phase out	-	
37	<b>AT I before regulatory adjustments</b>	-	
<b>Additional Tier I Capital: regulatory adjustments</b>			
38	Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	-	
39	Investment in own AT I capital instruments	-	
40	Reciprocal cross holdings in additional Tier I capital instruments	-	
41	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)
42	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	(ad)
43	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-I capital	<b>375,000</b>	
44	Regulatory adjustments applied to additional Tier I due to insufficient Tier 2 to cover deductions	-	
45	Total of regulatory adjustment applied to AT I capital	<b>375,000</b>	
46	Additional Tier I capital	-	

## Annual Report 2016



Step 3		Source based on reference number from step 2	Source based on reference number from step 2
		Rupees in '000	
47	<b>Additional Tier I capital recognized for capital adequacy</b>	-	
48	<b>Tier I Capital (CET I + admissible AT I)</b>	<b>15,302,370</b>	
<b>Tier 2 Capital</b>			
49	Qualifying Tier 2 capital instruments under Basel III	-	(n)
50	Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)	-	
51	Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)	-	(z)
52	- of which: instruments issued by subsidiaries subject to phase out	-	
53	General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit risk weighted assets	<b>635,306</b>	(g)
54	Revaluation reserves eligible for Tier 2	<b>134,032</b>	
55	- of which: portion pertaining to Property	-	portion of (aa)
56	- of which: portion pertaining to AFS securities	<b>134,032</b>	
57	Foreign exchange translation reserves	-	(v)
58	Undisclosed / other reserves (if any)	-	
59	<b>T2 before regulatory adjustments</b>	<b>769,338</b>	
<b>Tier 2 Capital: regulatory adjustments</b>			
60	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	-	
61	Reciprocal cross holdings in Tier 2 instruments	-	
62	Investment in own Tier 2 capital instrument	-	
63	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)	<b>10,290</b>	(ae)
64	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	(af)
65	Amount of regulatory adjustment applied to T2 capital	<b>10,290</b>	
66	Tier 2 capital (T2)	<b>759,048</b>	
67	Tier 2 capital recognized for capital adequacy	<b>759,048</b>	
68	Excess additional Tier I capital recognized in Tier 2 capital	-	
69	<b>Total Tier 2 capital admissible for capital adequacy</b>	<b>759,048</b>	
<b>Total capital (T I + admissible T2)</b>		<b>16,061,418</b>	





### 37.8 Main features template of Regulatory Capital Instruments

1	Issuer	Sindh Bank Ltd
2	Unique identifier (e.g PSX Symbol or Bloomberg identifier etc.)	Un-quoted
3	Governing law(s) of the instrument	Laws applicable in Pakistan
	Regulatory treatment	
4	- Transitional Basel III rules	Common Equity Tier I
5	- Post-transitional Basel III rules	Common Equity Tier I
6	- Eligible at solo / group / group & solo	Group & Solo
7	- Instrument type	Ordinary Shares
8	Amount recognized in regulatory capital (currency in PKR thousands as of reporting date)	10,010,130
9	Par value of instrument	Rs. 10
10	Accounting classification	Shareholders
11	Original date of issuance	October 29, 2010
12	Perpetual or dated	Perpetual
13	Original maturity date	Not applicable
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	Not applicable
16	Subsequent call dates, if applicable	Not applicable
	Coupons / Dividends	
17	Fixed or floating dividend/ coupon	Floating Dividend
18	Coupon rate and any related index/ benchmark	Not applicable
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	Non-cumulative or cumulative	
	Convertible or non-convertible	Non-convertible
23	If convertible, conversion trigger (s)	Not applicable
24	If convertible, fully or partially	Not applicable
25	If convertible, conversion rate	Not applicable
26	If convertible, mandatory or optional conversion	Not applicable
27	If convertible, specify instrument type convertible into	Not applicable
28	If convertible, specify issuer of instrument it converts into	Not applicable
	Write-down feature	
29	If write-down, write-down trigger(s)	Not applicable
30	If write-down, full or partial	Not applicable
31	If write-down, permanent or temporary	Not applicable
32	If temporary write-down, description of write-up mechanism	Not applicable
33	Position in subordination hierarchy in liquidation (specify instrument) type immediately senior to instrument	Residual Interest
34	Non-compliant transitioned features	No
35	If yes, specify non-compliant features	Not applicable

The instruments issued by the Bank till December 31, 2016 include only ordinary shares having face value of Rs. 10 each (refer note 18). Therefore, requirements other than those disclosed above with respect to main features of Regulatory Capital Instruments is not applicable in case of Sindh Bank Limited as at December 31, 2016.

## Annual Report 2016

### 37.9 Risk Weighted Assets

The risk weighted assets to capital ratio, calculated in accordance with the State Bank of Pakistan's guidelines on capital adequacy are as follows:

	2016		2015	
	Capital Requirements	Risk Weighted Assets	Capital Requirements	Risk Weighted Assets
	(Rupees in '000)			
<b>Credit Risk:</b>				
<b>Credit Risk on Balance Sheet Portfolios subject to standardized approach (simple)</b>				
Cash & cash equivalents	-	-	-	-
Sovereign	-	-	-	-
Public sector entities	16,079	160,787	17,942	179,421
Banks	122,961	1,229,611	72,973	729,730
Corporate	3,442,382	34,423,821	2,870,782	28,707,816
Retail	188,409	1,884,092	229,205	2,292,053
Residential mortgages	11,444	114,441	7,500	74,995
Past due loans	157,316	1,573,164	32,514	325,137
Deferred tax assets	295,155	2,951,553	75,201	752,010
Listed equity investment	58,176	581,756	100,852	1,008,524
Un-listed equity investment	-	-	166,539	1,665,390
Operating fixed assets	175,919	1,759,193	182,652	1,826,519
Other assets	84,851	848,510	21,814	218,141
	<b>4,552,692</b>	<b>45,526,928</b>	<b>3,777,974</b>	<b>37,779,736</b>
<b>Off-Balance sheet:</b>				
<b>Non-market related</b>				
Financial guarantees, acceptances, performance related commitments, trade related etc.	525,953	5,259,529	592,629	5,926,291
<b>Market related</b>				
Foreign exchange contracts/ derivatives etc.	3,801	38,011	5,626	56,258
	<b>529,754</b>	<b>5,297,540</b>	<b>598,255</b>	<b>5,982,549</b>
<b>TOTAL CREDIT RISK</b>	<b>5,082,446</b>	<b>50,824,468</b>	<b>4,376,229</b>	<b>43,762,285</b>
<b>Market Risk:</b>				
<b>Capital Requirement for portfolios subject to standardized approach</b>				
Interest rate risk	2,265,247	22,652,465	1,798,318	17,983,175
Equity position risk	555,238	5,552,376	377,879	3,778,791
Foreign exchange risk	2,702	27,020	11,174	111,738
<b>TOTAL MARKET RISK</b>	<b>2,823,187</b>	<b>28,231,861</b>	<b>2,187,371</b>	<b>21,873,704</b>
<b>Operational Risk:</b>				
<b>Capital Requirement for portfolios subject to basic indicator approach</b>				
<b>Operational risk</b>	<b>856,792</b>	<b>8,567,921</b>	<b>712,102</b>	<b>7,117,914</b>
<b>TOTAL RISK WEIGHTED ASSETS</b>	<b>8,762,425</b>	<b>87,624,250</b>	<b>7,275,702</b>	<b>72,753,903</b>



	2016		2015	
Capital Adequacy Ratios	Required	Actual	Required	Actual
CET1 to total RWA	6.00%	17.46%	6.00%	18.50%
Tier-I capital to total RWA	7.50%	17.46%	7.50%	18.50%
Total capital to total RWA	10.00%	18.33%	10.00%	20.13%
Total capital plus CCB to total RWA	10.65%	18.33%	10.25%	20.13%

### 38 RISK MANAGEMENT

Under the Bank's risk management framework, the Board's Risk Management Committee (BRMC) is responsible for review and improvement of the risk policies of the Bank. On a management level, the Bank has set up a Risk Management Division (RMD) to identify, assess and monitor credit risk, market risk and operational risk in the activities of the Bank and take adequate measures to manage and control risks on timely basis.

#### 38.1 Credit risk

Credit risk strives to maximize the Bank's risk adjusted rate of return by maintaining credit risk exposure within acceptable parameters. The effective management of credit risk is a critical component of a comprehensive approach to risk management and essential to the long term success of any banking organization.

The Bank's lending function is primarily focused on small and medium sized secured loans in agriculture, SME and consumer products. large corporate, commercial and industrial loans are provided on selective basis whose policy is subject to review as and when required.

Under RMD, the Credit Risk Management Department (CRMD) is responsible to ensure that credit risk stays within the parameters set by the Board, and to set up and monitor system parameters for identifying risks, monitoring of these risks and early warning systems. RMD monitors credit on a portfolio basis using the auto risk system and reports to the CEO and the BRMC on a regular basis.

#### 38.2 Segments by class of business

##### 38.2.1 Segmental information

Segmental information by the class / nature of business and segment by distribution of advances, deposits & contingencies is given below:

	2016					
	Advances (Gross)		Deposits		Contingencies and commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Chemical and pharmaceuticals	960,124	1.72%	1,485,771	1.25%	22,893	0.07%
Agri-business	2,567,016	4.59%	2,002,432	1.68%	-	-
Manufacturing of textile	167,442	0.30%	144,630	0.12%	413,386	1.21%
Cement	432,121	0.77%	81,059	0.07%	-	-
Transport, storage and communication	1,122,293	2.00%	995,841	0.84%	-	-
Importers / Exporters	378,983	0.68%	198,700	0.17%	127,147	0.37%
Wholesale and retail trade	414,094	0.74%	4,396,380	3.69%	173,299	0.51%
Mining and quarrying	2,758,299	4.93%	69,434	0.06%	20,420	0.06%
Hotels and restaurants	1,074,455	1.92%	96,894	0.08%	-	-
Manufacturing of basic iron and steel	1,985,919	3.55%	17,005	0.01%	107,912	0.31%
Sugar	16,484,721	29.45%	269,064	0.23%	121,294	0.35%
Automobile and transportation equipment	2,597,492	4.64%	147,097	0.12%	1,197,805	3.49%
Financial	2,458,866	4.39%	8,573,048	7.20%	26,097,164	76.07%
Rice	318,184	0.57%	70,053	0.06%	-	-
Construction, real estate & societies	4,375,160	7.82%	7,427,251	6.24%	1,157,825	3.38%
Public sector - provincial government funds / departments	-	-	19,896,414	16.72%	-	-
Food	6,781,675	12.11%	155,090	0.13%	189,562	0.55%
Insurance	-	-	11,971	0.01%	-	-
Power, electricity and gas	6,396,929	11.43%	565,145	0.47%	1,626,946	4.74%
Education	170,939	0.31%	10,315,436	8.67%	1,150	-
Individuals	415,890	0.74%	8,923,446	7.50%	-	-
Others	4,118,971	7.37%	53,180,079	44.69%	3,048,193	8.89%
<b>Total</b>	<b>55,979,573</b>	<b>100%</b>	<b>119,022,240</b>	<b>100%</b>	<b>34,304,996</b>	<b>100%</b>

	2015					
	Advances (Gross)		Deposits		Contingencies and commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Chemical and pharmaceuticals	716,001	1.53%	851,835	1.01%	3,411	0.01%
Agri-business	2,979,691	6.38%	2,030,415	2.41%	-	-
Manufacturing of textile	114,307	0.24%	134,530	0.16%	401,143	0.75%





	2015					
	Advances (Gross)		Deposits		Contingencies and commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Cement	727,565	1.56%	14,529	0.02%	-	-
Transport, storage and communication	755,426	1.62%	350,071	0.42%	-	-
Importers / Exporters	324,404	0.69%	190,106	0.23%	133,278	0.25%
Wholesale and retail trade	38,360	0.08%	3,701,818	4.40%	55,511	0.10%
Mining and quarrying	374,214	0.80%	335,012	0.40%	3,000	0.01%
Hotels and restaurants	499,270	1.07%	74,527	0.09%	-	-
Manufacturing of basic iron and steel	1,844,842	3.95%	65,291	0.08%	84,747	0.16%
Sugar	14,792,556	31.67%	200,150	0.24%	301,369	0.56%
Automobile and transportation equipment	1,735,653	3.72%	230,555	0.27%	73,922	0.14%
Financial	1,016,798	2.18%	3,045,606	3.62%	47,558,122	88.41%
Rice	183,446	0.39%	94,559	0.11%	-	-
Construction, real estate & societies	2,685,529	5.75%	3,388,076	4.03%	1,121,030	2.08%
Public sector - provincial government funds / departments	-	-	15,688,225	18.66%	-	-
Food	10,068,982	21.56%	321,956	0.38%	72,442	0.13%
Insurance	-	-	94,094	0.11%	-	-
Power, electricity and gas	4,326,171	9.26%	1,297,548	1.54%	1,585,896	2.95%
Education	728,293	1.56%	4,596,686	5.47%	1,150	0.00%
Individuals	247,632	0.53%	7,929,366	9.43%	-	-
Others	2,548,892	5.46%	39,441,689	46.92%	2,399,579	4.46%
<b>Total</b>	<b>46,708,032</b>	<b>100%</b>	<b>84,076,644</b>	<b>100%</b>	<b>53,794,600</b>	<b>100%</b>

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

	2016			2015		
	Classified Advances	Specific provision held	Percentage	Classified Advances	Specific provision held	Percentage
	(Rupees in '000)		%	(Rupees in '000)		%
Agri-business	297,846	29,268	18.97%	227,849	18,922	78.49%
Importers / Exporters	18,498	18,498	1.18%	18,498	18,498	6.37%
Sugar	500,000	84,128	31.86%	-	-	-
Construction & real estate	616,686	-	39.30%	-	-	-
Food	88,779	11,140	5.66%	-	-	-
Others	47,566	-	3.03%	43,934	-	15.13%
<b>Total</b>	<b>1,569,375</b>	<b>143,034</b>	<b>100%</b>	<b>290,281</b>	<b>37,420</b>	<b>100%</b>

## Annual Report 2016



38.2.3 Segment by sector	2016					
	Advances (Gross)		Deposits		Contingencies and commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Public / Government	6,245,905	11.16%	68,044,899	57.17%	248,586	0.72%
Private	49,733,668	88.84%	50,977,341	42.83%	34,056,410	99.28%
<b>Total</b>	<b>55,979,573</b>	<b>100%</b>	<b>119,022,240</b>	<b>100%</b>	<b>34,304,996</b>	<b>100%</b>

	2015					
	Advances (Gross)		Deposits		Contingencies and commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Public / Government	9,410,220	20.15%	48,826,543	58.07%	22,609,673	42.03%
Private	37,297,812	79.85%	35,250,101	41.93%	31,184,927	57.97%
<b>Total</b>	<b>46,708,032</b>	<b>100%</b>	<b>84,076,644</b>	<b>100%</b>	<b>53,794,600</b>	<b>100%</b>

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

	2016			2015		
	Classified Advances	Specific provision held	Percentage	Classified Advances	Specific provision held	Percentage
	----- (Rupees in '000) -----		%	----- (Rupees in '000) -----		%
Public / Government	-	-	-	-	-	-
Private	1,569,375	143,034	100%	290,281	37,420	100%
<b>Total</b>	<b>1,569,375</b>	<b>143,034</b>	<b>100%</b>	<b>290,281</b>	<b>37,420</b>	<b>100%</b>

### 38.2.5 Geographical segment analysis

	2016			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	----- (Rupees in '000) -----			
<b>Pakistan</b>	<b>2,427,930</b>	<b>146,355,373</b>	<b>15,530,885</b>	<b>34,304,996</b>
	2015			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	----- (Rupees in '000) -----			
<b>Pakistan</b>	<b>2,051,499</b>	<b>128,242,115</b>	<b>14,758,390</b>	<b>53,794,600</b>



### 38.3 Market risk

Market Risk is the risk that the value of 'on' or 'off' balance sheet positions will be adversely affected by movements in equity and interest rate markets, currency exchange rates and commodity prices.

The market risk management organization in the Bank comprises of the Board of Directors, BRMC, Asset and Liability Committee (ALCO), RMD and within the RMD the Market and Asset Liability Risk Management Department.

#### 38.3.1 Foreign exchange risk

Foreign exchange risk is the risk that the Bank may suffer losses as a result of adverse exchange rate movements during a period in which it has an open position, either in the form of a balance sheet asset or liability account, or off balance sheet item. Likewise foreign exchange settlement risk is the risk of loss when a bank in a foreign exchange transaction pays the currency it sold but does not receive the currency it bought. FX settlement failures can arise from counter party default, operational problems, market liquidity constraints and other factors.

	As at December 31, 2016			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	----- (Rupees in '000) -----			
Pakistan Rupee	145,555,780	129,651,840	(447,564)	15,456,376
United States Dollar	490,410	1,004,314	573,879	59,975
Great Britain Pound	199,142	122,301	(76,915)	(74)
Euro	96,610	46,033	(49,400)	1,177
Japanese Yen	1,449	-	-	1,449
UAE Dirham	11,982	-	-	11,982
	<u>146,355,373</u>	<u>130,824,488</u>	<u>-</u>	<u>15,530,885</u>
	As at December 31, 2015			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	----- (Rupees in '000) -----			
Pakistan Rupee	126,786,384	111,623,451	(574,187)	14,588,746
United States Dollar	1,338,014	1,707,518	531,550	162,046
Great Britain Pound	83,397	116,983	36,900	3,314
Euro	31,422	35,773	5,737	1,386
Japanese Yen	2,066	-	-	2,066
UAE Dirham	832	-	-	832
	<u>128,242,115</u>	<u>113,483,725</u>	<u>-</u>	<u>14,758,390</u>

#### 38.3.2 Equity position risk

Equity position risk in trading book arises due to change in price of shares or levels of equity indices.

The Bank's equity and mutual fund exposure is managed within the SBP limits for overall investment and per scrip exposure. In addition, there are internal limits for trading positions as well as stop loss limits, dealer limits, future contracts limits and continuous funding system limits.

#### 38.3.3 Yield / interest rate risk

Yield / interest rate risk reflects the degree of vulnerability of an organization to adverse changes in markup / interest rates. Such risk taking is normal in a financial institution and could be an important source of profit earning. However, excess yield / interest rate risk may create a serious threat to a Bank's returns and capital base. ALCO, Treasury Division and RMD monitor the repricing / mismatch risks, basis risks, yield curve risks, and option risks on a continuous basis to minimize the yield / interest rate risk.

#### 38.3.4 Price risk

Price risk is the risk that the value of a security or portfolio of securities will decline in the future. It is the risk of losing money due to a fall in the market price of a security that the Bank owns. It results from changes in the value of marked-to-market financial instruments. Transactions in equity securities are subject to systemic and non-systemic risks. In order to counter these the BRMC has laid down the limits of various investments, while the Treasury Division and RMD monitor these investments on a daily basis.

#### 38.3.5 Mismatch of interest rate sensitive assets and liabilities

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market interest rates. The Bank is exposed to interest / mark-up rate risk as a result of mismatches or gaps in the amount of interest / mark-up based assets and liabilities that mature or re-price in a given period. The Bank manages this risk by matching / re-pricing of assets and liabilities. The Assets and Liabilities Committee (ALCO) of the Bank monitors and manages the interest rate risk with the objective of limiting the potential adverse effects on the profitability of the Bank.





2016

Effective Yield / Interest rate	Exposed to Yield / Interest risk										Non-interest bearing financial instruments									
	Total	Upto 1 month		Over 1 to 3 months		Over 3 to 6 months		Over 6 months to 1 year		Over 1 to 2 years		Over 2 to 3 years		Over 3 to 5 years		Over 5 to 10 years		Above 10 years		

#### On-balance sheet financial instruments

<b>Assets</b>																			
Cash and balances with treasury banks	7,500,675	69,142	47,679	35,171	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7,315,272
Balances with other banks	791,478	576,462	200,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	15,016
Lendings to financial institutions	6,938,610	6,938,610	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investments	71,539,737	8,983,317	676,001	1,425,830	204,900	-	-	-	-	118	50,442,903	6,523,318	-	-	-	-	-	-	3,283,350
Advances	51,833,182	34,269,485	6,779,711	413,779	3,840,968	-	-	-	-	915,296	2,545,909	1,633,553	350,358	-	-	-	-	-	50,188
Other assets	4,735,723	529,685	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,206,038
<b>Liabilities</b>																			
Bills payable	714,212	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	714,212
Borrowings from financial institutions	8,910,738	6,337,415	1,081,500	1,491,823	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deposits and other accounts	119,022,240	50,703,168	11,524,948	10,794,966	-	-	-	-	-	199,927	11,310	-	-	-	-	-	-	-	32,290,599
Other liabilities	2,177,298	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,177,298
<b>On-balance sheet gap</b>																			
	130,824,488	57,040,583	12,606,448	12,286,789	13,394,522	-	-	-	-	99,927	11,310	102,800	-	-	-	-	-	-	35,182,109
	12,514,917	(5,673,882)	(4,903,057)	(10,412,009)	(9,315,243)	834,008	903,986	2,443,227	52,076,456	6,873,676	(20,312,245)	-	-	-	-	-	-	-	-
<b>Off-balance sheet financial instruments</b>																			
Purchase and resale agreements	4,941,750	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sale and repurchase agreements	6,191,349	6,191,349	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Off-balance sheet gap</b>																			
	11,133,099	11,133,099	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total yield / Interest Risk Sensitivity Gap</b>																			
	5,459,217	(4,903,057)	(10,412,009)	(9,315,243)	834,008	903,986	2,443,227	52,076,456	6,873,676	(20,312,245)	-	-	-	-	-	-	-	-	-
<b>Cumulative yield / Interest Risk Sensitivity Gap</b>																			
	5,459,217	556,160	(9,855,849)	(19,171,092)	(18,337,084)	(17,433,098)	(14,989,871)	37,086,585	43,960,261	23,648,016	-	-	-	-	-	-	-	-	-

#### Reconciliation with total assets:

Assets as per above	143,339,405
Fixed assets	1,825,483
Deferred tax asset	1,190,485
Assets as per unconsolidated statement of financial position	146,355,373

#### Reconciliation with total liabilities:

Liabilities as per above	130,824,488
Deferred tax liability	-
Liabilities as per unconsolidated statement of financial position	130,824,488



## Annual Report 2016

2015

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

#### On-balance sheet financial instruments

<b>Assets</b>																			
Cash and balances with treasury banks	5,297,608	93,054	108,112	45,532	55,693	-	-	-	-	-	-	-	-	-	-	-	-	-	4,995,215
Balances with other banks	1,936,079	1,712,130	200,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	23,949
Lendings to financial institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investments	70,394,245	10,811,753	1,131,796	5,051,575	290	7,990,389	4,532,208	31,114,405	6,427,599	3,334,230	-	-	-	-	-	-	-	-	-
Advances	44,169,089	32,555,442	1,892,704	4,112,700	2,217,976	-	-	-	-	570,888	69,328	-	-	-	-	-	-	-	43,876
Other assets	4,245,212	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,245,212
<b>Liabilities</b>																			
Bills payable	288,681	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	288,681
Borrowings from financial institutions	27,160,697	22,088,926	3,500,000	1,571,771	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deposits and other accounts	84,076,644	33,852,388	4,991,395	7,173,990	13,927,731	27,224	39,172	29,800	-	-	-	-	-	-	-	-	-	-	24,034,944
Other liabilities	1,957,703	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,957,703
<b>On-balance sheet gap</b>																			
	113,483,725	55,941,314	8,491,395	8,745,761	13,927,731	27,224	39,172	29,800	-	-	-	-	-	-	-	-	-	-	26,281,328
	12,558,508	(21,580,686)	4,521,174	(3,455,733)	(6,602,487)	401,271	8,426,773	6,304,822	31,685,293	6,496,927	(13,638,846)	-	-	-	-	-	-	-	-
<b>Off-balance sheet financial instruments</b>																			
Purchase and resale agreements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sale and repurchase agreements	22,092,708	22,092,708	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Off-balance sheet gap</b>																			
	22,092,708	22,092,708	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total yield / Interest Risk Sensitivity Gap</b>																			
	512,022	4,521,174	(3,455,733)	(6,602,487)	401,271	8,426,773	6,304,822	31,685,293	6,496,927	(13,638,846)	-	-	-	-	-	-	-	-	-
<b>Cumulative yield / Interest Risk Sensitivity Gap</b>																			
	512,022	5,033,196	1,577,463	(5,025,024)	(4,623,753)	3,803,020	10,107,842	41,793,135	48,290,062	34,651,216	-	-	-	-	-	-	-	-	-

#### Reconciliation with total assets:

Assets as per above	126,042,233
Fixed assets	1,899,077
Deferred tax asset	300,805
Assets as per unconsolidated statement of financial position	128,242,115

#### Reconciliation with total liabilities:

Liabilities as per above	113,483,725
Deferred tax liability	-
Liabilities as per unconsolidated statement of financial position	113,483,725

### 38.4 Liquidity risk

Liquidity risk refers to the potential inability of the Bank to meet its funding requirements arising from cash flow mismatches at a reasonable cost (funding liquidity risk). Liquidity risk also arises due to the Bank's potential inability to liquidate positions quickly and in sufficient volumes, at a reasonable price (market liquidity risk). Liquidity risk manifests in different dimensions, viz. funding risk, time risk and reasons like tight liquidity conditions.

The BRMC has laid down policies to be followed to ensure proper availability of liquidity and ALCO monitors the liquidity position of the Bank on a regular basis. On a day to day basis the Treasury Division controls the liquidity of the Bank and it is monitored by the Market and Asset Liability Risk Management Unit of the RMD.

#### 38.4.1 Maturity of assets and liabilities (based on contractual maturities)

2016									
	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Above 10 years
<b>Assets</b>									
Cash and balances with treasury banks	7,500,675	7,500,675	-	-	-	-	-	-	-
Balances with other banks	791,478	591,478	200,000	-	-	-	-	-	-
Lendings to financial institutions	6,938,610	6,938,610	-	-	-	-	-	-	-
Investments	71,539,737	12,266,666	497,430	245,826	536,577	429,229	40	496,932	50,543,717
Advances	51,833,182	9,151,154	8,131,791	2,377,939	7,817,823	3,379,456	2,852,593	5,689,894	10,147,941
Operating fixed assets	1,825,483	48,961	36,392	54,887	108,581	217,758	217,770	360,380	356,563
Deferred tax asset	1,190,485	118,988	118,988	118,988	237,976	297,470	298,075	-	-
Other assets	4,735,723	3,103,683	709,117	298,599	45,047	45,009	4,583	529,685	-
	146,355,373	39,720,215	9,693,718	3,096,239	8,746,004	4,368,922	3,373,061	7,076,891	61,048,221
									9,232,102
<b>Liabilities</b>									
Bills payable	714,212	714,212	-	-	-	-	-	-	-
Borrowings from financial institutions	8,910,738	7,418,915	-	1,491,823	-	-	-	-	-
Deposits and other accounts	119,022,240	82,993,767	11,524,948	10,794,966	13,394,522	199,927	11,310	102,800	-
Deferred tax liability	-	-	-	-	-	-	-	-	-
Other liabilities	2,177,298	1,333,943	310,843	263,548	255,678	8,055	56	5,175	-
	130,824,488	92,460,837	11,835,791	12,550,337	13,650,200	207,982	11,366	107,975	-
	15,530,885	(52,740,622)	(2,142,073)	(9,454,098)	(4,904,196)	4,160,940	3,361,695	6,968,916	61,048,221
									9,232,102
<b>Gap</b>									
Share capital	10,010,130								
Reserves	1,200,812								
Unappropriated profit	4,185,911								
Surplus on revaluation of investments	134,032								
<b>Net assets</b>	<b>15,530,885</b>								



## Annual Report 2016

2015

2015									
	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Above 10 years
<b>Assets</b>									
Cash and balances with treasury banks	5,297,608	5,297,608	-	-	-	-	-	-	-
Balances with other banks	1,936,079	1,736,079	200,000	-	-	-	-	-	-
Lendings to financial institutions	-	-	-	-	-	-	-	-	-
Investments	70,394,245	2,334,269	10,301,374	6,341	5,057,935	267,592	9,163,032	4,525,950	7,180,702
Advances	44,169,089	7,973,832	2,079,031	13,751,219	4,866,865	1,128,084	2,595,102	6,771,641	2,742,047
Operating fixed assets	1,899,077	70,352	37,462	56,500	111,171	224,156	224,169	362,910	374,453,37,304
Deferred tax asset	300,805	300,805	-	-	-	-	-	-	-
Other assets	4,245,212	4,245,212	-	-	-	-	-	-	-
	128,242,115	21,958,157	12,617,867	13,814,060	10,036,571	1,619,832	11,982,303	11,660,501	34,192,771
									10,360,053
<b>Liabilities</b>									
Bills payable	288,681	288,681	-	-	-	-	-	-	-
Borrowings from financial institutions	27,160,697	22,088,926	3,500,000	1,571,771	-	-	-	-	-
Deposits and other accounts	84,076,644	57,887,332	4,991,395	7,173,990	13,927,731	27,224	39,172	29,800	-
Deferred tax liability	-	-	-	-	-	-	-	-	-
Other liabilities	1,957,703	1,957,703	-	-	-	-	-	-	-
	113,483,725	82,222,642	8,491,395	8,745,761	13,927,731	27,224	39,172	29,800	-
	14,758,390	(60,264,485)	4,126,472	5,068,299	(3,891,160)	1,592,608	11,943,131	11,630,701	34,192,771
									10,360,053
<b>Gap</b>									
Share capital	10,000,000								
Reserves	922,596								
Unappropriated profit	3,076,915								
Surplus on revaluation of investments	758,879								
<b>Net assets</b>	<b>14,758,390</b>								





### 38.4.2 Maturity of assets and liabilities (based on SBP BSD Circular No.02 dated February 22, 2011)

2016

Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
----- (Rupees in '000) -----									
<b>Assets</b>									
Cash and balances with treasury banks	7,500,675	3,137,597	2,287,773	1,919,419	155,886	-	-	-	-
Balances with other banks	791,478	591,478	200,000	-	-	-	-	-	-
Lendings to financial institutions	6,938,610	6,938,610	-	-	-	-	-	-	-
Investments	71,539,737	8,680,966	1,420,801	1,259,515	1,186,999	429,229	496,932	50,543,717	7,271,577
Advances	51,833,182	9,151,154	8,131,791	2,377,939	7,817,823	3,379,456	2,852,593	10,147,941	2,284,591
Operating fixed assets	1,825,483	48,961	36,392	54,887	108,581	217,758	360,380	356,563	424,191
Deferred tax asset	1,190,485	119,593	118,988	118,988	237,976	297,470	529,685	-	-
Other assets	4,735,723	3,100,774	709,117	298,599	45,047	4,584	7,076,891	61,048,221	2,908
	146,355,373	31,769,133	12,904,862	6,029,347	9,552,312	4,368,922	3,622,418	9,983,267	
<b>Liabilities</b>									
Bills payable	714,212	714,212	-	-	-	-	-	-	-
Borrowings from financial institutions	8,910,738	6,337,415	1,081,500	1,491,823	-	-	-	-	-
Deposits and other accounts	119,022,240	27,008,614	32,128,745	27,436,495	31,709,259	199,927	102,800	425,090	-
Deferred tax liability	-	-	-	-	-	11,310	-	-	-
Other liabilities	2,177,298	1,301,027	310,843	263,548	288,598	8,055	5,171	-	-
	130,824,488	35,361,268	33,521,088	29,191,866	31,997,857	207,982	11,366	107,971	425,090
<b>Gap</b>	15,530,885	(3,592,135)	(20,616,226)	(23,162,519)	(22,445,545)	4,160,940	3,611,052	60,623,131	9,983,267
Share capital	10,010,130								
Reserves	1,200,812								
Unappropriated profit	4,185,911								
Surplus on revaluation of investments	134,032								
<b>Net assets</b>	15,530,885								

Where an asset or a liability does not have a contractual maturity date, the period in which these are assumed to mature have been taken as expected date of maturity, based on the criteria determined by ALCO of the Bank.

## Annual Report 2016

2015

Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
----- (Rupees in '000) -----									
<b>Assets</b>									
Cash and balances with treasury banks	5,297,608	2,685,028	1,455,427	1,048,022	109,131	-	-	-	-
Balances with other banks	1,936,079	1,736,079	200,000	-	-	-	-	-	-
Lendings to financial institutions	-	-	-	-	-	-	-	-	-
Investments	70,394,245	7,973,832	-11,246,068	890,067	5,563,783	267,592	4,525,950	31,557,050	7,180,703
Advances	44,169,089	2,079,031	13,751,219	486,863	1,128,084	2,595,102	6,771,641	2,261,268	2,742,047
Operating fixed assets	1,899,077	70,352	37,462	56,500	111,771	224,156	362,910	374,453	437,304
Deferred tax asset	300,805	30,080	30,080	30,080	60,161	75,201	114,877	-	-
Other assets	4,245,212	3,432,166	420,738	71,481	82,997	89,878	30,217	-	2,858
	128,242,115	15,927,537	15,468,806	15,847,369	10,794,708	1,784,911	12,067,723	34,192,771	103,62,912
<b>Liabilities</b>									
Bills payable	288,681	288,681	-	-	-	-	-	-	-
Borrowings from financial institutions	27,160,697	22,088,924	3,500,000	1,571,771	-	-	-	-	-
Deposits and other accounts	84,076,644	20,353,143	18,534,315	18,112,502	26,653,573	27,224	39,172	326,915	-
Deferred tax liability	-	-	-	-	-	-	-	-	-
Other liabilities	1,957,703	939,971	286,236	321,105	406,310	633	1,736	-	-
	113,483,725	43,670,721	22,320,551	20,005,378	27,059,883	28,936	39,805	31,536	32,6915
<b>Gap</b>	14,758,390	(27,743,184)	(6,851,745)	(4,158,009)	(16,265,175)	1,755,975	12,047,918	33,865,856	103,62,912
Share capital	10,000,000								
Reserves	922,596								
Unappropriated profit	3,076,915								
Surplus on revaluation of investments	758,879								
<b>Net assets</b>	14,758,390								

Where an asset or a liability does not have a contractual maturity date, the period in which these are assumed to mature have been taken as expected date of maturity, based on the criteria determined by ALCO of the Bank.



38.5 Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events; which includes legal risk, but excludes strategic and reputational risk.

The Operational Risk Management Department (ORMD) works under the RMD and its responsibilities include identifying, monitoring, measuring and managing operational risks assumed by the Bank. In adherence to industry best practice, the key functions of the ORMD are the operational risk policy and planning function, operational risk assessment function, operational risk measurement and analytics function and operational risk monitoring, mitigation and control function.

39 RECLASSIFICATION

The Bank has reclassified the following amounts during the year and no impact on the financial statements has occurred:

Particulars	Reclassified		Amount (Rupees in '000)
	From	To	
Term deposit receipt	Lending to financial institution	Balances with other banks - saving accounts	850,000

40 GENERAL

Figures have been rounded off to the nearest thousand Rupees.

41 DATE OF AUTHORISATION FOR ISSUE

These unconsolidated financial statements were authorised for issue by the Board of Directors on March 02, 2017.

President & Chief Executive Officer

Chairman

Director

Director





*Sa'adat*  
سعادت  
ISLAMIC BANKING

Annexure I  
ISLAMIC BANKING BUSINESS  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
DECEMBER 31, 2016





## Islamic Banking Business Statement of Financial Position As at December 31, 2016

### ISLAMIC BANKING BUSINESS

The Bank commenced its Islamic Banking operations effective from June 26, 2014 and is operating with 14 Islamic Banking branches and 13 Islamic Banking Windows in Conventional branches (2015: 13 Branches and 2 Islamic Banking Windows) at the end of reporting period. The statement of financial position, profit and loss account and cash flow statement of the Islamic banking division are as follows:

	Note	2016 (Rupees in '000)	2015
<b>Assets</b>			
Cash and balances with treasury banks		231,041	157,424
Balances with other banks		100,595	123,578
Balances with and due from financial institutions		330,000	650,000
Investments		1,036,295	1,368,213
Islamic financing and related assets	A-I-I	2,150,591	520,757
Operating fixed assets		115,160	94,898
Deferred tax assets		-	4,207
Due from head office		-	-
Other assets		77,919	75,375
		<b>4,041,601</b>	<b>2,994,452</b>
<b>Liabilities</b>			
Bills payable		30,232	326
Due to financial institutions		150,000	131,422
Deposits and other accounts		3,433,210	2,319,812
- Current accounts		277,699	84,192
- Savings accounts		878,729	256,909
- Term Deposits		82,424	56,690
- Other Deposits		46,518	409
- Deposits from Financial Institutions - Remunerative		2,146,615	1,921,460
- Deposits from Financial Institutions - Non Remunerative		1,225	152
Deferred tax liability		5,661	-
Due to head office		1,779	60,884
Other liabilities		42,792	33,910
		<b>3,663,674</b>	<b>2,546,354</b>
<b>Net Assets</b>		<b>377,927</b>	<b>448,098</b>
<b>Represented By</b>			
Islamic banking fund		500,000	500,000
Reserves		-	-
Accumulated losses		(131,835)	(44,090)
		<b>368,165</b>	<b>455,910</b>
Surplus / (Deficit) on revaluation of investments		9,762	(7,812)
		<b>377,927</b>	<b>448,098</b>

## Annual Report 2016



## Islamic Banking Business Profit and Loss Account For the year ended December 31, 2016

Note	2016 (Rupees in '000)	2015
Profit/ return on financing, investments and placements earned	196,576	136,186
Return on deposits and other dues expensed	151,357	101,013
Net income earned before provisions	45,219	35,173
Provision against non-performing loans and advances - net	-	-
Provision for diminution in value of investments	-	-
<b>Net income earned after provisions</b>	<b>45,219</b>	<b>35,173</b>
<b>Other income</b>		
Fee, commission and brokerage income	4,457	13,243
Income from dealing in foreign currencies	62	(264)
Dividend income	10,621	688
Gain on sale/redemption of securities	3,107	50
Other income	1,228	602
	<b>19,475</b>	<b>14,319</b>
<b>Other expenses</b>	<b>64,694</b>	<b>49,492</b>
Administrative expenses	152,439	92,197
<b>Loss before taxation</b>	<b>(87,745)</b>	<b>(42,705)</b>
Accumulated loss brought forward	(44,090)	(1,385)
Transferred to head office	-	-
<b>Accumulated loss carried forward</b>	<b>(131,835)</b>	<b>(44,090)</b>





## Islamic Banking Business Statement of Cash Flows For the year ended December 31, 2016

	2016	2015
	(Rupees in '000)	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Loss before taxation	(87,745)	(42,705)
Dividend income	(10,621)	(688)
	(98,366)	(43,393)
<b>Adjustments</b>		
Depreciation	15,337	6,782
Amortisation	3,474	2,973
	18,811	9,755
	(79,555)	(33,638)
<b>(Increase) / Decrease in operating assets</b>		
Balances with and due from financial institutions	320,000	225,000
Islamic financing and related assets - net	(1,629,834)	(520,757)
Other assets	(2,544)	(28,289)
Due from head office	-	862
	(1,312,378)	(323,184)
<b>(Decrease) / Increase in operating liabilities</b>		
Bills payable	29,906	203
Due to financial institutions	18,578	131,422
Deposits and other accounts	1,113,398	1,033,259
Due to head office	(59,105)	60,885
Other liabilities	8,882	21,890
	1,111,659	1,247,659
	(280,274)	890,837
Income tax paid	-	-
<b>Net cash flow (used in) / from operating activities</b>	(280,274)	890,837
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net investment in securities	359,360	(985,323)
Dividend received	10,621	688
Investment in operating fixed assets	(39,073)	(76,543)
<b>Net cash flow from / (used in) investing activities</b>	330,908	(1,061,178)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Islamic Banking Fund	-	-
<b>Increase / (Decrease) in cash and cash equivalents</b>	50,634	(170,341)
Cash and cash equivalents at beginning of the year	281,002	451,343
<b>Cash and cash equivalents at end of the year</b>	<b>331,636</b>	<b>281,002</b>

A-I-2

## Annual Report 2016



## Islamic Banking Business Notes to Annexure-I For the year ended December 31, 2016

	2016	2015
	(Rupees in '000)	
<b>A-I-1 ISLAMIC FINANCING AND RELATED ASSETS</b>		
Net book value of assets / investment in Ijarah under IFAS 2	74,647	19,052
Diminishing musharakah	2,075,944	501,705
	<b>2,150,591</b>	<b>520,757</b>
<b>A-I-2 CASH AND CASH EQUIVALENT AT THE END OF THE YEAR</b>		
Cash and balances with treasury banks	231,041	157,424
Balances with other banks	100,595	123,578
	<b>331,636</b>	<b>281,002</b>
<b>A-I-3 REMUNERATION TO SHARIAH ADVISOR</b>	<b>2,518</b>	<b>1,727</b>
<b>A-I-4 CHARITY FUND</b>		
Opening balance	-	-
Addition during the year	-	-
Payment / utilization during the year	-	-
Closing balance	-	-
<b>A-I-5 Sindh Bank Limited's Islamic Banking Division is maintaining the following pools for profit declaration and distribution:</b>		
(i) <b>General Pool, Special Pools and FI Pools</b>		
(a) Priority of utilization of funds in the general pool shall be as follows:		
- Depositor Funds		
- Equity Funds		
Priority of utilization of funds in the FI pool shall be:		
- FI Funds		
- Equity Funds		
(b) <b>Weightages for distribution of profit in general pool</b>		
Profits are calculated on the basis of weightages assigned to different tiers and tenors. These weightages are announced quarterly. While considering weightages emphasis shall be given to the quantum, type and period of risk assessed by applying following factors:		
- Contracted period, nature and type of deposits/fund.		
- Payment cycle of profit on such deposits/fund i.e. monthly, quarterly or on maturity.		
- Magnitude of Risk.		
Any change in profit sharing weightages of any category of deposit/fund providers shall be applicable from next period.		
<b>Special and Financial Institution Pools.</b>		
Profit is calculated and distributed on the basis of pre agreed Profit Sharing Ratio.		
(c) <b>Identification and allocation of Pool related income and expenditure</b>		
The allocation of income and expenditure to different pools is being done based on a pre-defined basis and accounting principles as mentioned below.		



Any direct expenditure shall be charged to respective pools, while indirect expenses including the establishment costs shall be borne by Sindh Bank - Islamic Banking Division (SNDB - IBD) as Mudarib. The direct expenses to be charged to the pool may include depreciation for Ijarah assets, insurance / Takaful expenses of pool assets, stamp fees or documentation charges, brokerage fee on purchase of securities, impairment / losses due to physical damages to specific assets in pool etc. However, this is not an exhaustive list. SNDB - IBD pool management framework and the respective pool creation memo may identify and specify these and other similar expenses to be charged to the pool.

(d) Parameters associated with risks and rewards

Following are the considerations attached with risks and rewards of the general pool:

- Period, return, safety, security and liquidity of investment;
- All financing proposals under process at various stages and likely to be extended in the near future;
- Expected withdrawal of deposits according to the maturities affecting the deposit base;
- Maturities of funds obtained under Moradaba arrangements from Head Office and Islamic Banking Financial Institutions;
- Elements of risks associated with different kind of investments;
- Regulatory requirements; and
- Shariah compliance.

A-I-6 BASIS OF PROFIT ALLOCATION

During the year, the profit was distributed between Mudarib and Rubbal Maal as per following profit sharing ratio based upon Gross Income Level less Direct Expenses.

	2016	2015
	(Rupees in '000)	
Rubbal Maal	65%	64%
Mudarib	35%	36%

A-I-7 MUDARIB SHARE (in amount and percentage of distributable income)

Rubbul Maal (%)	65%	64%
Rubbul Maal (amount)	27,006	4,663
Mudarib (%)	35%	36%
Mudarib (amount)	14,542	2,616

A-I-8 Amount and percentage of mudarib share transferred to depositors thought Hiba

Mudarib Share	14,542	2,617
Hiba	3,230	729
Hiba percentage of mudarib share	22.21%	27.86%

Amount and percentage of Mudarib share transferred to depositors thought Hiba for Special Pool during FY 2016.

	(Rupees in '000)	
Mudarib Share	18,691	
Hiba	1,539	
Hiba percentage of mudarib share	8.23%	

A-I-9 Profit rate earned vs profit rate distributed to the depositors during the year

	2016	2015
Profit rate earned	6.76%	6.59%
Profit rate distributed to depositors	5.35%	4.88%



## OFFERING A WIDE RANGE OF ISLAMIC BANKING SOLUTIONS

### Deposits (PKR/FCY)

- Basic Banking Account
- Sa'adat Current Account
- Sa'adat Savings Account
- Sa'adat Daily Product Account
- Sa'adat Business Account
- Sa'adat Asaan Account
- Sa'adat Term Deposits

### Finance/Trade

- Sa'adat Ijarah
- Sa'adat Murabaha (Local & Import)
- Sa'adat Diminishing Musharaka
- Sa'adat Bai Salam (Export Sight Bill Discounting)
- Trade Services (Import/Export)
- Letter of Guarantee

### Services & Facilities

- ATM Network
- Utility Bills Payment
- SMS Banking
- Debit UnionPay / PayPak / VISA Cards
- Online Banking
- RTGS
- Same Day Clearing (Local & Intercity)
- Home Remittances

### 14 Islamic Banking Branches (IBBs)

13 Islamic Banking Windows (IBWs) in Karachi & Lahore





**Report of Shariah Board**  
For the Year ended December 31, 2016  
**In the name of Allah, the Beneficent, the Merciful**

- I. The Bank established its Shariah Board on 01st March, 2016, replacing the Shariah Supervisory Committee, in order to comply with the requirements of Shariah Governance Framework.
2. While the Board of Directors and Executive Management are solely responsible to ensure that the operations of Sindh Bank Limited-Islamic Banking Division (hereby referred as "the Bank") are conducted in a manner that comply with Shari'ah principles at all times, we are required to submit a report on the overall Shari'ah Compliance environment of Sindh Bank Limited-Islamic Banking Division.
3. To form our opinion as expressed in this report, the Shari'ah Compliance Department of the bank carried out reviews, on test check basis, of each class of transactions, the relevant documentation and process flows. Based on above and the Internal Shariah Audit carried out by the Internal Shariah Audit function of the Bank, we are of the view that:
  - i. The Bank has complied with Shari'ah rules and principles in the light of Fatwas', rulings and guidelines issued by its Shariah Board.
  - ii. The Bank has complied with directives, regulations, instructions and guidelines related to Shariah compliance issued by SBP in accordance with the rulings of SBP's Shariah Board.
  - iii. The Bank has a comprehensive mechanism in place to ensure Shariah compliance in their overall operations.
  - iv. The Bank has a well-defined system in place which is sound enough to ensure that any earnings realized from sources or by means prohibited by Shari'ah will be credited to charity account and will be properly disbursed.
  - v. The Bank has complied with the SBP instructions on profit and loss distribution and pool management guidelines.

**4. Research & Development - Products & Policies/Processes'**

The following were the important developments during the year under review:

- i. The Consumer Auto Ijarah financing product was developed by Islamic Banking Division, which was reviewed and approved by the Shariah Board.
- ii. Islamic Banking Windows Policy as well as Procedures Manual were reviewed and approved by the Shariah Board.
- iii. The Service Level Agreements (SLAs) between Sindh Bank-IBD & Sindh Bank-Support Functions were reviewed and approved.

- iv. The Operation's Manual of Islamic Banking was revised and duly approved.

- v. During the year, the Bank switched over all its Islamic Banking employees salary accounts to Islamic Banking Branches.

**5. Training & Capacity Building**

In line with the increasing emphasis of SBP as well as our Board of Directors / Senior Management to invest in human resource in Islamic Banking, the following were the major initiatives of 2016:

- i. In follow up to the Orientation Session on Islamic Banking held for the Board of Directors in the last quarter of 2015, an extensive Orientation/Awareness Session was held for the Senior Management viz. Divisional Heads and Group Business Heads, during the year under review.
- ii. During the year staff of Islamic Banking Division, Islamic Banking Branches, Islamic Banking Windows and staff of Conventional Branches having IBWs were subjected to training and skills development pan Pakistan both within the Bank and, outside at reputed forums like SBP-NIBAF, IBA, CIEF & Institute of Bankers, Pakistan.
- iii. The Shariah Board, Islamic Banking Division and Training Division fully coordinated in ensuring that the Islamic banking staff participates in eighteen (18) programs, sessions during the year at different fora on basic concepts, products, Shariah compliance, operations, profit and loss sharing mechanism, audit etc.

**6. Recommendations**

The following are the recommendations of the Shariah Board, which have been taken up with the management:

- i. There is a need for continued strong focus on refreshers and knowledge updating particularly for the staff of branches established in 2014 and 2015. Further, Orientation Programs for Support functions should also be arranged, to improve their understanding on Islamic Banking & Finance.
- ii. The Shariah Compliance Department (SCD) needs to be strengthened and hiring of dedicated Shariah Compliance manager as well as Pool manager be ensured in due course.
- iii. In view of lack of Shariah compliant liquidity management instruments there are increasing pressures on business and profitability particularly for new entrants like Sa'adat hence there is a dire need that while on macro level appropriate structures and forums be set up to develop innovative solutions as regards in house the Bank should focus on development and launching of new asset/liability side products. The Product Development function, which is an important area in Islamic Banking, should therefore be strengthened in line with market practices.

Mufti Ibrahim Essa  
Chairman Shari'ah Board

Mufti Zeeshan Abdul Aziz  
Member Shari'ah Board

Mufti Hassan Usmani  
Resident Shari'ah Board Member



## رپورٹ از شریعہ بورڈ

برائے سال اختتامیہ 31 دسمبر 2016

بسم اللہ الرحمن الرحیم

1. شریعہ گورننس فریم ورک کی مطلوبہ شرائط پر عمل درآمد کی غرض سے بینک کی جانب سے یکم مارچ 2016 کو شریعہ ایڈوائزری کمیٹی کی جگہ شریعہ بورڈ کا قیام عمل میں لایا گیا۔
2. جیسا کہ بورڈ آف ڈائریکٹرز و ایگزیکٹو مینجمنٹ پر اس بات کی مکمل ذمہ داری عائد ہوتی ہے کہ سندھ بینک لمیٹڈ اسلامی بینکنگ ڈویژن (جسے یہاں بطور بینک ذکر کیا گیا ہے) کے کاروباری امور کو ہمہ وقت شریعہ کے اصولوں کے مطابق چلائے جانے کو یقینی بنائیں، لہذا ہم پر یہ ذمہ داری عائد ہوتی ہے کہ سندھ بینک لمیٹڈ اسلامی بینکنگ ڈویژن کے مجموعی کاروباری امور کو شریعہ کے اصولوں کے مطابق چلائے جانے سے متعلق ایک رپورٹ مرتب کر کے جمع کروائیں۔
3. زیر نظر رپورٹ میں ہماری قائم کردہ رائے کے سلسلے میں بینک کے شریعہ کمپلائنس ڈیپارٹمنٹ کی جانب سے ہر قسم کے معاملات سے متعلق جانچ پڑتال کی بنیاد پر، دستاویزات اور طریق کار کو مد نظر رکھتے ہوئے ہماری رائے ہے کہ:
  - الف۔ سندھ بینک اسلامی بینکنگ ڈویژن نے شریعہ سپروائزری بورڈ کی جانب سے جاری کردہ فتاویٰ، احکامات اور رہنمائی کی مکمل پاسداری کی ہے۔
  - ب۔ بینک نے اسٹیٹ بینک آف پاکستان شریعہ بورڈ کی جانب سے جاری کردہ قواعد، ہدایات اور رہنمائی کی مکمل پاسداری کی ہے۔
  - ج۔ بینک اپنے تمام امور کو شریعہ کے مطابق سرانجام دینے کی غرض سے ایک جامع نظام کا حامل ہے۔
  - د۔ بینک کے پاس ایک ایسا واضح نظام موجود ہے کہ اگر کسی ایک ذریعہ سے کوئی آمدن حاصل ہو جس کی شریعہ میں ممانعت ہو تو اس قسم کی آمدن کو صدقہ اکاؤنٹ میں جمع کر دیا جاتا ہے اور اسے مناسب انداز میں خرچ کیا جاتا ہے۔
  - ه۔ بینک نے پول مینجمنٹ اور نفع و نقصان کے سلسلے میں بھی اسٹیٹ بینک آف پاکستان کی جانب سے جاری کردہ ہدایات کی پاسداری کی ہے۔
4. ریسرچ ڈیولپمنٹ۔ پروڈکٹس و پالیسیاں / ضوابط
 

سال رواں کے دوران اہم ڈیولپمنٹس کو ذیل میں پیش کیا جا رہا ہے:

  - الف: اسلامی بینک ڈویژن کی جانب سے کنزیومر آٹو اجارہ کار پروڈکٹ متعارف کروایا گیا جس کی شریعہ بورڈ سے باقاعدہ منظوری حاصل کی گئی۔
  - ب۔ شریعہ بورڈ نے اسلامی بینکنگ ونڈوز پالیسی اور ضوابط کی دستاویزات پر نظر ثانی کی اور ان کی منظوری دی۔
  - ج۔ سندھ بینک - اسلامی بینک ڈویژن اور سندھ بینک - سپورٹ فنکشنز کے مابین سروس لیول ایگریمنٹ (ایس ایل ایز) کا جائزہ لیا گیا اور اس کی منظوری دی گئی۔
  - د۔ اسلامی بینکنگ کے افعال سے متعلق مینوئل پر نظر ثانی کرنے کے بعد اس کی باقاعدہ منظوری دی گئی۔
  - ه۔ سال رواں کے دوران بینک نے اسلامی بینکنگ سے تعلق رکھنے والے اپنے ان تمام ملازمین کی تنخواہوں کے اکاؤنٹس کو اسلامی بینکنگ کی شاخوں میں منتقل کیا۔

5. تربیت و استعداد سازی
 

اسٹیٹ بینک آف پاکستان اور بورڈ آف ڈائریکٹرز / سینئر انتظامیہ کی جانب سے بڑھتے ہوئے اصرار کو مد نظر رکھتے ہوئے اسلامک بینکنگ کے انسانی وسائل میں سرمایہ کاری کی گئی اور اس سلسلے میں 2016 کے دوران درج ذیل بڑے اقدامات اٹھائے گئے:

  - الف۔ سال 2015 کی آخری سہ ماہی کے دوران بورڈ آف ڈائریکٹرز کے لیے اسلامک بینکنگ کا تعارفی سیشن منعقد کروائے جانے کے سلسلے کو آگے بڑھانے کے سلسلے میں سال رواں کے دوران سینئر انتظامیہ بنام ڈویژنل سربراہان و بزنس سربراہان کے لیے جامع تعارفی / آگہی سیشنز کا اہتمام کیا گیا۔
  - ب۔ سال رواں کے دوران اسلامک بینکنگ ڈویژن، اسلامی شاخوں، اسلامی ونڈوز کے لیے لازم کیا گیا تھا کہ پاکستان بھر میں منعقد کیے جانے والے تربیتی و مہارت سازی کے پروگراموں میں شرکت کریں، یہ پروگرام بینک کے اندر اور بینک سے باہر ایس بی پی، این آئی بی اے ایف، آئی بی اے سی آئی ای ایف اور انسٹیٹیوٹ آف بینکرز پاکستان جیسے معروف اداروں میں منعقد کیے گئے۔
  - ج۔ شریعہ بورڈ، اسلامی بینکنگ ڈویژن کی جانب سے اس بات کو یقینی بنایا گیا، اور اس سلسلے میں اسلامی بینک کے اسٹاف نے اٹھارہ (18) پروگراموں میں شرکت کی جن میں بنیادی تصورات، پروڈکٹس، شریعہ اصولوں کی پاسداری، افعال، نفع و نقصان کی شرکت اور آڈٹ وغیرہ جیسے معاملات سے متعلق تربیت فراہم کی گئی۔
6. سفارشات
 

مزید برآں ذیل میں بینک کے سلسلے میں اہم مسائل / تجویز کی نشاندہی کی جا رہی ہے جن سے انتظامیہ کو آگاہ کیا جا چکا ہے:

  - الف۔ اس بات کی اشد ضرورت ہے کہ نئی معلومات سے آگہی کی غرض سے اسٹاف کی تربیت کے لیے ان پروگراموں کو جاری رکھا جائے بالخصوص ان شاخوں کے اسٹاف کے لیے جنہیں 2014 اور 2015 کے دوران قائم کیا گیا۔ سپورٹ فنکشنز کو تقویت دینے کی غرض سے مزید تعارفی پروگرام منعقد کیے جائیں تاکہ اسلامی بینکنگ و فنانس سے متعلق شعور آگہی کو فروغ مل سکے۔
  - ب۔ اس بات کی اشد ضرورت ہے کہ وقت گزرنے کے ساتھ ساتھ شریعہ کمپلائنس ڈیپارٹمنٹ کو مضبوط کیا جائے اور ایسے شریعہ کمپلائنس مینیجرز اور پول مینیجرز کو بھرتی کیا جائے جو شریعہ کی پاسداری کے رجحان کے حامل ہوں۔
  - ج۔ شرعی اصولوں کے مطابق چلائے جانے والے لیکوئیٹیڈ مینجمنٹ انسٹرومنٹس کے فقدان کے پیش نظر کاروباری افعال پر اور منافع کے حصول کے لیے دباؤ بڑھتا ہوا محسوس ہوتا ہے، لہذا اس بات کی اشد ضرورت ہے کہ مجموعی سطح پر مناسب ڈھانچہ اور پلیٹ فارم فراہم کیا جائے تاکہ اس سلسلے میں جدت کے ساتھ حل پیش کیے جائیں، جہاں تک ان ہاؤس کا تعلق ہے تو بینک پر لازم ہے کہ اثاثوں / ذمہ داریوں کی مد میں پروڈکٹ سازی کی جائے اور نئی پروڈکٹس کو متعارف کروایا جائے۔ لہذا ضرورت اس امر کی ہے کہ اسلامی بینکنگ میں انتہائی اہمیت کی حامل پروڈکٹ سازی کو مارکیٹ میں پائے جانے والے رجحانات کے مطابق فروغ دیا جائے۔

مفتی ابراہیم عبّسی

مفتی ذیشان عبدالعزیز

مفتی حسان عثمانی

چیئرمین شریعہ بورڈ

ممبر شریعہ بورڈ

ریزیڈنٹ شریعہ بورڈ ممبر

مورخہ 20 فروری 2017





## AUDITORS' REPORT TO THE MEMBERS

GRANT THORNTON ANJUM RAHMAN  
1st & 3rd Floor,  
Modern Motors House,  
Besameet Road,  
Karachi 75530  
T: +92 021 3567 2951-56  
F: +92 021 3568 8834  
www.gtpe.com

We have audited the annexed consolidated financial statements comprising consolidated statement of financial position of **Sindh Bank Limited** ("the Bank") and its subsidiary company ("the Group") as at December 31, 2016 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof (hereinafter referred to as the "consolidated financial statements") for the year then ended. We have also expressed separate opinions on the financial statements of Sindh Bank Limited and its subsidiary Sindh Microfinance Bank Limited. These consolidated financial statements are responsibility of the Bank's management. Our responsibility is to express our opinion on these consolidated financial statements based on our audit.

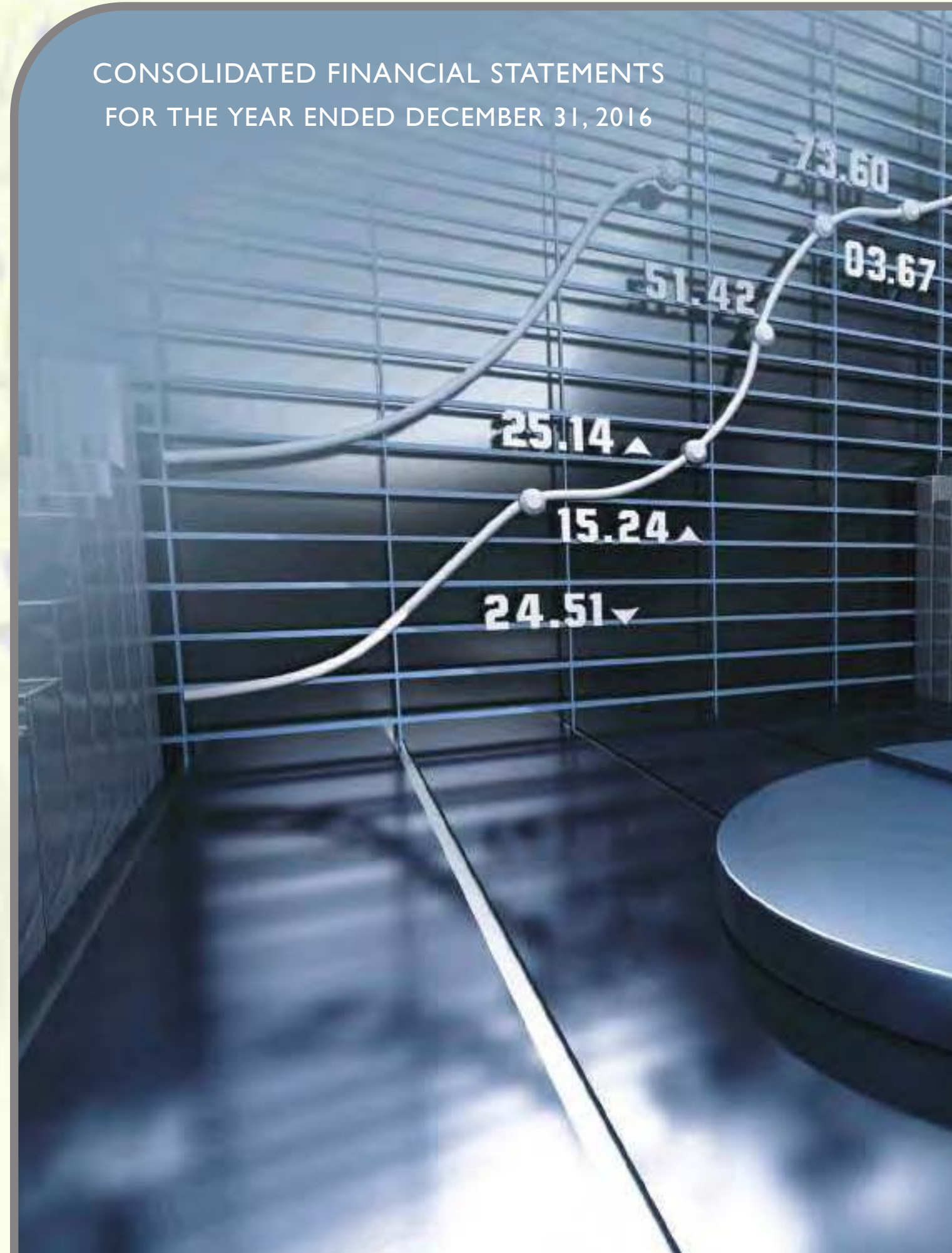
Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements present fairly the financial position of Sindh Bank Limited and its subsidiary company as at December 31, 2016 and the results of their operations, their cash flows and changes in equity for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

Date: March 07, 2017  
Karachi

Grant Thornton Anjum Rahman  
Chartered Accountants  
Muhammad Shaikat Naseeb  
Engagement Partner

## CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016







## Sindh Bank Limited Consolidated Statement of Financial Position As at December 31, 2016

### ASSETS

Cash and balances with treasury banks  
 Balances with other banks  
 Lending to financial institutions  
 Investments - net  
 Advances - net  
 Operating fixed assets  
 Deferred tax assets - net  
 Other assets - net

Note	2016 (Rupees in '000)	2015
6	7,502,624	5,297,618
7	1,191,478	2,136,079
8	6,938,610	400,000
9	70,889,737	69,644,245
10	51,901,838	44,169,089
11	1,832,883	1,901,601
12	1,190,077	301,887
13	4,758,407	4,253,395
	<b>146,205,654</b>	<b>128,103,914</b>

### LIABILITIES

Bills payable  
 Borrowings  
 Deposits and other accounts  
 Sub-ordinated loans  
 Liabilities against assets subject to finance lease  
 Deferred tax liabilities - net  
 Other liabilities

14	714,212	288,681
15	8,910,738	27,160,697
16	118,843,374	83,920,800
	-	-
	-	-
12	-	-
17	2,178,767	1,960,133
	<b>130,647,091</b>	<b>113,330,311</b>

### NET ASSETS

<b>15,558,563</b>	<b>14,773,603</b>
-------------------	-------------------

### REPRESENTED BY

Share capital  
 Reserves  
 Unappropriated profit

18	10,010,130	10,000,000
	1,207,731	926,399
	4,206,670	3,088,325
	<b>15,424,531</b>	<b>14,014,724</b>

Surplus on revaluation of assets - net of tax

19	134,032	758,879
	<b>15,558,563</b>	<b>14,773,603</b>

### CONTINGENCIES AND COMMITMENTS

20

The annexed notes from 1 to 41 form an integral part of these consolidated financial statements.

President & Chief Executive Officer

Chairman

Director

Director

## Annual Report 2016



## Sindh Bank Limited Consolidated Profit and Loss Account For the year ended December 31, 2016

Mark-up / return / interest earned  
 Mark-up / return / interest expensed  
**Net mark-up / return / interest income**

Provision against non performing loans and advances - net  
 Provision for diminution in the value of investments - net  
 Bad debts written off directly

**Net mark-up / return / interest income after provisions**

### Non mark-up / interest income

Fee, commission and brokerage income  
 Dividend income  
 Income from dealing in foreign currencies  
 Gain on sale of securities - net  
 Unrealized gain on revaluation of investments  
 classified as held-for-trading  
 Other income  
 Total non mark-up / interest income

Note	2016 (Rupees in '000)	2015
21	9,821,409	10,129,122
22	5,356,366	5,648,204
	<b>4,465,043</b>	<b>4,480,918</b>
10.5.3	1,608,142	2,519,865
9.3	-	490
	-	-
	<b>1,608,142</b>	<b>2,520,355</b>
	<b>2,856,901</b>	<b>1,960,563</b>

### Non mark-up / interest expenses

Administrative expenses  
 Other (reversals) / provisions against other assets  
 Other charges  
 Total non mark-up / interest expenses

	358,828	234,278
	141,517	120,098
	52,754	69,180
23	2,933,656	3,062,553
	-	-
24	9,211	5,729
	<b>3,495,966</b>	<b>3,491,838</b>
	<b>6,352,867</b>	<b>5,452,401</b>

25	3,903,667	3,368,124
	-	(4,418)
26	525	13,791
	<b>3,904,192</b>	<b>3,377,497</b>
	<b>2,448,675</b>	<b>2,074,904</b>

Extraordinary / unusual items

**Profit before taxation**

	-	-
	<b>2,448,675</b>	<b>2,074,904</b>

### Taxation

- Current  
 - Prior years  
 - Deferred

	1,411,821	1,626,663
	185,359	102,556
	(551,796)	(899,791)
27	1,045,384	829,428
	<b>1,403,291</b>	<b>1,245,476</b>

**Profit after taxation**

**Basic and diluted earnings per share (Rupees)**

28	<b>1.40</b>	<b>1.25</b>
----	-------------	-------------

The annexed notes from 1 to 41 form an integral part of these consolidated financial statements.

President & Chief Executive Officer

Chairman

Director

Director





## Sindh Bank Limited Consolidated Statement of Comprehensive Income For the year ended December 31, 2016

Note	2016 (Rupees in '000)	2015
Profit after taxation for the year	1,403,291	1,245,476
Other comprehensive income		
<b>Components of comprehensive income reflected in equity</b>		
<b>Items that will be reclassified subsequently to profit and loss account</b>	-	-
<b>Items that will not be reclassified subsequently to profit and loss account:</b>		
Remeasurement of net defined benefit liability	(5,639)	(12,624)
Related current tax credit	1,974	4,418
	(3,665)	(8,206)
Total comprehensive income for the year transferred to equity	1,399,626	1,237,270
<b>Components of comprehensive income reflected below equity</b>		
<b>Items that will be reclassified subsequently to profit and loss account:</b>		
Deficit on revaluation of investments	(961,303)	(870,864)
Related deferred tax charge	336,456	304,803
	(624,847)	(566,061)
<b>Items that will not be reclassified subsequently to profit and loss account</b>	-	-
<b>Total comprehensive income</b>	<b>774,779</b>	<b>671,209</b>

The annexed notes from 1 to 41 form an integral part of these consolidated financial statements.

  
President & Chief Executive Officer

  
Chairman

  
Director

  
Director

## Annual Report 2016



## Sindh Bank Limited Consolidated Cash Flow Statement For the year ended December 31, 2016

Note	2016 (Rupees in '000)	2015
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	2,448,675	2,074,904
Less: Dividend income	(141,517)	(120,098)
	2,307,158	1,954,806
<b>Adjustments:</b>		
Depreciation	375,218	340,248
Amortization	30,104	30,769
Provision against non performing loans and advances - net	1,608,142	2,519,865
Provision for diminution in the value of investments - net	-	490
Other reversals	-	(4,418)
Charge for defined benefit plan	44,842	36,662
Gain on sale of operating fixed assets	(4,146)	(780)
	2,054,160	2,922,836
	4,361,318	4,877,642
<b>(Increase) / decrease in operating assets</b>		
Lendings to financial institutions	(6,538,610)	12,265,492
Advances - net	(9,340,891)	(5,504,251)
Other assets - net	(499,822)	23,200
	(16,379,323)	6,784,441
<b>Increase / (decrease) in operating liabilities</b>		
Bills payable	425,531	(110,910)
Borrowings	(18,249,959)	(18,915,939)
Deposits and other accounts	34,922,574	22,036,764
Other liabilities (excluding current taxation)	340,287	178,529
	17,438,433	3,188,444
	5,420,428	14,850,527
Contribution to gratuity fund	(49,287)	(34,878)
Income tax paid	(1,722,513)	(1,649,261)
<b>Net cash generated from operating activities</b>	<b>3,648,628</b>	<b>13,166,388</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net investment in available for sale securities	(2,686,633)	(8,713,772)
Net investment in held to maturity securities	479,838	(2,326,747)
Dividends received	140,849	120,098
Investment in operating fixed assets	(348,943)	(431,424)
Proceeds from disposal of operating fixed assets	16,485	15,091
<b>Net cash used in investing activities</b>	<b>(2,398,404)</b>	<b>(11,336,754)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Issuance of share capital	10,181	-
<b>Net cash flow from financing activities</b>	<b>10,181</b>	<b>-</b>
<b>Increase in cash and cash equivalents</b>	<b>1,260,405</b>	<b>1,829,634</b>
Cash and cash equivalents at the beginning of the year	7,433,697	5,604,063
<b>Cash and cash equivalents at the end of the year</b>	<b>8,694,102</b>	<b>7,433,697</b>

The annexed notes from 1 to 41 form an integral part of these consolidated financial statements.

  
President & Chief Executive Officer

  
Chairman

  
Director

  
Director

Annual Report  
2016

The "Group" consists of:

1.1.1 Sindh Bank Limited ("the Bank") was incorporated in Pakistan on October 29, 2010 as a public unlisted company and is engaged in Commercial Banking, Corporate and Investment related activities. The Bank operates 260 branches (2015: 250) including 8 sub branches (2015: 8) and 14 Islamic banking branches (2015: 13) in Pakistan. The Bank's registered office is located at 3rd floor, Federation House, Abdullah Shah Ghazi Road, Clifton, Karachi, Pakistan.

**1.1.3 JCR –VIS Credit Rating Company Limited** has reaffirmed the medium to long term entity rating of ‘AA’ (Double A) with a “Stable outlook”, and short term rating of ‘A-1+’ (A-One plus) of the Bank.

**1.1.4** The State Bank of Pakistan (SBP) granted license to the Bank to conduct banking business subject to certain conditions which inter alia includes that the Bank shall get listed on stock exchange within three years from the date of commencement of business. The Bank, however, from time to time had obtained extensions in the time limit from SBP. During the year the Bank initiated the process of listing of its shares on PSX . Approval of the draft Prospectus was given by PSX on October 25, 2016, with a deadline to publish the same in the newspapers by October 31, 2016. Publication of the Prospectus was however halted and the listing process put on hold as the Government of Sindh (sole sponsor of Sindh Bank Limited) and the majority shareholder/sponsor of Summit Bank Limited agreed in principle, to consider a merger of the two institutions, with Sindh Bank being the surviving entity. Board of Directors of the Bank resolved to seek SBP's approval to conduct due diligence of Summit Bank which was conveyed on December 27, 2016. In the Bank's letter seeking SBP's permission to carry out due diligence, SBP was intimated about putting on hold the listing process.

### 1.2.1 Sindh Microfinance Bank Limited

Sindh Microfinance Bank Limited ("the Microfinance Bank") was incorporated on March 27, 2015 as a public company limited by shares under the Companies Ordinance, 1984. The Microfinance Bank obtained Microfinance banking license from State Bank of Pakistan (SBP) on October 16th, 2015, to operate in Sindh Province. Subsequently the Microfinance Bank has received the certificate of commencement of business from Securities & Exchange Commission of Pakistan (SECP) on November 30th, 2015. The Microfinance Bank's registered office is situated at 39/F, 2nd Floor, Muhammad Ali Cooperative Housing Society, Karachi. The Microfinance Bank's principal business will be to provide microfinance services to the poor and underserved segment of the society as envisaged under the Microfinance Institutions Ordinance, 2001. The Microfinance Bank operates with a network of 5 branches (December 31, 2015 : Nil) and 19 services centers. The Bank holds 99.99% shares of the Microfinance Bank and remaining shares are held by the nominees of the Bank.

The consolidated financial statements of the Group consist of financial statements of the holding company and the subsidiary company for the year ended December 31, 2016.

\* Statutory reserve represents amount set aside as per the requirements of section 21 of the Banking Companies Ordinance, 1962 in case of the Bank and under Microfinance Institution Ordinance, 2001 and Prudential Regulations "R-4 - Statutory Reserve" in the case of Sindh Microfinance Bank, to create a reserve fund to which shall be credited an amount equal to at least 20% of its annual profits after taxes.

\*\* The Sindh Microfinance Bank Limited is required under Microfinance Institutions Ordinance, 2001 to contribute 5% of its annual after tax profit to the Depositors' Protection Fund and profit earned on investments of the fund shall also be credited to the fund.

\*\*\* As more fully explained in note 10.5.2 of these consolidated financial statements, unappropriated profit includes an amount of Rs. 472.71 million net of tax as at December 31, 2016 (December 31, 2015: Rs 37.86 million) representing additional profit arising from availing forced sale value benefit for determining provisioning requirement which is not available for the purpose of distribution of dividend to shareholders.

The annexed notes from 1 to 41 form an integral part of these consolidated financial statements.

Director





These consolidated financial statements have been prepared on the format prescribed by SBP under BSD Circular No. 4 dated February 17, 2006, 'Revised Forms of Annual Financial statements', effective from the accounting year ended December 31, 2006.

In accordance with the directives of the Federal Government regarding the shifting of the Banking system to Islamic modes, the SBP has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these consolidated financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of mark-up thereon. The Islamic Banking branches of the Group have complied with the requirements set out under the Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) and notified under the provisions of the Companies Ordinance, 1984.

### 3 STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP), as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984, the Microfinance Institutions Ordinance, 2001 and the Banking Companies Ordinance, 1962 and the directives issued by the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP). In case requirements differ, the provisions and directions issued under Companies Ordinance, 1984, the Banking Companies Ordinance, 1962, the Microfinance Institutions Ordinance, 2001 and the directives issued by the SBP and SECP shall prevail.

The SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for Banking companies / DFIs through BSD Circular Letter No. 10 dated August 26, 2002.

Further, according to the notification of the Securities and Exchange Commission of Pakistan (SECP) through S.R.O 411(I)/2008 dated April 28, 2008, IFRS - 7 'Financial Instruments: Disclosures' has not been made applicable for Banking companies / financial institutions. Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by SBP.

IFRS 8, 'Operating Segments' is effective for the Group's 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 and Microfinance Bank are required to prepare their Annual Financial Statement in line with the format prescribed under BSD Circular No. 11 dated December 30, 2003, effective from the accounting year ended December 31, 2003. The management of the Group believes that as the SBP has defined the segment categorization in the above mentioned circular, the SBP requirements prevail over the requirements specified in IFRS 8. Accordingly, segment information disclosed in these consolidated financial statements is based on the requirements laid down by the SBP.

SBP vide its BSD Circular No. 07 dated April 20, 2010 has clarified that for the purposes of preparation of financial statements in accordance with International Accounting Standard - 1 (Revised), 'Presentation of Financial Statements', two statement approach shall be adopted i.e. separate 'Consolidated Profit and Loss Account' and 'Consolidated Statement of Comprehensive Income' be presented, and Balance Sheet be renamed as 'Consolidated Statement of

Financial Position'. Furthermore, the surplus / (deficit) on revaluation of available for sale (AFS) securities only, may be included in the 'Consolidated Statement of Comprehensive Income'. However, it should continue to be shown separately in the Consolidated Statement of Financial Position below equity. Accordingly, the above requirements have been adopted in the preparation of these consolidated financial statements.

The State Bank of Pakistan through BPRD Circular No. 04 of 2015 dated February 25, 2015 has deferred applicability of Islamic Financial Accounting Standard 3 for Profit & Loss sharing on Deposits (IFAS - 3) issued by the ICAP and notified by the Securities and Exchange Commission of Pakistan (SECP), vide their SRO No. 571 of 2013 dated June 12, 2013 for institutions offering Islamic Financial Services. The standard will result in certain new disclosures in the consolidated financial statements.

#### 3.1 Standards, amendments and interpretations to published approved accounting standards

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

The Group has adopted the following new standards, amendments to published standards and interpretations of IFRSs which became effective during the current year..

Amendments, Interpretations and Improvements	Effective date
IAS 1 - Disclosure Initiative (Amendments)	January 1, 2016
IFRS 10, IFRS 12 and IAS 28 - Investment Entities: Applying the Consolidation Exception (Amendments)	January 1, 2016
IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)	January 1, 2016
Annual Improvements to IFRS 2012 - 2014 Cycle	
Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)	January 1, 2016
IAS 27 - Equity method in Separate Financial Statements (Amendments)	January 1, 2016
IAS 16 and IAS 38 - Clarification of Acceptable Methods of Depreciation and Amortization (Amendments)	January 1, 2016

##### 3.1.2 Standards, amendments to published standards and interpretations that are effective but not relevant

The other new standards, amendments to published standards and interpretations that are mandatory for the financial year beginning on January 01, 2016 are considered not to be relevant or to have any significant effect on the Group's financial reporting and operations and are therefore not presented here.



### 3.1.3 Standards, amendments and interpretations to published approved accounting standards, that are not yet effective and not early adopted by the Group

The following new standards, amendments to published standards and interpretations would be effective from the dates mentioned below against the respective standard or interpretation.

Amendments, Interpretations and Improvements	Effective date
IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	Postponed
IAS 7 - Disclosure Initiative (Amendments to IAS 7)	January 1, 2017
IAS 12 - Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12)	January 1, 2017
IFRS 2 - Classification and Measurement of Share-based Payment Transaction (Amendments to IFRS 2) Annual Improvements to IFRS 2012 - 2014 Cycle	January 1, 2018

The Group is in the process of assessing the impact of these Standards, amendments and interpretations to the published standards on the financial statements of the Group.

### 3.1.4 Standards, amendments and interpretations to the published standards that are not yet notified by the Securities and Exchange Commission of Pakistan (SECP)

Following new standards have been issued by the International Accounting Standards Board (IASB) which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

	IASB effective date (Annual periods beginning on or after)
IFRS 14 - Regulatory Deferral Accounts	January 1, 2016
IFRS 15 - Revenue from Contracts with Customers	January 1, 2018
IFRS 9 - Financial Instruments (2014)	January 1, 2018
IFRS 16 - Leases	January 1, 2019

## 4 BASIS OF MEASUREMENT

### 4.1 Accounting convention

These consolidated financial statements have been prepared under the historical cost convention except for certain investments and commitments in respect of foreign exchange contracts and futures contracts which are measured at fair values, certain employee benefits and certain investments which are measured on present value basis. Items included in these consolidated financial statements are measured using the currency of the primary economic environment in which the Group operates. These consolidated financial statements are presented in Pak Rupee, which is the Group's functional and presentation currency.

### 4.2 Critical accounting estimates and judgments

The preparation of consolidated financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and income and expenses. Actual results may differ from these estimates. These estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized 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.

In particular, information about significant areas of estimates, uncertainty and critical judgments in applying accounting policies that have the most significant affect on the amounts recognized in the consolidated financial statements are as follows:

- i) classification and impairment against investments (Notes 5.4 and 9)
- ii) classification and provision against advances (Notes 5.5 and 10)
- iii) depreciation and amortization / useful lives of operating fixed assets (5.6 and 11)
- iv) taxation (Note 5.8)
- v) staff retirement and other benefits (Note 5.9)
- vi) fair value of derivatives (Note 5.15)
- vii) judgements made by management in identification and reporting segment information.

## 5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 5.1 Basis of consolidation

These consolidated financial statements include the financial statements of the holding company and its subsidiary. Subsidiary is an entity over which the Group has the power to govern the financial and operating policies accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable are considered when assessing whether the Group controls another entity. Subsidiary is fully consolidated from the date on which control is transferred to the Group. The assets and liabilities of subsidiary company have been consolidated on a line by line basis based on the financial statements as at December 31, 2016 and the carrying value of investments held by the Bank is eliminated against the subsidiary's shareholders' equity in these consolidated financial statements. Material intra-group balances and transactions have been eliminated.

The accounting policies adopted by the Group and applied in the preparation of these consolidated financial statements are set out below:

### 5.2 Cash and cash equivalents

For the preparation of consolidated cash flow statement, consolidated cash and cash equivalents include cash and balances with treasury banks and balances with other banks excluding any term deposits with original term of greater than three months.

### 5.3 Repurchase / resale agreements

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

- a) Sale of securities under repurchase agreement

Securities sold subject to repurchase agreements (repo) remain on the consolidated statement of financial position





as investments and the counter party liability is included in borrowings from financial institutions. The difference between the sale and repurchase price is treated as mark-up / return expense and accrued over the period using the effective interest rate method.

b) Purchase of securities under resale agreement

Securities purchased under agreements to resell (reverse repo) are recorded as lendings to financial institutions. These transactions are accounted for on the settlement date. The difference between the purchase and resale price is recognized as mark-up income over the period of the agreement using the effective interest rate method.

## 5.4 Investments

The Group classifies its investments as follows:

a) Held-for-trading

These are securities which are either acquired for generating profit from short-term fluctuations in market price, 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 securities with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold till maturity.

c) Available-for-sale

These are investments which do not fall under the held-for-trading and held to maturity categories.

All purchases and sales of investments that require delivery within the time frame established by regulations or market convention are recognized at the trade date. Trade date is the date on which the Group commits to purchase or sell the investment.

Investments other than those categorized as 'held-for-trading' are initially recognized at fair value and includes transaction costs associated with the investment. Investments classified as 'held-for-trading' are initially recognized at fair value and transaction costs are expensed in the consolidated profit and loss account.

Quoted securities, other than those classified as held-to-maturity are subsequently stated at fair value.

Investments classified as held-to-maturity are carried at amortized cost. Unquoted equity securities are valued at lower of cost and break-up value. Break-up value of unquoted equity securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. Investments in other unquoted securities are valued at cost less impairment losses, if any.

Unrealized surplus / deficit arising on revaluation of quoted securities classified as 'available-for-sale' is disclosed below shareholders' equity in the consolidated statement of financial position. Unrealized gain / loss arising on revaluation of quoted securities which are classified as 'held-for-trading' is taken to the consolidated profit and loss account.

Cost of investment is determined on moving average basis.

### Impairment

Impairment loss in respect of investments classified as available-for-sale and held-to-maturity is recognized on the basis of 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 the investments. A significant or prolonged decline in market value



of an equity security is considered as an objective evidence of impairment, significant means 20% decline in market value as compared to carrying value and prolonged means twelve months decline in fair value of an equity investment below its cost. Provision for diminution in the value of term finance certificates is made as per the requirements of Prudential Regulations issued by the State Bank of Pakistan. In case of impairment of available for sale securities, the cumulative loss that has been recognized directly in the surplus / (deficit) on revaluation of securities on the consolidated statement of financial position below equity is removed there from and recognized in the consolidated profit and loss account. For investments classified as held-to-maturity, the impairment loss is recognized in the consolidated profit and loss account.

Gain or loss on sale of investments is included in the consolidated profit and loss account in the year in which they arise.

### Bai Muajjal

In Bai Muajjal transactions, the Group sells Shariah compliant instruments on credit to other financial institutions. The credit price is agreed at the time of sale and such proceeds are received at the end of the credit period. The difference between the sale and the credit price is recognized over the credit period and recorded as income.

## 5.5 Advances

Advances are stated net of provisions for non-performing advances. Specific and general provisions are made based on appraisal of the loan portfolio that takes into account the requirements of the Prudential Regulations issued by the State Bank of Pakistan. The provisions against non-performing advances are charged to the consolidated profit and loss account. Advances are written off when there is no realistic prospect of recovery after explicit approval from the Board of Directors. The general provision is for the inherent risk of losses which are known from experience to be present in any loan portfolio.

### Ijarah Financing

Under IFAS-2, assets underlying Ijarah have been carried at cost less accumulated depreciation and impairment, if any, and are shown under Islamic financing and related assets. Rentals accrued from Ijarah financing net of depreciation charge are taken to the consolidated profit and loss account. Depreciation on Ijarah assets is charged by applying the straight line method over the Ijarah period which is from the date of delivery of respective assets to mustajir upto the date of maturity / termination of Ijarah agreement.

### Diminishing Musharakah

Under Musharakah based financing, the Bank enters into Musharakah for financing an agreed share of fixed assets with its customer and enters into a periodic profit payment agreement for the utilization of the Bank's Musharakah share by the customer. Specific and general provision is made in accordance with the requirements of prudential regulations and other directives issued by the SBP and charged to consolidated profit and loss account.

## 5.6 Operating fixed assets and depreciation

a) Property and equipment - owned

Property and equipment is stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Subsequent costs are included in an asset's carrying amount or recognized as a separate asset as appropriate, only when it is probable that future benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance expenses are charged to the consolidated profit and loss account as and when incurred.

Depreciation is charged to the consolidated profit and loss account applying the straight line method at the rates specified in note 11 after taking into account residual value, if significant. The residual values, useful lives and depreciation



method are reviewed and adjusted, if appropriate, at each date of consolidated statement of financial position. Depreciation is charged from the month the assets are available for use while no depreciation is charged in the month in which the assets are disposed off.

Gains or losses on disposal, if any, are recognized in the consolidated profit and loss account in the year in which they arise.

#### b) Capital work-in-progress

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

#### c) Intangible assets

Intangible assets are stated at cost less accumulated amortization and accumulated impairment losses, if any. Amortization is charged to the consolidated profit and loss account applying the straight line method at the rate specified in note 11, to these consolidated financial statements from the date an intangible asset is available for use. The useful life and amortization method are reviewed and adjusted, if appropriate, at each date of consolidated statement of financial position.

### 5.7 Impairment of non-financial assets

The carrying amount of assets is reviewed at each reporting date to determine whether there is any indication of impairment of any asset or group of assets. If any such indication exists, the recoverable amount of such assets is estimated and impairment losses are recognized immediately in the consolidated financial statements. The resulting impairment loss is taken to the consolidated profit and loss account.

### 5.8 Taxation

Income tax expense relates to current, prior years and deferred tax. Income tax expense is recognized in the consolidated profit and loss account except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

#### a) Current

Provision for current tax is the tax payable on the expected taxable income for the year using tax rates enacted or substantively enacted at the reporting date and, any adjustment to tax payable relating to prior years, after taking into consideration available tax credits, rebates, tax losses etc.

#### b) Deferred

Deferred tax is recognized using the balance sheet liability method, providing for temporary difference between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and carried forward unused tax losses, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and carried



forward unused tax losses can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized.

### 5.9 Staff retirement and other benefits

#### a) Defined contribution plan

The Group operates a recognized contributory provident fund scheme for all its permanent employees to which equal contributions at the rate of 10% (2015: 10%) of basic salary are made by both the Group and the employees. The contributions are recognized as employee benefit expense when they are due.

#### b) Defined benefit scheme

The Bank operates a recognized gratuity scheme for all its permanent employees who complete the prescribed eligibility period of service. Provision is made annually to meet the cost of such gratuity benefits on the basis of actuarial recommendations using the Projected Unit Credit Method.

#### c) Compensated absences

The Bank makes provision in the consolidated financial statements for its liabilities towards compensated absences. Liability under the scheme is determined on the basis of actuarial advice using the Projected Unit Credit Method.

### 5.10 Provisions against liabilities

Provisions are recognized when the Group has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each date of consolidated statement of financial position and are adjusted to reflect the current best estimate.

### 5.11 Borrowings / deposits and their cost

Borrowings / deposits are recorded at the proceeds received. Borrowing / deposit costs are recognized as an expense in the period in which these are incurred using the effective mark-up / interest rate method.

### 5.12 Proposed dividend and transfers between reserves

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

### 5.13 Revenue recognition

Mark-up / interest / return on loans and advances and investments are recognized on a time proportion basis using the effective interest rate method except that mark-up / interest / return on non-performing advances and investments is recognized on receipt basis, in accordance with the requirements of the Prudential Regulations issued by the SBP. Where debt securities are purchased at a premium or discount, such premium or discount is amortized through the consolidated profit and loss account over the remaining period to maturity.

Dividend income from investments is recognized when the Group's right to receive the dividend is established.

Fees, brokerage and commission on letters of credit / guarantees and others is recognized on time proportion basis.

Financial advisory fees is recognized when the right to receive the fees is established.

Gain or loss on sale of investments is included in consolidated profit and loss account in the year in which it arises.





Rentals from Ijarah are recognized as income over the term of the contract net of depreciation expense.

Profit on Diminishing Musharakah is recognized in consolidated profit and loss account on accrual basis.

#### 5.14 Foreign currency translation

Transactions in foreign currencies are translated into Pak Rupee at the exchange rates prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currencies are re-translated to Pak Rupee at the rates of exchange prevailing at the reporting date. Translation gains and losses are included in the consolidated profit and loss account.

#### 5.15 Financial instruments

##### a) Financial assets and liabilities

Financial assets and liabilities carried on the consolidated statement of financial position include cash and bank balances, lendings to financial institutions, investments, advances, certain receivables, bills payable, borrowings from financial institutions, deposits, subordinated loans and certain payables. The particular recognition methods adopted for significant financial assets and financial liabilities are disclosed in the individual policy notes associated with them.

##### b) Derivative financial instruments

Derivative financial instruments are initially recognized at fair value on the date at which the derivative contract is entered into and subsequently remeasured at fair value using appropriate valuation techniques. All derivative financial instruments are carried as assets where fair value is positive and as liabilities where fair value is negative. Any changes in the fair value of derivative financial instruments are taken to consolidated profit and loss account.

#### 5.16 Offsetting

Financial assets and financial liabilities are set off and the net amount is reported in the consolidated financial statements only when the Group has a legally enforceable right to set off and the Group intends to either settle on a net basis, or to realize the assets and to settle the liabilities simultaneously.

#### 5.17 Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing particular products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), and is subject to risks and rewards that are different from those of other segments.

#### 5.18 Dividend distribution and appropriation

Dividends and other appropriations (except appropriations which are required by law) are recognized in the period in which these are approved.

#### 5.19 Earnings per share

The Group presents basic earnings per share (EPS) which is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year / period. Diluted EPS is determined by adjusting the consolidated profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

#### 5.20 Acceptances

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

#### Business segments

##### a) Corporate finance

It includes investment banking activities such as mergers and acquisitions, underwriting, privatization, securitization, Initial Public Offerings (IPOs) and secondary private placements.

##### b) Trading and sales

It includes fixed income, equity, foreign exchange, commodities, credit, funding, own position securities, lendings and repos, brokerage debt and prime brokerage.

##### c) Retail banking

It includes mortgage finance and personal loans to individual customers.

##### d) Commercial banking and others

It includes loans, deposits and other transactions with corporates, small and medium sized customers including agriculture loans.

#### Geographical segments

The Group operates only in Pakistan.

#### 5.21 Commitments

Commitments for outstanding forward foreign exchange contracts are disclosed in these consolidated financial statements at committed amounts. Contingent liabilities / commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in Pak Rupee terms at the rates of exchange prevailing at the date of the consolidated statement of financial position.

#### 5.22 Provision against off-balance sheet obligations

Provision for guarantees, claims and other off balance sheet obligations is made when the Group has legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of amount can be made. Charge to consolidated profit and loss account is stated net of expected recoveries.



6	CASH AND BALANCES WITH TREASURY BANKS	Note	2016	2015
			(Rupees in '000)	
	In hand			
	Local currency	6.1	1,873,185	1,382,024
	Foreign currency		77,766	73,578
			1,950,951	1,455,602
	With State Bank of Pakistan (SBP) in			
	Local currency current accounts	6.2	4,510,719	2,646,094
	Foreign currency current accounts	6.3	5,156	7,639
	Foreign currency deposit accounts			
	- Non Remunerative	6.4	62,289	99,924
	- Remunerative	6.5	168,666	280,812
			4,746,830	3,034,469
	With National Bank of Pakistan in			
	- Local currency current account		788,106	785,967
	- Local currency PLS account		16,737	21,580
			804,843	807,547
			7,502,624	5,297,618

6.1 This includes national prize bonds of Rs. 1.03 million (2015: Rs. 1.28 million).

6.2 This represents the cash reserve required to be maintained with SBP as per the requirement of Section 22 of the Banking Companies Ordinance, 1962. This is a sum not less than such percentage of its time and demand liabilities in Pakistan as may be prescribed by SBP.

6.3 This represents US Dollar Settlement Account maintained with SBP.

6.4 This represents foreign currency cash reserve maintained with SBP, presently equivalent to at least 5% of the Group's foreign currency deposits mobilized under the FE-25 scheme.

6.5 This represents foreign currency special cash reserve maintained with SBP. The Group is entitled to earn profit which is declared by SBP on a monthly basis. During the year, the SBP has not announced any return on the account.

7	BALANCES WITH OTHER BANKS	Note	2016	2015
			(Rupees in '000)	
	In Pakistan			
	In current accounts		15,016	23,949
	In savings account	7.1	90,746	68,351
	In term deposit accounts	7.2	600,000	1,050,000
	Outside Pakistan			
	In current accounts	7.3	485,716	993,779
			1,191,478	2,136,079

7.1 This represents savings deposit with a commercial bank carrying profit at the rate 3.75 % per annum (2015: 4%).

7.2 These represents term deposit accounts with commercial banks & microfinance banks for 3 months carrying mark-up ranging from 6.95% to 11.25% per annum (2015: 6.50% to 7.40%).

7.3 This includes Rs. 201.87 million (2015: Rs. 846.05 million) held in Automated Investment Plans. This balance is current in nature and in case this goes above a specified amount, the Group is entitled to earn interest from the correspondent banks at the agreed rates.

## Annual Report 2016



8	LENDINGS TO FINANCIAL INSTITUTIONS	Note	2016	2015
			(Rupees in '000)	
	Call money lendings	8.2	2,000,000	-
	Letters of placement		-	400,000
	Repurchase agreement lendings (Reverse repo)	8.3 & 8.4	4,938,610	-
			6,938,610	400,000
8.1	Particulars of lending - by currency			
	In local currency		6,938,610	400,000
	In foreign currency		-	-
			6,938,610	400,000

8.2 This represents lending to commercial banks carrying mark-up rate at 6.10% per annum (2015: Nil).

8.3 This represents resale agreement lending with a commercial bank carrying mark-up rate at 5.80% per annum (2015: Nil).

8.4 Securities held as collateral against lendings to financial institutions

	2016			2015		
	Held by Group	Further given as collateral	Total	Held by Group	Further given as collateral	Total
(Rupees in '000)						
Market Treasury Bills	-	4,940,415	4,940,415	-	-	-
	-	4,940,415	4,940,415	-	-	-

9	INVESTMENTS - NET		2016			2015		
9.1	Investment by types	Note	Held by Group	Given as collateral	Total	Held by Group	Given as collateral	Total
----- (Rupees in '000) -----								
<b>Available-for-sale securities</b>								
	Pakistan Investment Bonds	9.2.1	49,193,663	-	49,193,663	19,453,305	21,598,694	41,051,999
	Market Treasury Bills	9.2.2	8,233,454	1,249,209	9,482,663	14,743,790	-	14,743,790
	Fully paid ordinary shares - Listed	9.2.7	2,235,424	-	2,235,424	2,068,118	-	2,068,118
	Term finance certificates - Listed	9.2.10	99,880	-	99,880	99,920	-	99,920
	Term finance certificates - Unlisted	9.2.11	12,527	-	12,527	397,657	-	397,657
	Units of mutual funds	9.2.12	613,533	-	613,533	493,580	-	493,580
	Islamic funds REIT	9.2.13	99,000	-	99,000	99,000	-	99,000
	Government of Pakistan - Ijarah Sukuk	9.2.5	200,000	-	200,000	200,000	-	200,000
	Sukuk certificates	"9.2.3 & 9.2.4"	482,143	-	482,143	578,571	-	578,571
			61,169,624	1,249,209	62,418,833	38,133,941	21,598,694	59,732,635
<b>Held-to-maturity securities</b>								
	Pakistan Investment Bonds	9.2.1	7,458,429	-	7,458,429	7,444,973	-	7,444,973
	Government of Pakistan - Ijarah Sukuk	9.2.6	239,729	-	239,729	239,780	-	239,780
	Government of Pakistan Ijarah Sukuk - Bai Muajjal		-	-	-	232,880	-	232,880
	Preference shares - Listed	9.2.8	249,961	-	249,961	249,961	-	249,961
	Preference shares - Unlisted	9.2.9	-	-	-	360,260	-	360,260
	Certificate of deposit	9.2.6	100,000	-	100,000	-	-	-
	Term finance certificates - Listed	9.2.10	224,392	-	224,392	224,495	-	224,495
			8,272,511	-	8,272,511	8,752,349	-	8,752,349
	<b>Total Investments at cost</b>		69,442,135	1,249,209	70,691,344	46,886,290	21,598,694	68,484,984
	Provision for diminution in value of investments	9.3	(7,810)	-	(7,810)	(490)	-	(490)
	<b>Investments (net of provisions)</b>		69,434,325	1,249,209	70,683,534	46,885,800	21,598,694	68,484,494
	Surplus on revaluation of available for sale securities	19	206,208	(5)	206,203	475,992	683,759	1,159,751
	<b>Total investments - net</b>		69,640,533	1,249,204	70,889,737	47,361,792	22,282,453	69,644,245





## 9.2 Investments by segment

### Federal government securities

Pakistan Investment Bonds	9.2.1	56,652,092	48,496,972
Market Treasury Bills	9.2.2	9,482,663	14,743,790
Sukuk certificates	9.2.3	303,572	364,285
Government of Pakistan Ijarah Sukuk - Bai Muajjal		-	232,880
Government of Pakistan - Ijarah sukuk	9.2.5	439,729	439,780

Note	2016 (Rupees in '000)	2015
	66,878,056	64,277,707

### Fully paid-up ordinary shares

#### Listed companies

9.2.7	2,235,424	2,068,118
-------	-----------	-----------

### Preference shares

#### Listed

9.2.8	249,961	249,961
-------	---------	---------

#### Unlisted

9.2.9	-	360,260
-------	---	---------

	249,961	610,221
--	---------	---------

### Term finance certificates

#### Listed

9.2.10	324,272	324,415
--------	---------	---------

#### Unlisted

9.2.11	12,527	397,657
--------	--------	---------

	336,799	722,072
--	---------	---------

### Other investments

#### Units of mutual funds

9.2.12	613,533	493,580
--------	---------	---------

#### Islamic funds REIT

9.2.13	99,000	99,000
--------	--------	--------

#### Sukuk certificates

9.2.4	178,571	214,286
-------	---------	---------

#### Certificate of deposit

9.2.6	100,000	-
-------	---------	---

	991,104	806,866
--	---------	---------

### Total investments at cost

	70,691,344	68,484,984
--	------------	------------

### Provision for diminution in value of investments

9.3	(7,810)	(490)
-----	---------	-------

### Investments (net of provisions)

	70,683,534	68,484,494
--	------------	------------

### Surplus on revaluation of available for sale securities

19	206,203	1,159,751
----	---------	-----------

### Investments at market value - net of provisions

	70,889,737	69,644,245
--	------------	------------

9.2.1 These securities have tenure of 10 to 20 years (2015: 5 to 20 years). The effective yield on these investments ranges from 6.92% to 12.98% per annum (2015: 7.79% to 12.94%) with maturities due from August 2021 to August 2031 (2015: July 2018 to August 2031).

9.2.2 These securities are for a maximum period of 6 months (2015: 1 year). The effective yield on these investments ranges from 5.78% to 5.90% per annum (2015: 6.35% to 6.90%) with maturities due from 1 month to 2 months (2015: 2 months to 8 months).

9.2.3 This represents investment in Sukuk certificates of WAPDA maturing on October 14, 2021. The effective rate of profit is 6 months KIBOR plus 1% per annum (2015: 6 months KIBOR plus 1%) payable semi annually.

9.2.4 This represents investment in privately placed Sukuk certificate of Al-Baraka Bank Pakistan Limited maturing on September 26, 2021. The effective rate of profit is 6 months KIBOR plus 1.25% per annum (2015: 6 months KIBOR plus 1.25%) payable semi-annually.

9.2.5 This represents investment in Ijarah Sukuk of Government of Pakistan having maturity of three years (2015: 3 years). The effective rate of profit ranges from 3.98% to 5.45% per annum (2015: 4.75% to 5.89%).

9.2.6 This represents certificate of deposit with Orix Leasing Company Limited having a maturity of 1 year and carrying markup of 6.75% per annum (2015: Nil).

## Annual Report 2016



## 9.2.7 Details of investment in shares of listed companies

		2016				2015			
	Rating	Number of shares	Market value	Cost	Rating	Number of shares	Market value	Cost	
		------(Rupees in '000)-----							
Available-for-sale securities									
Fully paid ordinary shares of Rs. 10/- each (unless stated otherwise)									
Pakistan Refinery Limited	A-/A2	108,100	4,716	7,682	A-/A2	108,100	4,887	7,682	
Fauji Fertilizer Company Limited	AA/A1+	3,701,600	386,336	479,074	Unrated	3,445,600	406,512	499,994	
Fauji Fertilizer Bin Qasim Limited	Unrated	3,018,000	154,552	188,364	Unrated	3,018,000	158,988	188,365	
Fatima Fertilizer Company Limited	AA-/A1+	1,541,500	56,866	63,357	AA-/A-1	1,080,000	48,308	47,901	
Amreli Steels Limited	A/A1	50,000	3,330	2,531	-	-	-	-	
Crescent Steel & Allied Products Limited	A+/A-1	50,000	7,709	6,042	-	-	-	-	
Mughal Iron & Steel Industries Limited	Unrated	150,000	13,224	10,651	-	-	-	-	
Thatta Cement Company Limited	A-/A-2	3,375,000	132,908	121,703	Unrated	3,375,000	87,379	95,808	
Nishat Chunian Power Limited	A+/A-2	1,741,500	96,618	100,011	A+/A-2	1,741,500	95,870	100,011	
Hub Power Company Limited	AA+/A1+	445,000	54,949	57,071	AA+/A1+	445,000	45,657	46,030	
Sui Southern Gas Company Limited	A+/A1	11,296,500	410,628	447,043	AA- / A1	11,296,500	421,924	499,411	
Sui Northern Gas Pipelines Limited	AA-/A1	4,532,500	369,716	369,798	AA- / A1	4,000,000	96,160	95,272	
Allied Bank Limited	-	-	-	-	AA+/A1+	900,000	84,834	102,121	
Bank Al-Falah Limited	AA/A1+	1,110,000	42,136	31,201	AA/A1+	1,110,000	31,990	31,201	
National Bank of Pakistan	AAA/A1+	3,265,500	244,553	243,993	AAA/A-1+	4,265,500	230,508	269,406	
NIB Bank Limited	AA-/A1+	28,394,500	51,394	60,264	AA-/A1+	15,402,500	29,265	36,292	
Summit Bank Limited	A/A-1	11,546,585	50,805	46,639	A/A-1	11,872,585	46,659	48,624	
Total investment in shares of listed companies			2,080,440	2,235,424		1,788,941	2,068,118		

## 9.2.8 Details of investment in preference shares - listed

Held to maturity securities	2016				2015			
	Rating	Number of shares	Market value	Cost	Rating	Number of shares	Market value	Cost
	----- (Rupees in '000) -----				----- (Rupees in '000) -----			
	A/A-1	24,996,067	<u>249,961</u>	<u>249,961</u>	A/A-1	24,996,067	<u>249,961</u>	<u>249,961</u>
Summit Bank Limited								
	2016				2015			
	Rating	Number of shares	Market value	Amortized cost	Rating	Number of shares	Market value	Amortized cost
	----- (Rupees in '000) -----				----- (Rupees in '000) -----			

## 9.2.9 Details of investments in preference shares - unlisted

### Held to maturity securities

Silk Bank Limited	-	-	A-/A-2	100,000,000	250,000	360,260
-------------------	---	---	--------	-------------	---------	---------

## 9.2.10 Details of investment in term finance certificates - listed

Unsecured	Note	2016					2015				
		Rating	Number of certificates	Face value per certificate	Market value	Cost	Rating	Number of certificates	Face value per certificate	Market value	Cost
----- (Rupees in '000) ----											
Available-for-sale securities											
NIB Bank Limited	9.2.10.1	A+	20,000	5,000	101,014	99,880	A+	20,000	5,000	98,921	99,920
Held-to-maturity securities											
Summit Bank Limited	9.2.10.1	A (SO)	44,982	5,000	224,391	224,392	A (SO)	44,982	5,000	224,495	224,495
					325,405	324,272				323,416	324,415

9.2.10.1 These term finance certificates are sub-ordinated in nature. In case of default, the payment in respect of principal and profit will rank subordinated to all the depositors and other creditors of the issuing banks.



### 9.2.13 Details of investments in Islamic funds

Particulars	Other information	Coupon / Profit rates	Profit payment	Redemption terms
Faysal Bank Limited - 2nd issue (unsecured)	Chief Executive Officer : Mr. Nauman Ansari	2.25% above 6 months KIBOR	Semi- annually	Seven years from December 27, 2010 (date of issue).

	2016					2015			
	Rating	Number of units	Market/ net asset value	Cost		Rating	Number of units	Market/ net asset value	Cost
<b>Available for sale securities</b>			---- (Rupees in '000) ----					---- (Rupees in '000) ----	
<b>Open end</b>									
National Investment Unit Trust	AM2+	5,892,058	515,791	500,000		AM2-	5,040,000	318,730	350,046
NIT- Islamic Equity fund			-	-		AM2-	3,001,541	29,580	30,000
			515,791	500,000				348,310	380,046
<b>Closed end</b>									
PICIC growth fund	AM2	1,049,500	31,968	28,459		AM2-	1,049,500	23,645	28,459
PICIC investment fund	AM2	6,346,500	88,216	85,074		AM2-	6,346,500	72,540	85,075
			120,184	113,533				96,185	113,534
<b>Total Investment in mutual funds</b>			635,975	613,533				444,495	493,580

Arif Habib dolmen (REIT)	AM2	9,000,000	97,830	99,000	AM2-	9,000,000	96,570	99,000
--------------------------	-----	-----------	--------	--------	------	-----------	--------	--------

# Annual Report 2016



		2016	2015
		(Rupees in '000)	
<b>9.3</b>	<b>Particulars of provision for diminution in the value of investments - net</b>		
	Opening balance	490	-
	Charge for the year - through profit and loss account	-	490
	Charge for the year - through other comprehensive income	7,320	-
		7,320	490
	Reversal on disposal of shares	-	-
	Closing balance	7,810	490
<b>9.3.1</b>	<b>Particulars of provision in respect of type Available-for-sale securities</b>		
	Shares of listed companies	7,810	490
		7,810	490
<b>10</b>	<b>ADVANCES - NET</b>		
	<b>Loans, cash credits, agriculture, running finances etc.</b>		
	- In Pakistan	47,237,793	36,554,438
	<b>Commodity finance</b>		
	- In Pakistan	6,245,905	9,410,220
	<b>Islamic financing and related assets</b>		
	- Diminishing musharakah	2,075,944	501,705
	- Ijarah under IFAS 2	74,647	19,052
		55,634,289	46,485,415
	<b>Bills discounted and purchased (excluding market treasury bills)</b>		
	- Payable in Pakistan	404,430	198,106
	- Payable outside Pakistan	10,204	24,511
		414,634	222,617
	<b>Advances - gross</b>	56,048,923	46,708,032
	<b>Provision for non-performing advances</b>		
	- Specific provision	(143,034)	(37,420)
	- General provision against consumer & small enterprise advances	(4,051)	(1,523)
	- General provision	(4,000,000)	(2,500,000)
		(4,147,085)	(2,538,943)
	<b>Advances - net</b>	51,901,838	44,169,089
<b>10.1</b>	<b>Particulars of advances - gross</b>		
<b>10.1.1</b>	In local currency	56,048,923	46,708,032
	In foreign currency	-	-
		56,048,923	46,708,032
<b>10.1.2</b>	Short term (for upto one year)	28,576,547	29,108,692
	Long term (for more than one year)	27,472,376	17,599,340
		56,048,923	46,708,032
<b>10.2</b>	This represents commodity financing provided to Food Department, Government of Sindh, in syndication with other commercial banks.		
<b>10.3</b>	<b>Diminishing musharakah financing</b>		
	Diminishing musharakah	2,075,944	501,705
		2,075,944	501,705
<b>10.4</b>	<b>Ijarah financing</b>		
	Net book value of assets	50,732	13,916
	Advance against Ijarah financing	23,915	5,136
		74,647	19,052







## 11.2 Property and equipment - owned

	Cost		2016 Accumulated depreciation					
	As at January 01, 2016	Additions / (disposals) / *adjustment	As at December 31, 2016	As at January 01, 2016	Charge for the year / (disposals) / *adjustment	As at December 31, 2016	Book value as at December 31, 2016	Rate of depreciation %
(Rupees in '000)								
Leasehold improvements	1,014,844	30,167	1,040,048	140,122	51,114	191,236	848,812	5
		*(4,963)			-			
Furniture and fixtures	449,559	24,908	473,432	137,778	46,842	184,188	289,244	10
		*(1,035)			*(432)			
Computer and office equipment	1,080,063	190,234 (1,507)	1,269,145	579,640	227,873 (1,225)	806,277	462,868	33.33 & 20
		*355			*(11)			
Vehicles	215,120	104,903 (54,828)	265,195	124,931	49,829 (42,771)	131,989	133,206	20
		*_			*(443)			
	2,759,586	350,212 (56,335) *(5,643)	3,047,820	982,471	375,658 (43,996) *(443)	1,313,690	1,734,130	

\* This pertains to (over) / under charged cost which was initially capitalized to fixed assets due to delay in receipt of invoice. The amount was initially capitalized on estimation basis, which has been subsequently adjusted accordingly on receipt of invoice.

	Cost		2015 Accumulated depreciation					
	As at January 01, 2015	Additions / (disposals) / *adjustment	As at December 31, 2015	As at January 01, 2015	Charge for the year / (disposals) / *adjustment	As at December 31, 2015	Book value as at December 31, 2015	Rate of depreciation %
(Rupees in '000)								
Leasehold improvements	881,218	134,626	1,014,844	94,743	45,379	140,122	874,722	5
		(1,000)			-			
Furniture and fixtures	416,736	34,400 (387)	449,559	94,552	43,573 (299)	137,778	311,781	10
		(1,190)			(48)			
Computer and office equipment	878,367	203,028 (2,083)	1,080,063	374,535	207,008 (1,794)	579,640	500,423	33.33 & 20
		751			(109)			
Vehicles	212,874	31,696 (29,420)	215,120	95,972	44,491 (15,486)	124,931	90,189	20
		(30)			(46)			
	2,389,195	403,750 (31,890) (1,469)	2,759,586	659,802	340,451 (17,579) (203)	982,471	1,777,115	

11.2.1 Depreciation amounting to Rs. 375.22 million (2015: Rs. 340.25 million) has been reported in administrative expenses (note 25) after adjusting the amounts referred to in note 11.2.

11.2.2 The cost of fully depreciated furniture and fixture, office and computer equipment still in use amounted to Rs. 328.19 million (2015: Rs. 80.70 million).

## Annual Report 2016



## 11.3 Intangible assets

	2016							Rate of amortization %
	Cost		Accumulated amortization					
	As at January 01,	Additions	As at December 31,	As at January 01,	Amortization for the year	As at December 31,	Book value as at December31,	
	(Rupees in '000)							
Software	163,317	25,235	188,552	90,759	30,104	120,863	67,689	20
	163,317	25,235	188,552	90,759	30,104	120,863	67,689	
	2015							Rate of amortization %
	Cost		Accumulated amortization					
	As at January 01,	Additions	As at December 31,	As at January 01,	Amortization for the year	As at December 31,	Book value as at December31,	
	(Rupees in '000)							
Software	130,343	32,974	163,317	59,990	30,769	90,759	72,558	20
	130,343	32,974	163,317	59,990	30,769	90,759	72,558	

## 11.4 Disposal

Details of disposal of fixed assets having cost of more than Rs.1,000,000/- or net book value of Rs.250,000/- or above are given below:

	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of buyers
(Rupees in '000)						
<b>Computers</b>						
Items having book value of less than Rs. 250,000 or cost of less than Rs.1,000,000	61	58	3	3	Various	Various
	61	58	3	3		
<b>Office Equipment</b>						
30 KVA Generator	1,035	897	138	220	BID	M/S Imran Ahmed
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	411	271	140	145	Various	Various
	1,446	1,168	278	365		





	Cost	Accumulated Book depreciation value		Sale proceeds	Mode of disposal	Particulars of buyers
	----- Rupees in '000 -----					
Vehicle						
Mercedes Benz C 180	8,741	728	8,013	8,013	As Per Bank Policy	M/S Sindh Leasing Co Ltd
Toyota Altis Grande	2,383	238	2,145	2,145	As Per Bank Policy	M/S Sindh Leasing Co Ltd
Honda Civic	1,820	1,820	-	-	As Per Bank Policy	Ms. Masooma Hussain
Honda Civic	1,794	1,794	-	-	As Per Bank Policy	Mr. Tariq Ahsan
Honda Civic	1,794	1,794	-	-	As Per Bank Policy	Mr. Anis Iqbal
Toyota Corolla XLI	1,424	1,424	-	-	As Per Bank Policy	Ms. Javeria Zafar
Toyota Corolla XLI	1,394	1,394	-	-	As Per Bank Policy	Mr. Shaukat Javed Anjum
Toyota Corolla XLI	1,374	1,374	-	-	As Per Bank Policy	Mr. Farhan Ashraf
Toyota Corolla XLI	1,357	1,357	-	-	As Per Bank Policy	Ms. Jeanett Chohan
Toyota Corolla XLI	1,357	1,357	-	-	As Per Bank Policy	Mr. Shamsudin Khan
Toyota Corolla XLI	1,337	1,337	-	-	As Per Bank Policy	Mr. Syed Assad Ali
Toyota Corolla XLI	1,337	1,337	-	-	As Per Bank Policy	Mr. Shahzad Baig
Toyota Corolla XLI	1,337	1,337	-	-	As Per Bank Policy	Mr. Nadeem Altaf
Toyota Corolla XLI	1,337	1,337	-	-	As Per Bank Policy	Mr. Shaukat Larik
Suzuki WagonR	1,047	314	733	820	Isnurance Claim	M/S Sindh Insurance Co Ltd
Suzuki Mehran	668	234	434	550	Isnurance Claim	M/S Sindh Insurance Co Ltd
Suzuki Cultus	990	644	346	820	Isnurance Claim	M/S Sindh Insurance Co Ltd
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	23,338	22,951	387	3,769	As Per Bank Policy	Various
	54,829	42,771	12,058	16,117		
December 31, 2016	56,336	43,997	12,339	16,485		
December 31, 2015	31,890	17,579	14,311	15,091		

## 12 DEFERRED TAX ASSETS - NET

### Deductible temporary differences on:

- Provision against advances - general
- Provision for diminution in the value of investments
- Provision against other assets

### Taxable temporary differences on:

- Operating fixed assets - tangible
- Operating fixed assets - intangible
- Surplus / (deficit) on revaluation of investments - net

Note	2016	2015
	(Rupees in '000)	(Rupees in '000)
	(1,400,000)	(875,000)
	(171)	(171)
	-	(1,127)
	(1,400,171)	(876,298)
	128,059	155,266
	9,864	10,519
	72,171	408,626
	210,094	574,411
	(1,190,077)	(301,887)

## 12.1 Reconciliation of deferred tax

	2016				2015			
	Balance as at January 01,	Recognized in profit and loss account	Recognized in equity	Balance as at December 31,	Balance as at January 01,	Recognized in profit and loss account	Recognized in equity	Balance as at December 31,
(Rupees in '000)								
<b>Deductible temporary differences on:</b>								
- Provision for diminution in the value of investments	(171)	-	-	(171)	-	(171)	-	(171)
- Provision against advances - general	(875,000)	(525,000)	-	(1,400,000)	-	(875,000)	-	(875,000)
- Provision for other assets	(1,127)	1,127	-	-	(1,546)	419	-	(1,127)
	(876,298)	(523,873)	-	(1,400,171)	(1,546)	(874,752)	-	(876,298)
<b>Taxable temporary differences on:</b>								
- Operating fixed assets - tangible	155,266	(27,207)	-	128,059	177,215	(21,949)	-	155,266
- Operating fixed assets - intangible	10,519	(655)	-	9,864	13,609	(3,090)	-	10,519
- Surplus on revaluation of investments	408,626	-	(336,455)	72,171	713,429	-	(304,803)	408,626
	574,411	(27,862)	(336,455)	210,094	904,253	(25,039)	(304,803)	574,411
	(301,887)	(551,796)	(336,455)	(1,190,077)	902,707	(899,791)	(304,803)	(301,887)

## 13 OTHER ASSETS - NET

Accrued income on bank deposits, investments, COIs, placements and advances  
Accrued commission income  
Advances, deposits, advance rent and other prepayments  
Advance against term finance certificates and preference shares  
Receivable against sale of shares  
Insurance premium receivable against agriculture loans  
Stationery and stamps on hand  
Dividend receivable  
Receivable against I Link ATM settlement account  
Insurance claims receivable  
Advance tax  
Other receivables

Note	2016	2015
	(Rupees in '000)	(Rupees in '000)
	3,227,911	3,638,383
	322	5,337
	200,704	350,341
	608,183	-
	369,716	133,979
	45,166	54,448
	12,359	2,789
	668	-
	275,379	59,901
	3,306	1,407
	4,522	-
	10,171	6,810
	<b>4,758,407</b>	<b>4,253,395</b>

13.1 Advance has been paid to Ms. Al-Arabia Sugar Mills Limited on December 30, 2016 for purchase of unlisted preference shares and term finance certificates of the company. The investee company is in the process of issuance of these shares and term finance certificates.

## 14 BILLS PAYABLE

In Pakistan  
Outside Pakistan

Note	2016	2015
	(Rupees in '000)	(Rupees in '000)
	714,212	288,681
	-	-
	<b>714,212</b>	<b>288,681</b>

## 15 BORROWINGS

In Pakistan  
Outside Pakistan

	8,910,738	27,160,697
	-	-
15.1	<b>8,910,738</b>	<b>27,160,697</b>

## 15.1 Borrowings by currency

In local currency  
In foreign currency

Note	2016	2015
	(Rupees in '000)	(Rupees in '000)
	8,910,738	27,160,697
	-	-
	<b>8,910,738</b>	<b>27,160,697</b>



## 15.2 Details of borrowings

	Note	2016 (Rupees in '000)	2015 (Rupees in '000)
<b>Secured</b>			
Borrowings from State Bank of Pakistan under export refinance scheme	15.2.1	1,081,500	1,571,771
Repurchase agreement borrowings			
- State Bank of Pakistan		-	22,088,926
- Other commercial banks / DFI's	15.2.2	6,187,415	-
		6,187,415	22,088,926
<b>Unsecured</b>			
Call / Clean borrowings	15.2.3	1,641,823	3,500,000
		8,910,738	27,160,697

15.2.1 These represent borrowings from SBP under export refinance scheme at the rates ranging from 1.00% to 2.00% (2015: 2.5% to 3.50%) per annum having maturity upto six months.

15.2.2 These represent repurchase agreement borrowings at the rate 5.80% per annum (2015: Nil) maturing in January 2017.

15.2.3 These represent call money and clean borrowings from commercial banks at the rates ranging from 5.25% to 5.70% (2015: 6.40%) per annum, maturing in January & April 2017.

## 16 DEPOSITS AND OTHER ACCOUNTS

	Note	2016 (Rupees in '000)	2015 (Rupees in '000)
<b>Customers</b>			
Fixed deposits		33,787,351	28,145,127
Savings deposits		44,489,733	28,795,581
Current accounts - non-remunerative		31,361,350	22,722,693
Margin and other accounts - non-remunerative		799,926	1,273,544
		110,438,360	80,936,945
<b>Financial Institutions</b>			
Remunerative deposits		8,274,591	2,945,147
Non-remunerative deposits		130,423	38,708
		8,405,014	2,983,855
16.1		118,843,374	83,920,800
<b>16.1 Deposit by currency</b>			
In local currency		117,675,770	82,067,650
In foreign currency		1,167,604	1,853,150
		118,843,374	83,920,800

## Annual Report 2016



## 17 OTHER LIABILITIES

	Note	2016 (Rupees in '000)	2015 (Rupees in '000)
Mark-up / return/ interest payable in local currency		1,173,337	1,238,986
Mark-up / return/ interest payable in foreign currency		5,041	7,123
Unearned commission on LCs		-	5,094
Net defined benefit liability	31.1.2	50,481	49,286
Payable to employees' provident fund		252	221
Provision for compensated absences	32	118,612	63,498
Payable against forward forex revaluation - net		45,039	12,931
Accrued expenses		108,431	82,543
Payable against purchase of operating fixed assets		45,892	94,916
Payable against purchase of shares		393,307	142,025
Retention money		60,459	66,153
Federal excise duty / sales tax on services payable		4,617	4,481
Provision for taxation - net		32,878	153,689
Withholding tax payable		9,170	10,166
Others		131,251	29,021
		2,178,767	1,960,133

## 18 SHARE CAPITAL

### 18.1 Authorized capital

	2016 Number of shares	2015 Number of shares	2016 (Rupees in '000)	2015 (Rupees in '000)
1,200,000,000	1,000,000,000	Ordinary shares of Rs. 10/- each	12,000,000	10,000,000

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

	2016 Number of shares	2015 Number of shares	2016 (Rupees in '000)	2015 (Rupees in '000)
1,001,013,000	1,000,000,000	Ordinary shares of Rs. 10/- each Fully paid in cash	10,010,130	10,000,000

18.3 These shares have been issued under pre-IPO arrangement at Rs. 10.05 per share (including share premium of Rs. 0.05 per share) to the Directors and employees of the Bank and its related concerns. Under Rule 4(vi) of the Companies (Issuance of Capital) Rules, 1996 these Pre-IPO shares shall not be transferable for a period of six months from the date of closing of the public subscription of the public offering of the Bank's shares.

18.4 The Government of Sindh, through its Finance Department, owns 99.9% ordinary shares of the Bank.

## 19 SURPLUS / (DEFICIT) ON REVALUATION OF INVESTMENTS - NET OF TAX

	Note	2016 (Rupees in '000)	2015 (Rupees in '000)
<b>Available-for-sale securities</b>			
Federal government securities		319,177	1,517,228
Fully paid ordinary shares - Listed		(147,175)	(274,417)
Units of mutual funds (units / certificates)		21,272	(51,516)
Sukuk Certificates		11,693	(11,429)
Term finance certificates		1,236	(20,115)
	9.1	206,203	1,159,751
Reversal of impairment on shares of listed companies		-	7,755
		206,203	1,167,506
Related deferred taxation	12	(72,171)	(408,627)
		134,032	758,879





## 120 CONTINGENCIES AND COMMITMENTS

### 20.1 Direct credit substitutes

Includes general guarantees of indebtedness in favor of:  
Government  
Banking companies and other financial institutions  
Others

Note	2016 (Rupees in '000)	2015
	2,479,754	2,554,885
	382,618	5,000
	739,659	911,134
	<u>3,602,031</u>	<u>3,471,019</u>
	<u>4,953,626</u>	<u>3,214,204</u>

### 20.2 Trade related contingent liabilities

- Others

### 20.3 Commitments to extend credit

The Group 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.

### 20.4 Transaction related contingent liabilities

Contingent liabilities in respect of guarantee given, favoring others

### 20.5 Commitments in respect of forward rate agreements - currency

- Purchase  
- Sale

### 20.6 Commitments in respect of repo / reverse repo

- Sale and repurchase agreements  
- Purchase and resale agreements

### 20.7 Other commitments

Against purchase of shares

## 21 MARK-UP / RETURN / INTEREST EARNED

On loans and advances to:  
Customers

On investments in:

Held-for-trading securities  
Available-for-sale securities  
Held-to-maturity securities

On deposits with financial institutions  
On securities purchased under resale agreements  
On call / clean lending

	2016 (Rupees in '000)	2015
	<u>248,638</u>	<u>108,115</u>
	<u>7,407,583</u>	<u>12,728,132</u>
	<u>6,960,019</u>	<u>12,153,946</u>
	<u>6,191,349</u>	<u>22,119,184</u>
	<u>4,941,750</u>	<u>-</u>
	<u>23,591</u>	<u>8,046</u>
	<u>3,963,112</u>	<u>4,063,754</u>
	-	240
	4,630,339	4,749,357
	993,043	1,009,691
	53,530	68,764
	132,371	131,106
	49,014	106,210
	<u>9,821,409</u>	<u>10,129,122</u>

## 22 MARK-UP / RETURN / INTEREST EXPENSED

Deposits  
Securities sold under repurchase agreements  
Other short term borrowings

	4,346,929	3,943,232
	850,375	1,425,781
	159,062	279,191
	<u>5,356,366</u>	<u>5,648,204</u>

## Annual Report 2016



## 23 GAIN ON SALE OF SECURITIES - NET

### Federal government securities

- Market Treasury Bills  
- Pakistan Investment Bonds

### Others

- Units in mutual funds  
- Shares of listed companies  
- Other investments

## 24 OTHER INCOME

Rental income  
Gain on sale of fixed assets  
Prequalification application fee for tender  
Excess insurance claim received  
Others

## 25 ADMINISTRATIVE EXPENSES

Salaries, allowances and other benefits  
Contribution to defined benefit plan  
Contribution to defined contribution plan  
Non-Executive Director's fee  
Rent, taxes, insurance, electricity, etc.  
Legal and professional charges  
Communications  
Repairs and maintenance  
Stationery and printing  
Security service charges  
Advertisement and publicity  
Donation  
Depreciation  
Amortization  
Auditors remuneration  
Travelling and conveyance  
Brokerage and commission  
Fees and subscription  
Entertainment  
Miscellaneous expense

Note	2016 (Rupees in '000)	2015
	44	750
	<u>2,643,990</u>	<u>2,636,197</u>
	36,174	20,272
	253,048	405,234
	400	100
	<u>2,933,656</u>	<u>3,062,553</u>
	2,240	-
	4,146	780
	124	171
	-	1,786
	<u>2,701</u>	<u>2,992</u>
	<u>9,211</u>	<u>5,729</u>
	25.1	1,746,439
	31.1.4	44,842
	31.2	51,446
		12,490
		756,638
		21,544
		146,986
		191,186
		75,011
		232,559
		65,661
	25.2	-
	11.2	375,218
	11.3	30,104
	25.3	7,504
		20,935
		10,643
		54,190
		32,208
		28,063
	<u>3,903,667</u>	<u>3,368,124</u>

25.1 This includes balance of compensated absences amounting to Rs. 57.10 million (2015: Rs. 41.29 million). Further refer to note 32.

25.2 None of the directors, executives or their spouses had any interest in the donees.



## 25.3 Auditors' remuneration

Note	2016 (Rupees in '000)	2015
Audit fee	2,945	1,989
Half yearly review	1,213	1,025
Certifications and other advisory services	2,706	1,560
Corporate finance services	-	3,150
Out of pocket expenses	640	712
	<u>7,504</u>	<u>8,436</u>

25.4 The Group operates a short term employee benefit scheme which includes grant of special bonus to employees. Under this scheme, the special bonus for employees, including the President & Chief Executive Officer of the Group is determined on the basis of employees evaluation and the Group's performance during the year. The aggregate amount determined for eligible employees in respect of the above scheme relating to Executives and President & Chief Executive Officer of the Group amounted to Rs.23.37 million (2015: Rs. 26.22 million) and Rs.23.66 million (2015: Rs. 28.40 million) respectively and is included in salaries, allowances and benefits.

## 26 OTHER CHARGES

Note	2016 (Rupees in '000)	2015
Penalties imposed by the SBP	525	13,791

## 27 TAXATION

Current	1,411,821	1,626,663
Prior years	185,359	102,556
Deferred	12.1 (551,796)	(899,791)
	<u>1,045,384</u>	<u>829,428</u>

### 27.1 Relationship between tax expense and accounting profit

Profit before tax	2,448,675	2,074,904
Tax on income @ 35%	857,036	726,216
Prior year's tax due to amendment in Finance Bill	-	36,722
Tax at reduced rate	-	-
Effect of permanent differences	3,503	655
Adjustment of super tax	184,845	65,835
	<u>1,045,384</u>	<u>829,428</u>

27.2 For the tax year 2012, amendment of deemed assessment was carried out, whereby certain disallowances to the taxable income were made. Due to this amendment, charge of Workers' Welfare Fund (WWF) Rs. 20,789,251 was also levied as the assessing officer did not agree with the dispensation given in the law that WWF is not applicable to Government owned organization, and is therefore applicable on the Bank.

First appeal against the amended assessment order was filed before the Commissioner Inland Revenue Authority (CIRA), who deleted all disallowances and additions including the charge of WWF. Thereafter Large Taxpayers Unit (LTU) has filed an appeal in the Appellate Tribunal Inland Revenue (ATIR) against the decision of CIRA. Bank's tax advisor is of the view that the Bank has a strong case and the decision of CIRA should be maintained because the bank is Government owned entity and the decision of CIRA has a support of decision of the Supreme Court of Pakistan WWF.

Besides the above, banks become chargeable to WWF as a result of amendment made in WWF Ordinance by virtue of Finance Act 2008 wherein the definition of the term 'industrial establishment' was extended to include entities on which West Pakistan Shops and Establishment Ordinance, 1969 is applicable. The manner in which the said

# Annual Report 2016



amendment was made in the WWF Ordinance was not approved by the Supreme Court of Pakistan in its recent decision in which the amendments made through the Finance Acts 2006 and 2008 were declared as ultra vires to the Constitution of Pakistan. Therefore the amount charged in the tax year 2012 which was based on the amendment of Finance Act 2008, should otherwise not to be maintained.

27.3 For the tax year 2014, an amendment of deemed assessment was carried out, whereby certain disallowance and additions to taxable income were made. A net demand of Rs. 110.68 million (including WWF demand of Rs. 19.59 million) was raised. First appeal against the amended assessment order was filed before the CIRA, which forum deleted major disallowance and additions including the charge of WWF except some disallowances on which a demand of Rs. 5.95 million demand arose.

Subsequently, the Bank has filed an appeal before ATIR in respect of above matters, which are pending. Further, LTU has also filed the appeal in the ATIR against the decision of CIRA.

## 28 BASIC AND DILUTED EARNINGS PER SHARE

Note	2016 (Rupees in '000)	2015
Profit after taxation	<u>1,403,291</u>	<u>1,245,476</u>
	------(Numbers)-----	
Weighted average number of ordinary shares	<u>1,000,334,899</u>	<u>1,000,000,000</u>
	------(Rupees)-----	
Basic and diluted earning per share	1.40	1.25

## 29 CASH AND CASH EQUIVALENTS

		------(Rupees in '000)-----
Cash and balances with treasury banks	6	7,502,624
Balances with other banks	7	1,191,478
		<u>8,694,102</u>

## 30 STAFF STRENGTH

		------(Numbers)-----
Permanent		1,595
Temporary / on contractual basis		210
Bank's own staff		1,805
Outsourced	30.1	388
Total staff strength		<u>2,193</u>

30.1 This represents personnel hired by an outside contractor / agency and posted in the Group to perform various tasks/ activities of the Group.

## 31 DEFINED BENEFIT AND CONTRIBUTION PLANS

### 31.1 Defined benefit plan

The Bank operates a recognized gratuity plan for all its permanent and full time employees in the management cadres who have completed the minimum qualifying period of three years. Contributions are made to the fund in accordance with the recommendations of the Actuary. Employees are entitled to the benefits under the scheme which comprise of a last drawn basic salary for each completed year of service, subject to completion of minimum three years services with the Bank.





### 31.1.1 Principal actuarial assumptions

The latest actuarial valuation was carried out as of December 31, 2016 using the Projected Unit Credit Method. Following were the significant assumptions used in the actuarial valuation:

	Note	2016	2015
- Discount rate		9.50%	10.00%
- Expected rate of increase in salaries		9.00%	9.50%
- Expected return on plan assets		9.50%	10.00%

### 31.1.2 Reconciliation of net defined benefit liability

	Note	2016 (Rupees in '000)	2015
Present value of defined benefit liability	31.1.5	170,787	118,574
Fair value of plan assets	31.1.6	(120,306)	(69,288)
Payable to defined benefit plan	31.1.3	50,481	49,286

### 31.1.3 Movement in net defined benefit liability

Opening balance		49,286	34,878
Charge to profit and loss during the year	31.1.4	44,842	36,662
Remeasurement loss recognized in OCI	31.1.4	5,640	12,624
Bank's contribution		(49,287)	(34,878)
Closing balance		50,481	49,286

### 31.1.4 Charge for defined benefit plan

<b>In profit and loss</b>			
Current service cost		42,378	34,700
Interest cost - net		2,464	1,962
Charge for the year		44,842	36,662

### In other comprehensive income

Remeasurement loss on defined benefit obligation		3,653	11,089
Remeasurement loss on plan assets		1,987	1,535
		5,640	12,624

### 31.1.5 Changes in present value of defined benefit liability

Opening balance		118,574	74,948
Current Service cost		42,378	34,700
Interest cost		11,587	7,867
Benefits paid		(5,405)	(10,030)
Actuarial loss / (gain) on obligation			
- Financial assumptions		-	5,515
- Experience assumptions		3,653	5,574
		3,653	11,089
Closing balance		170,787	118,574

### 31.1.6 Fair value of plan assets

Fair value of plan assets at the beginning of the year		69,288	40,070
Expected return on plan assets		9,123	5,905
Bank's contributions		49,287	34,878
Benefits paid		(5,405)	(10,030)
Actuarial loss on asset			
- Experience assumptions		(1,987)	(1,535)
Fair value of plan assets at the end of the year	31.1.7	120,306	69,288

## Annual Report 2016



### 31.1.7 Plan assets comprise

	2016 (Rupees in '000)	2015
Balance held in bank accounts	120,306	69,288

### 31.1.8 Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

	2016 (Rupees in '000)	2015
Discount rate (1% variation)	151,585	104,951
Future salary growth (1% variation)	194,690	135,576
Future mortality (1 year variation)	170,826	118,575

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of sensitivity of the assumptions shown.

31.1.9 The expected gratuity expense for the year commencing January 01, 2017 works out to Rs. 47.03 million (2015: Rs. 43.49 million).

### 31.1.10 Maturity analysis

The weighted average duration of the defined benefit obligation works out to be 12.40 years. Expected benefit payments for the next five year are:

	2017	2018	2019	2020	2021
	----- Rupees in '000 -----				
Expected benefit payments	10,764	6,359	9,710	10,637	11,498

### 31.2 Defined contribution plan

The Group operates a recognised provident fund plan for all its permanent employees. Equal monthly contributions are made, both by the Group and its employees, to the fund at the rate of 10% of basic salaries of the employees. The minimum qualifying period of service for the purpose of the Group's contribution is one year. The contribution made by the Group and its employees during the year amounted to Rs. 101.94 million (2015: 87.37 million). The number of employees as at December 31, 2016 eligible under the plan were 1449 (2015: 1271).

## 32 COMPENSATED ABSENCES

The Bank grants compensated absences to all its regular employees as per service rules. Minimum qualifying period for encashment is three years of service. Regular employees are entitled to 30 days privileged leave for each completed year of service. Unutilized privilege leaves are accumulated unto a maximum of 60 days which would be encashed at the time of retirement from the regular service of the Bank or severance of service except in case of dismissal. These are encashable on the basis of last drawn gross salary. The Bank recognizes the liability for compensated absences in respect of employees in the period in which these are earned up to the balance sheet date. The provision amount of Rs. 118.61 million (2015: 63.49 million) has been provided on the basis of actuarial recommendations.

	2016 (Rupees in '000)	2015
Opening balance	63,498	37,054
Expense for the year	57,101	41,289
Benefit paid for the year	(1,987)	(14,845)
Closing balance	118,612	63,498



### 33 COMPENSATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

	President / Chief Executive Officer		Directors		Executives	
	2016	2015	2016	2015	2016	2015
	(Rupees in '000)					
Fees	-	-	12,490	10,470	-	-
Managerial remuneration	15,908	33,069	3,097	-	358,744	293,182
Charge for defined benefit plan	814	2,939	-	-	21,601	27,155
Contribution for defined contribution plan	1,293	2,936	-	-	25,529	19,512
Rent and house maintenance	7,158	14,881	1,394	-	161,435	131,931
Utilities	1,591	3,307	310	-	35,875	29,318
Medical	1,591	3,307	310	-	35,875	29,318
Conveyance	510	573	158	-	84,355	71,981
Bonus	1,847	5,507	257	-	56,001	48,156
Others	2,548	13,830	1,603	588	40,632	37,256
	<u>33,260</u>	<u>80,349</u>	<u>19,619</u>	<u>11,058</u>	<u>820,047</u>	<u>687,809</u>
Number of Persons	<u>3</u>	<u>3</u>	<u>11</u>	<u>8</u>	<u>329</u>	<u>271</u>

- 33.1 The Chief Executive Officers and certain executives of the Group are provided with free use of the Group's maintained cars.
- 33.2 Executives mean employees, other than the Chief Executive Officers and Directors, whose basic salary exceeds five hundred thousand Rupees in a financial year.
- 33.3 In addition to above, all executives, including the President & Chief Executive Officers of the Group are also entitled to bonus which is disclosed in note 25.4 to these consolidated financial statements.

### 34 FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of traded investments is based on quoted market prices, except for tradable securities classified by the Group as 'held to maturity'. Quoted securities classified as held to maturity are carried at cost. Fair value of unquoted equity investments other than investments in subsidiaries 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, fixed term deposits and borrowings 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 of loans and advances has been calculated in accordance with the Group's accounting policy as stated in note 5 to these financial statements.

The maturity and reprising profile and effective rates are stated in notes 38.3.5, 38.4.1 and 38.4.2 respectively.

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 and deposits are frequently re-priced.

- 34.1 The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurement:

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

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

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

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

## Annual Report 2016



### (a) Financial instruments in level 1

Financial instruments included in level 1 comprise of investments in listed ordinary shares and units of mutual funds.

### (b) Financial instruments in level 2

Financial instruments included in level 2 comprise of Sukuk Bonds, Pakistan Investment Bonds, Market Treasury Bills, Term Finance Certificates and Forward Exchange Contracts.

### (c) Financial instruments in level 3

Financial instruments in level 3 comprise of term deposits and certificate of deposits.

- 34.3 The table below analyses the financial and non-financial assets carried at fair values, by valuation methods. For financial assets, the Group essentially carries its investments in debt and equity securities at fair values. Valuation of investments is carried out as per guidelines specified by the SBP.

	2016				
		Fair Value			
	Carrying value (Rupees in '000)	Level 1	Level 2	Level 3	Total
		----- (Rupees in '000) -----			
<b>On balance sheet financial instruments</b>					
<b>Financial assets measured at fair value</b>					
<b>Available-for-sale securities</b>					
Pakistan Investment Bonds	49,507,894	-	49,507,894	-	49,507,894
Market Treasury Bills	9,482,710	-	9,482,710	-	9,482,710
Shares of listed companies	2,080,439	2,080,439	-	-	2,080,439
Term finance certificates	113,643	-	113,643	-	113,643
Units mutual funds	733,805	733,805	-	-	733,805
Sukuk bonds	698,735	-	698,735	-	698,735
<b>Financial assets not measured at fair value</b>					
Cash and balances with treasury banks	7,502,624	-	-	-	-
Balances with other banks	1,191,478	-	-	400,000	-
Lendings to financial institutions	6,938,610	-	-	-	-
<b>Held to maturity investments</b>					
Pakistan Investment Bonds	7,458,429	-	-	-	-
Government of Pakistan - Ijarah Sukuk	239,729	-	-	-	-
Preference shares - Listed	249,961	-	-	-	-
Term finance certificates - Listed	224,392	-	-	-	-
Certificate of deposits	100,000	-	-	100,000	-
Advances	51,901,838	-	-	-	-
Other assets	4,758,407	-	-	-	-
	143,182,694	2,814,244	59,802,982	500,000	62,617,226
<b>Financial liabilities not measured at fair value</b>					
Bills payable	714,212	-	-	-	-
Borrowings	8,910,738	-	-	-	-
Deposits and other accounts	118,843,374	-	-	-	-
Other liabilities	2,178,767	-	-	-	-
	130,647,091	-	-	-	-
<b>Off balance financial instruments</b>					
Foreign exchange contracts purchase	-	-	7,407,583	-	7,407,583
Foreign exchange contracts sale	-	-	6,960,019	-	6,960,019





	2015				
		Fair Value			
	Carrying value (Rupees in '000)	Level 1	Level 2	Level 3	Total
		----- (Rupees in '000) -----			
<b>On balance sheet financial instruments</b>					
<b>Financial assets measured at fair value</b>					
<b>Available-for-sale securities</b>					
Pakistan Investment Bonds	42,563,182	-	42,563,182	-	42,563,182
Market Treasury Bills	14,747,575	-	14,747,575	-	14,747,575
Shares of listed companies	1,889,395	1,889,395	-	-	1,889,395
Term finance certificates	477,462	-	477,462	-	477,462
Units mutual funds	444,879	444,879	-	-	444,879
Sukuk bonds	769,403	-	769,403	-	769,403
<b>Financial assets not measured at fair value</b>					
Cash and balances with treasury banks	5,297,618	-	-	-	-
Balances with other banks	1,086,079	-	-	-	-
Lendings to financial institutions	1,450,000	-	-	-	-
<b>Held to maturity investments</b>					
Pakistan investment bonds	7,444,973	-	-	-	-
Government of Pakistan - Ijarah Sukuk	239,780	-	-	-	-
Government of Pakistan Ijara Sukuk - Bai Muajjal	232,880	-	-	-	-
Listed preference shares	249,961	-	-	-	-
Unlisted preference shares	360,260	-	-	-	-
Listed term finance certificates	224,495	-	-	-	-
Advances	44,169,089	-	-	-	-
Other assets	4,253,395	-	-	-	-
	<u>125,900,426</u>	<u>2,334,274</u>	<u>58,557,622</u>	<u>-</u>	<u>60,891,896</u>
<b>Financial liabilities not measured at fair value</b>					
Bills payable	288,681	-	-	-	-
Borrowings	27,160,697	-	-	-	-
Deposits and other accounts	83,920,800	-	-	-	-
Other liabilities	1,960,133	-	-	-	-
	<u>113,330,311</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Off balance financial instruments</b>					
Foreign exchange contracts purchase	-	-	12,685,104	-	12,685,104
Foreign exchange contracts sale	-	-	12,162,392	-	12,162,392

The valuation techniques used for the above assets are same as disclosed below.

Item	Valuation techniques and input used
Fully paid-up ordinary shares /Close end mutual funds	Fair value is determined on the basis of closing quoted market prices available at the Pakistan Stock Exchange.
Open ended mutual funds	Fair value is based on redemption prices as at the close of the business day.
Pakistan Investment Bonds / Market Treasury Bills	Fair values of Pakistan Investment Bonds and Treasury Bills are derived using the PKRV rates (Reuters page).
Government of Pakistan (GoP) - Ijarah Sukuks	Fair values are derived using the PKISRV rates announced by the Financial Market Association (FMA) through Reuters.
Term Finance, Bonds and Sukuk certificates	Investments in debt securities (comprising term finance certificates, bonds, sukuk certificates and any other security issued by a company or a body corporate for the purpose of raising funds in the form of redeemable capital) are valued on the basis of the rates announced by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by the Securities and Exchange Commission of Pakistan.

## 35 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

The Group is in the process of structuring its key business areas in various segments in a manner that each segment becomes a distinguishable component of the Group that is engaged in providing products or services (business segment), which is subject to risks and rewards that are different from those of other segments. The business segments within the Group have been broadly categorized into the following classifications in accordance with the requirements of the State Bank of Pakistan.

### Business segments

#### a) Corporate Finance

It includes investment banking activities such as mergers and acquisitions, underwriting, privatization, securitization, Initial Public Offerings (IPOs) and secondary private placements.

#### b) Trading and sales

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

#### c) Retail Banking

Retail banking includes mortgage finance and personal loans to individual customers.

#### d) Commercial Banking and others

This includes loans, deposits and other transactions with corporates, small and medium sized customers including agriculture loans.

### Geographical segments

The Bank operates only in Pakistan.

Based on the above structure, the segment information for the year ended December 31, 2016 is given below:

	2016				Total
	Trading and sales	Retail banking	Corporate finance	Commercial banking and others	
	(Rupees in '000)				
Total income	8,969,910	-	-	4,375,844	13,345,754
Inter segment revenue - net	(4,709,959)	-	-	4,681,580	(28,379)
Total income - net	4,259,951	-	-	9,057,424	13,317,375
Total expenses	(1,144,350)	-	-	(9,724,350)	(10,868,700)
Net income / (loss)					
before tax	3,115,601	-	-	(666,926)	2,448,675
Segment assets	86,196,979	-	-	60,008,675	146,205,654
Segment liabilities	8,148,404	-	-	122,498,687	130,647,091
Segment return on assets					
(ROA) (%)*	11.49%	-	-	9.35%	-
Segment cost of funds (%)*	7.60%	-	-	4.41%	-

\* Includes inter-segment revenue / cost.



	2015			
	Trading and sales	Retail banking	Corporate finance	Commercial banking and others
	----- (Rupees in '000) -----			
Total income	9,235,946	-	-	4,385,014
Inter segment revenue - net	(3,772,312)	-	-	3,772,312
Total income - net	5,463,634	-	-	8,157,326
Total expenses	(1,783,499)	-	-	(9,762,557)
Net income before tax	3,680,135	-	-	(1,605,231)
Segment assets	76,191,806	-	-	51,912,108
Segment liabilities	25,781,179	-	-	87,549,132
Segment return on assets				
(ROA) (%)*	13.19%	-	-	10.30%
Segment cost of funds (%)*	8.17%	-	-	5.11%

\* Includes inter-segment revenue / cost.

### 36 RELATED PARTY TRANSACTIONS

The related parties of the Group comprise associated undertakings, directors, staff retirement funds and key management personnel (including their associates).

Transactions with related parties includes deposits, advances and other banking services which are carried out in accordance with agreed terms. Transaction with executives are undertaken at terms in accordance with employment agreements and service rules.

Contributions to and accruals in respect of staff retirement benefit plans are made in accordance with the terms of the benefit plan. Remuneration of the President & Chief Executive Officers and directors are determined in accordance with the terms of their appointment.

Government of Sindh (the GoS) through its Finance Department holds 100% shareholding in the Group and therefore entities which are owned and / or controlled by the GoS, or where the GoS may exercise significant influence, are related parties of the Group.

The Group in the ordinary course of business enters into transaction with Government-related entities. Such transactions include lending to, deposits from and provision of other banking service to Government related entities. However, it is impracticable to disclose transactions with all other entities owned or controlled by GoS.

The details of balances and transactions with related parties, other than those disclosed under respective notes, during the year are as follows:

#### Advances

Balance at the beginning of the year	31,480
Disbursed during the period	103,001
Repaid during the period	(13,713)
Balance at end of the year	120,768

#### Deposits

Balance at the beginning of the year	52,469
Received during the period	369,131
Withdrawals during the period	(367,354)
Balance at end of the year	54,246

Purchase of Government securities	-
Investment in shares	-
Sale of Government securities	-
Expenses recovered under agency arrangement	-
Mark-up receivable	69
Profit payable	367
Insurance premium paid	-
Sale proceeds received of fixed assets	-

	2016			
	Key management personnel	Directors	Associates / subsidiaries	Other related parties
	----- (Rupees in '000) -----			
Advances				
Balance at the beginning of the year	31,480	-	-	296,875
Disbursed during the period	103,001	-	-	-
Repaid during the period	(13,713)	-	-	(62,500)
Balance at end of the year	120,768	-	-	234,375
Deposits				
Balance at the beginning of the year	52,469	19,796	-	457,948
Received during the period	369,131	154,367	-	10,471,174
Withdrawals during the period	(367,354)	(155,025)	-	(9,927,691)
Balance at end of the year	54,246	19,138	-	1,001,431
Purchase of Government securities	-	-	-	508,017
Investment in shares	-	-	-	-
Sale of Government securities	-	-	-	799,537
Expenses recovered under agency arrangement	-	-	-	591
Mark-up receivable	69	-	-	4,972
Profit payable	367	163	-	10,824
Insurance premium paid	-	-	-	63,762
Sale proceeds received of fixed assets	-	-	-	10,157

#### Year ended December 31, 2016

Mark-up / return / interest earned	1,596	-	-	22,536
Mark-up / return / interest expensed	2,096	1,379	-	41,997
Gain on sale of Government securities	-	-	-	346
Rental income	-	-	-	2,240
Remuneration paid	154,970	5,491	-	-
Contribution to provident fund	4,606	-	-	-
Provision for gratuity	3,916	-	-	-
Other staff benefits	16,354	257	-	-
Directors' meeting fee	-	12,325	-	-
Other Expenses	-	1,380	-	-

As at the date of consolidated statement of financial position, loans/advances, deposits and contingencies related to government related entities amounted to Rs. 6,245.91 million (note 10.2), Rs. 58,905.81 million (note 16.1) and Rs. 116.80 million (note 20) respectively. The above includes deposits amounting to Rs.19,896.41 million (2015 : Rs.15,688 million) received through the Finance Department, Government of Sindh.

	2015			
	Key management personnel	Directors	Associates / subsidiaries	Other related parties
	----- (Rupees in '000) -----			
Advances				
Balance at the beginning of the year	18,445	-	-	375,000
Disbursed during the period	21,917	-	-	-
Repaid during the period	(8,882)	-	-	(78,125)
Balance at the end of the year	31,480	-	-	296,875





	2015			
	Key management personnel	Directors	Associates / subsidiaries	Other related parties
	----- (Rupees in '000) -----			
<b>Deposits</b>				
Balance at the beginning of the year	72,032	15,516	-	2,556,369
Received during the period	439,183	27,088	-	25,862,030
Withdrawals during the period	(458,746)	(22,808)	-	(27,960,451)
Balance at the end of the year	52,469	19,796	-	457,948
Purchase of Government securities	-	-	-	4,606,075
Investment in shares of subsidiary	-	-	-	-
Sale of Government securities	-	-	-	330,813
Expenses recovered under agency arrangement	-	-	-	518
Mark-up receivable	21	-	-	6,813
Profit payable	572	123	-	6,343
Insurance premium paid	-	-	-	22,773

Year ended December 31, 2015				
Mark-up / return / interest earned	952	-	-	33,258
Mark-up / return / interest expensed	3,407	1,155	-	128,851
Gain on sale of Government securities	-	-	-	153
Rental income	-	-	-	1,200
Remuneration paid	161,127	-	-	-
Contribution to provident fund	5,841	-	-	-
Provision for gratuity	7,551	-	-	-
Other staff benefits	30,995	-	-	-
Directors' meeting fee	-	10,470	-	-
Other Expenses	-	588	-	-

### 37 CAPITAL ADEQUACY RATIO

**37.1** The Basel-III Framework is applicable to the Group both at the consolidated level (comprising of wholly owned subsidiary) and on unconsolidated basis. Subsidiary is included while calculating consolidated capital adequacy for the Bank using full consolidation method whereas associates in which the bank has significant influence on equity method. Standardized approach is used for calculating the capital adequacy for credit and market risk, whereas, Basic Indicator Approach (BIA) is used for operational risk capital adequacy purposes.

### 37.2 Capital Management

Objectives and goals of managing capital

The Group manages its capital to attain the following objectives and goals:

- an appropriately capitalized status, as defined by banking regulations;
- acquire strong credit ratings that enable an optimized funding mix and liquidity sources at lesser costs;
- cover all risks underlying business activities;
- retain flexibility to harness future investment opportunities; build and expand even in stressed times.

#### Statutory minimum capital requirement and Capital Adequacy Ratio

The State Bank of Pakistan through BSD Circular No.07 of 2009 dated April 15, 2009 required the minimum paid up capital (net of losses) for all locally incorporated banks to be raised to Rs. 10 billion by the year ended on December 31, 2016. The raise was to be achieved in a phased manner. The paid up capital of the group for the year ended December 31, 2016 stands at Rs. 10.01 billion and is in compliance with the SBP requirement.

The capital adequacy ratio of the Group is subject to the Basel-III capital adequacy guidelines stipulated by the State Bank of Pakistan through BPRD Circular No. 06 of 2013 dated August 15, 2013. These requirements are applicable from December 31, 2013 with full implementation in a phased manner intended by December 31, 2019. Under the Basel-III guidelines banks are required to maintain the following ratios on an ongoing basis:

#### Phase-in arrangement and full implementation of the minimum capital requirements:

S. No.	Ratio	Year ended					
		2014	2015	2016	2017	2018	2019
1	CET I	5.50%	6.00%	6.00%	6.00%	6.00%	6.00%
2	ADT-I	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
3	Tier-I	7.00%	7.50%	7.50%	7.50%	7.50%	7.50%
4	Total Capital	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
5	* CCB	0.00%	0.25%	0.65%	1.275%	1.90%	2.50%
6	Total Capital plus CCB	10.00%	10.25%	10.65%	11.275%	11.90%	12.50%

\*(Consisting of CET I only)

### 37.3 Bank's regulatory capital is analyzed into three tiers

- Common Equity Tier I capital (CETI), which includes fully paid up capital (including the bonus shares), balance in share premium account, general reserves, statutory reserve as per the consolidated financial statements and net unappropriated profits after all regulatory adjustments applicable on CETI (refer to
- Additional Tier I Capital (ATI), which includes perpetual non-cumulative preference shares and share premium resulting from the issuance of preference shares, balance in share premium account after all regulatory adjustments applicable on ATI (REFER TO NOTE 37.5).
- Tier 2 capital, which includes Subordinated debt/ Instruments, share premium of issuance on Subordinated/ Instruments, general provisions for loan losses (up to maximum of 1.25% of credit risk weighted assets), Net of tax reserves on revaluation of fixed assets and equity investments up to a maximum of 45% of the balance and foreign exchange translation reserves after all regulatory adjustments applicable on Tier-2 (refer to note 37.5)

The required capital adequacy ratio (10.65% of the risk-weighted assets) is achieved by the Group through improvement in the asset quality at the existing volume level, ensuring better recovery management and composition of asset mix with low risk. Banking operations are categorized as either trading book or banking book and risk-weighted assets are determined according to specified requirements of the State Bank of Pakistan that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures. The total risk-weighted exposures comprise of the credit risk, market risk and operational risk.

Basel-III Framework enables a more risk-sensitive regulatory capital calculation to promote long term viability of the Group. As the Group carries on the business on a wide area network basis, it is critical that it is able to continuously monitor the exposure across the entire organization and aggregate the risks so as to take an integrated approach/view. Maximization of the return on risk-adjusted capital is the principal basis to be used in determining how capital is allocated within the Group to particular operations or activities.

The Group remained compliant with all externally imposed capital requirements through out the year. Further, there has been no material change in the Group's management of capital during the year.

### 37.4 Leverage Ratio

The leverage ratio of the Group as at December 31, 2016 is 9.76% (2015 :10.11%). The ratio has been computed as prescribed by the State Bank of Pakistan through instructions for Basel-III implementation in Pakistan.



As on December 31, 2016 total Tier I Capital of the Group amounts to Rs. 15,345,114 thousands (2015: Rs. 13,371,207 thousands) whereas the total exposure measured amounts to Rs. 157,180,064 thousands (2015: Rs. 136,313,212 thousands).

### 37.5 Capital Adequacy

The Group remained compliant with all externally imposed capital requirements through out the year. Further, there has been no material change in the Group's management of capital during the year.

	Note	2016 (Rupees in '000)	2015
<b>37.5.1 Capital Adequacy</b>			
<b>Common Equity Tier I capital (CETI): Instruments and reserves</b>			
1	Fully Paid-up Capital/ Capital deposited with SBP	10,010,130	10,000,000
2	Balance in Share Premium Account	51	-
3	Reserve for issue of Bonus Shares	-	-
4	Discount on Issue of shares	-	-
5	General/ Statutory Reserves	1,207,680	925,638
6	Gain/(Losses) on derivatives held as Cash Flow Hedge	-	-
7	Unappropriated/unremitted profits/ (losses)	4,206,670	3,089,085
8	Minority Interests arising from CETI capital instruments issued to third parties by consolidated bank subsidiaries (amount allowed in CETI capital of the consolidation group)	-	-
9	<b>CET I before Regulatory Adjustments</b>	<b>15,424,531</b>	<b>14,014,723</b>
10	Total regulatory adjustments applied to CETI (Note 37.4.1)	<b>93,812</b>	<b>538,987</b>
11	<b>Common Equity Tier I</b>	<b>15,330,719</b>	<b>13,475,736</b>
<b>Additional Tier I (AT I) Capital</b>			
12	Qualifying Additional Tier-I capital instruments plus any related share premium	-	-
13	of which: Classified as equity	-	-
14	of which: Classified as liabilities	-	-
15	Additional Tier-I capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group AT I)	-	-
16	of which: instrument issued by subsidiaries subject to phase out	-	-
17	<b>ATI before regulatory adjustments</b>	-	-
18	Total regulatory adjustment applied to ATI capital (Note 37.4.2)	-	-
19	Additional Tier I capital after regulatory adjustments	-	-
20	<b>Additional Tier I capital recognized for capital adequacy</b>	-	-
21	<b>Tier I Capital (CETI + admissible ATI) (11+20)</b>	<b>15,330,719</b>	<b>13,475,736</b>
	<b>Tier 2 Capital</b>		

## Annual Report 2016



	Note	2016	2015
		(Rupees in '000)	
22 Qualifying Tier 2 capital instruments under Basel III plus any related share premium		-	-
23 Tier 2 capital instruments subject to phase-out arrangement issued under pre-Basel 3 rules		-	-
24 Tier 2 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group tier 2)		-	-
25 of which: instruments issued by subsidiaries subject to phase out		-	-
26 General provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets		639,292	534,623
27 Revaluation Reserves (net of taxes)		-	-
28 of which: Revaluation reserves on fixed assets		-	-
29 of which: Unrealized gains/losses on AFS		134,032	758,879
30 Foreign Exchange Translation Reserves		-	-
31 Undisclosed/Other Reserves (if any)		-	-
32 T2 before regulatory adjustments		773,324	1,293,502
33 Total regulatory adjustment applied to T2 capital (Note 37.4.3)		9,731	120,155
34 Tier 2 capital (T2) after regulatory adjustments		-	-
35 Tier 2 capital recognized for capital adequacy		-	-
36 Portion of Additional Tier I capital recognized in Tier 2 capital		-	-
37 Total Tier 2 capital admissible for capital adequacy		763,593	1,173,347
38 TOTAL CAPITAL (T1 + admissible T2) (21+37)		16,094,312	14,649,083
39 Total Risk Weighted Assets (RWA) {for details refer Note 37.7}		88,659,191	71,785,607
<b>Capital Ratios and buffers (in percentage of risk weighted assets)</b>			
40 CETI to total RWA		17.29%	18.77%
41 Tier-I capital to total RWA		17.29%	18.77%
42 Total capital to total RWA		18.15%	20.41%
43 Bank specific buffer requirement (minimum CETI requirement plus capital conservation buffer plus any other buffer requirement)		6.65%	6%
44 of which: capital conservation buffer requirement		0.65%	0%
45 of which: countercyclical buffer requirement		0%	0%
46 of which: D-SIB or G-SIB buffer requirement		0%	0%
47 CETI available to meet buffers (as a percentage of risk weighted assets)		10.64%	12.77%
<b>National minimum capital requirements prescribed by SBP</b>			
48 CETI minimum ratio		6%	6%
49 Tier I minimum ratio		8%	8%
50 Total capital minimum ratio		10%	10%
Total capital minimum ratio plus CCB		10.65%	10.25%



	2016	2015
Amount	Amounts subject to Pre- Basel III treatment	Amounts subject to Pre- Basel III treatment

----- Rupees in '000 -----

### 37.6.2 Additional Tier-I & Tier-I Capital: regulatory adjustments

23	Investment in mutual funds exceeding the prescribed limit [SBP specific adjustment]	-	-	-	-
24	Investment in own AT1 capital instruments	-	-	-	-
25	Reciprocal cross holdings in Additional Tier I capital instruments of banking, financial and insurance entities	-	-	-	-
26	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the group does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-	-
27	Significant investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-	-	-
28	Portion of deduction applied 50:50 to Tier-I and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from additional tier-I capital	-	-	-	-
29	Adjustments to Additional Tier I due to insufficient Tier 2 to cover deductions	-	-	-	-
30	Total regulatory adjustment applied to AT1 capital (sum of 23 to 29)	-	-	-	-

31	Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	-	-	-	-
32	Reciprocal cross holdings in Tier 2 instruments of banking, financial and insurance entities	-	-	-	-
33	Investment in own Tier 2 capital instrument	-	-	-	-
34	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)	9,731	5,838	120,155	48,062
35	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-	-	-
36	Total regulatory adjustment applied to T2 capital (sum of 31 to 35)	9,731	5,838	120,155	48,062



37.6.4 Additional Information

- Risk weighted assets in respect of deduction items (which during the transitional period will be risk weighted subject to Pre-Basel III Treatment)
- (i) of which: deferred tax assets
  - (ii) of which: Defined-benefit pension fund net assets
  - (iii) of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is less than 10% of the issued common share capital of the entity
  - (iv) of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is more than 10% of the issued common share capital of the entity

2016	2015
----- Rupees in '000 -----	
-	-
-	-
1,582,389	1,992,372
-	-
1,582,389	1,992,372

37.6.5 Amounts below the thresholds for deduction (before risk weighting)

- 38 Non-significant investments in the capital of other financial entities
- 39 Significant investments in the common stock of financial entities
- 40 Deferred tax assets arising from temporary differences (net of related tax liability)

-	-
-	-
1,190,077	301,887
1,190,077	301,887

37.6.6 Applicable caps on the inclusion of provisions in Tier 2

- 41 Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)
- 42 Cap on inclusion of provisions in Tier 2 under standardized approach
- 43 Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)
- 44 Cap for inclusion of provisions in Tier 2 under internal ratings-based approach

-	-
-	-
-	-
-	-

37.7 Capital Structure Reconciliation

Step I

Assets

- Cash and balances with treasury banks
- Balanced with other banks
- Lending to financial institutions
- Investments
- Advances
- Operating fixed assets
- Deferred tax assets
- Other assets
- Total assets

As per published financial statements	Under regulatory scope of reporting
December 31, 2016	
Rupees in '000	
7,502,624	7,502,624
1,191,478	1,191,478
6,938,610	6,938,610
70,889,737	70,889,737
51,901,838	51,901,838
1,832,883	1,832,883
1,190,077	1,190,077
4,758,407	4,758,407
146,205,654	146,205,654

Annual Report  
2016



Liabilities & Equity

- Bills payable
- Borrowings
- Deposits and other accounts
- Sub-ordinated loans
- Liabilities against assets subject to finance lease
- Deferred tax liabilities
- Other liabilities
- Total liabilities

- Share capital/ head office capital account
- Reserves
- Unappropriated/ unremitted profit/ (losses)
- Minority interest
- Surplus on revaluation of assets
- Total equity

Total liabilities & equity

As per published financial statements	Under regulatory scope of reporting
December 31, 2016	
Rupees in '000	
714,212	714,212
8,910,738	8,910,738
118,843,374	118,843,374
-	-
-	-
-	-
2,178,767	2,178,767
130,647,091	130,647,091
10,010,130	10,010,130
1,207,731	1,207,731
4,206,670	4,206,670
-	-
134,032	134,032
15,558,563	15,558,563
146,205,654	146,205,654





Annual Report  
2016



	December 31, 2016		
Step 2	As per published financial statements	Under regulatory scope of consolidation	Reference
Assets	Rupees in '000		
Cash and balances with treasury banks	7,502,624	7,502,624	
Balanced with other banks	1,191,478	1,191,478	
Lending to financial institutions	6,938,610	6,938,610	
Investments	70,889,737	70,889,737	
- of which: non-significant capital investments in capital of other financial institutions exceeding 10% threshold	45,718	45,718	a
- of which: significant capital investments in financial sector entities exceeding regulatory threshold	-	-	b
- of which: mutual funds exceeding regulatory threshold	-	-	c
- of which: reciprocal crossholding of capital instrument	-	-	d
- of which: others (mention details)	70,844,019	70,844,019	e
Advances	51,901,838	51,901,838	
Shortfall in provisions/ excess of total EL amount over eligible provisions under IRB	-	-	f
General provisions reflected in Tier 2 capital	639,235	639,235	g
Fixed assets	1,832,883	1,832,883	
Deferred tax assets	1,190,077	1,190,077	
- of which: DTAs excluding those arising from temporary differences	-	-	h
- of which: DTAs arising from temporary differences exceeding regulatory threshold	-	-	i
Other assets	4,758,407	4,758,407	
- of which: goodwill	-	-	j
- of which: intangibles	67,689	67,689	k
- of which: Defined-benefit pension fund net assets	-	-	l
Total assets	146,205,654	146,205,654	
Liabilities & Equity			
Bills payable	714,212	714,212	
Borrowings	8,910,738	8,910,738	
Deposits and other accounts	118,843,374	118,843,374	
Sub-ordinated loans	-	-	
- of which: eligible for inclusion in AT I	-	-	m
- of which: eligible for inclusion in Tier 2	-	-	n
Liabilities against assets subject to finance lease	-	-	
Deferred tax liabilities	-	-	
- of which: DTLs related to goodwill	-	-	o
- of which: DTLs related to intangible assets	9,864	9,864	p
- of which: DTLs related to defined pension fund net assets	-	-	q
- of which: other deferred tax liabilities	-	-	r
Other liabilities	2,178,767	2,178,767	
Total liabilities	130,647,091	130,647,091	
Share capital	10,010,130	10,010,130	
- of which: amount eligible for CET I	10,010,130	10,010,130	s
- of which: amount eligible for AT I	-	-	t

	December 31, 2016		
Step 2	As per published financial statements	Under regulatory scope of consolidation	Reference
	Rupees in '000		
Reserves	1,207,731	1,207,731	
- of which: portion eligible for inclusion in CET I (provide breakup)	1,207,731	1,207,731	u
- of which: portion eligible for inclusion in Tier 2	-	-	v
Unappropriated profit/ (losses)	4,206,670	4,206,670	w
Minority Interest	-	-	
- of which: portion eligible for inclusion in CET I	-	-	x
- of which: portion eligible for inclusion in AT I	-	-	y
- of which: portion eligible for inclusion in Tier 2	-	-	z
Surplus on revaluation of assets	134,032	134,032	
- of which: revaluation reserves on property	-	-	
- of which: unrealized gains / (losses) on AFS	134,032	134,032	aa
- In case of deficit on revaluation (deduction from CET I)	-	-	ab
Total Equity	15,558,563	15,558,563	
Total liabilities & Equity	146,205,654	146,205,654	

Step 3	Source based on reference number from step 2	Source based on reference number from step 2	
	Rupees in '000		
Common Equity Tier I capital (CET I): Instruments and reserves			
Fully Paid-up capital/ capital deposited with SBP	10,010,130		(s)
Balance in share premium account	51		
Reserve for issue of bonus shares	-		
General/ statutory reserves	1,207,680		(u)
Gain/(Losses) on derivatives held as cash flow hedge	-		
Unappropriated/unremitted profits/(losses)	4,206,670		(w)
Minority Interests arising from CET I capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET I capital of the consolidation group)	-		(x)
CET I before Regulatory Adjustments	15,424,531		
Common Equity Tier I capital: Regulatory Adjustments			
Goodwill (net of related deferred tax liability)	-		(j) - (o)
All other intangibles (net of any associated deferred tax liability)	57,825		(k) - (p)
Shortfall of provisions against classified assets	-		(f)
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-		{(h) - (r)} * x%
Defined-benefit pension fund net assets	-		{(l) - (q)} * x%
Reciprocal cross holdings in CET I capital instruments	-		(d)
Cash flow hedge reserve	-		
Investment in own shares/ CET I instruments	-		
Securitization gain on sale	-		
Capital shortfall of regulated subsidiaries	-		
Deficit on account of revaluation from bank's holdings of property / AFS	-		(ab)



Step 3	Source based on reference number from step 2	Source based on reference number
	Rupees in '000	
20 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	35,987	(a) - (ac) - (ae)
21 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	(b) - (ad) - (af)
22 Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	(i)
23 Amount exceeding 15% threshold	-	
24 - of which: significant investments in the common stocks of financial entities	-	
25 - of which: deferred tax assets arising from temporary differences	-	
26 National specific regulatory adjustments applied to CET I capital	-	
27 Investment in TFCs of other banks exceeding the prescribed limit	-	
28 Any other deduction specified by SBP (mention details)	-	
29 Regulatory adjustment applied to CET I due to insufficient AT I and Tier 2 to cover deductions	-	
30 Total regulatory adjustments applied to CET I	93,812	
31 Common Equity Tier I	15,330,719	
Additional Tier I (AT I) Capital		
32 Qualifying additional Tier-I instruments plus any related share premium	-	
33 - of which: classified as equity	-	(t)
34 - of which: classified as liabilities	-	(m)
35 Additional Tier-I capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT I)	-	(y)
36 - of which: instrument issued by subsidiaries subject to phase out	-	
37 AT I before regulatory adjustments	-	
Additional Tier I Capital: regulatory adjustments		
38 Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	-	
39 Investment in own AT I capital instruments	-	
40 Reciprocal cross holdings in additional Tier I capital instruments	-	
41 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)
42 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	(ad)
43 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-I capital	-	
44 Regulatory adjustments applied to additional Tier I due to insufficient Tier 2 to cover deductions	-	
45 Total of regulatory adjustment applied to AT I capital	-	
46 Additional Tier I capital	-	
47 Additional Tier I capital recognized for capital adequacy	-	

Annual Report  
2016



	Source based on reference	Source based on reference
	Rupees in '000	
48 Tier I Capital (CET I + admissible AT I)	15,330,770	
Tier 2 Capital		
49 Qualifying Tier 2 capital instruments under Basel III	-	(n)
50 Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)	-	
51 Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)	-	(z)
52 - of which: instruments issued by subsidiaries subject to phase out	-	
53 General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit risk weighted assets	639,235	(g)
54 Revaluation reserves eligible for Tier 2	134,032	
55 - of which: portion pertaining to Property	-	portion of (aa)
56 - of which: portion pertaining to AFS securities	134,032	
57 Foreign exchange translation reserves	-	(v)
58 Undisclosed / other reserves (if any)	-	
59 T2 before regulatory adjustments	773,267	
Tier 2 Capital: regulatory adjustments		
60 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 de duction from tier-2 capital	-	
61 Reciprocal cross holdings in Tier 2 instruments	-	
62 Investment in own Tier 2 capital instrument	-	
63 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)	9,731	(ae)
64 Significant investments in the capital instruments issued by banking, financial and insur nce entities that are outside the scope of regulatory consolidation	-	(af)
65 Amount of regulatory adjustment applied to T2 capital	9,731	
66 Tier 2 capital (T2)	763,536	
67 Tier 2 capital recognized for capital adequacy	763,536	
68 Excess additional Tier I capital recognized in Tier 2 capital	-	
69 Total Tier 2 capital admissible for capital adequacy	763,536	
Total capital (T I + admissible T2)	16,094,306	





### 37.8 Main features template of Regulatory Capital Instruments

1	Issuer	Sindh Bank Ltd
2	Unique identifier (eg PSX Symbol or Bloomberg identifier etc.)	Un-quoted
3	Governing law(s) of the instrument	Laws applicable in Pakistan
	<b>Regulatory treatment</b>	
4	- Transitional Basel III rules	Common Equity Tier I
5	- Post-transitional Basel III rules	Common Equity Tier I
6	- Eligible at solo / group / group & solo	Group & Solo
7	- Instrument type	Ordinary Shares
8	- Amount recognized in regulatory capital (Currency in PKR thousands as of reporting date)	10,010,130
9	Par value of instrument	Rs. 10
10	Accounting classification	Shareholders
11	Original date of issuance	October 29, 2010
12	Perpetual or dated	Perpetual
13	Original maturity date	Not applicable
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	Not applicable
16	Subsequent call dates, if applicable	Not applicable
	<b>Coupons / Dividends</b>	
17	Fixed or floating dividend/ coupon	Floating Dividend
18	Coupon rate and any related index/ benchmark	Not applicable
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	Non-cumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	Not applicable
25	If convertible, fully or partially	Not applicable
26	If convertible, conversion rate	Not applicable
27	If convertible, mandatory or optional conversion	Not applicable
28	If convertible, specify instrument type convertible into	Not applicable
29	If convertible, specify issuer of instrument it converts into	Not applicable
30	Write-down feature	No
31	If write-down, write-down trigger(s)	Not applicable
32	If write-down, full or partial	Not applicable
33	If write-down, permanent or temporary	Not applicable
34	If temporary write-down, description of write-up mechanism	Not applicable
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	Not applicable

The instruments issued by the Group till December 31, 2016 include only ordinary shares having face value of Rs. 10 each (Refer Note 18). Therefore, requirements other than those disclosed above with respect to main features of Regulatory Capital Instruments is not applicable in case of Sindh Bank Limited as at December 31, 2016.

## Annual Report 2016



### 37.9 Risk Weighted Assets

The risk weighted assets to capital ratio, calculated in accordance with the State Bank of Pakistan's guidelines on capital adequacy was as follows:

	2016		2015	
	Capital Requirements	Risk Weighted Assets	Capital Requirements	Risk Weighted Assets
	(Rupees in '000)			
<b>Credit Risk :</b>				
<b>Credit Risk on Balance Sheet Portfolios subject to standardized approach (Simple) :</b>				
Cash & cash equivalents	-	-	-	-
Sovereign	-	-	-	-
Public sector entities	16,079	160,787	17,942	179,421
Banks	143,153	1,431,530	80,976	809,762
Corporate	3,444,490	34,444,902	2,874,798	28,747,977
Retail	193,688	1,936,882	229,205	2,292,053
Residential mortgages	11,449	114,490	7,500	74,995
Past due loans	157,316	1,573,164	32,514	325,138
Deferred Tax Assets	297,519	2,975,193	75,472	754,715
Listed equity investment	58,232	582,316	100,852	1,008,524
Un-listed equity investment	-	-	54,039	540,390
Operating fixed assets	176,519	1,765,194	182,904	1,829,043
Other assets	86,135	861,347	22,536	225,357
	4,584,580	45,845,805	3,678,738	36,787,375
<b>Off-Balance sheet :</b>				
<b>Non-market related</b>				
Financial guarantees, acceptances, performance related commitments, trade related etc	525,953	5,259,528	592,629	5,926,291
<b>Market related</b>				
Foreign Exchange contracts/ derivatives etc.	3,801	38,011	5,626	56,258
	529,754	5,297,539	598,255	5,982,549
<b>TOTAL CREDIT RISK</b>	<b>5,114,334</b>	<b>51,143,344</b>	<b>4,276,993</b>	<b>42,769,924</b>
	(a)			
<b>Market Risk:</b>				
<b>Capital Requirement for portfolios subject to standardized Approach:</b>				
Interest rate risk	2,265,246	22,652,460	1,798,318	17,983,176
Equity position risk	555,651	5,556,513	377,879	3,778,789
Foreign exchange risk	2,703	27,025	11,174	111,739
<b>TOTAL MARKET RISK</b>	<b>2,823,600</b>	<b>28,235,998</b>	<b>2,187,371</b>	<b>21,873,704</b>
	(b)			
<b>Operational Risk :</b>				
<b>Capital Requirement for portfolios subject to basic Indicator Approach:</b>				
<b>Operational Risk</b>	<b>927,985</b>	<b>9,279,849</b>	<b>712,102</b>	<b>7,141,979</b>
	(c)			
<b>TOTAL RISK WEIGHTED ASSETS</b>	<b>8,865,919</b>	<b>88,659,191</b>	<b>7,176,466</b>	<b>71,785,607</b>
	(a)+(b)+(c)			



#### Capital Adequacy Ratios

	2016		2015	
	Required	Actual	Required	Actual
CET I to total RWA	6.00%	17.29%	6.00%	18.77%
Tier-I capital to total RWA	7.50%	17.29%	7.50%	18.77%
Total capital to total RWA	10.00%	18.15%	10.00%	20.14%
Total capital plus CCB to total RWA	10.65%	18.15%	10.25%	20.14%

### 38 RISK MANAGEMENT

Under the Group risk management framework, the Board's Risk Management Committee (BRMC) is responsible for review and improvement of the risk policies of the Bank. On a management level, the Group has set up a Risk Management Division (RMD) to identify, assess and monitor credit risk, market risk and operational risk in the activities of the Group and take adequate measures to manage and control risks on timely basis.

#### 38.1 Credit risk

Credit risk strives to maximize the Group risk adjusted rate of return by maintaining credit risk exposure within acceptable parameters. The effective management of credit risk is a critical component of a comprehensive approach to risk management and essential to the long term success of any banking organization.

The Group lending function is primarily focused on small and medium sized secured loans in agriculture, SME and consumer products. large corporate, commercial and industrial loans are provided on selective basis whose policy is subject to review as and when required.

Under RMD, the Credit Risk Management Department (CRMD) is responsible to ensure that credit risk stays within the parameters set by the Board, and to set up and monitor system parameters for identifying risks, monitoring of these risks and early warning systems. RMD monitors credit on a portfolio basis using the auto risk system and reports to the CEO and the BRMC on a regular basis.

#### 38.2 Segments by class of business

##### 38.2.1 Segment information

Segmental information by the class / nature of business and segment by distribution of advances, deposits & contingencies is given below:

	2016					
	Advances (Gross)		Deposits		Contingencies and commitments	
	(Rupees in Percent '000)		(Rupees in Percent '000)		(Rupees in Percent '000)	
Chemical and pharmaceuticals	960,124	1.71%	1,485,771	1.25%	22,893	0.07%
Agri-business	2,567,016	4.58%	2,002,432	1.68%	-	0.00%
Manufacturing of textile	167,442	0.30%	144,630	0.12%	413,386	1.21%
Cement	432,121	0.77%	81,059	0.07%	-	0.00%
Transport, Storage and Communication	1,122,293	2.00%	995,841	0.84%	-	0.00%
Importers / Exporters	378,983	0.68%	198,700	0.17%	127,147	0.37%
Wholesale and retail trade	414,094	0.74%	4,396,380	3.70%	173,299	0.51%
Mining and quarrying	2,758,299	4.92%	69,434	0.06%	20,420	0.06%
Hotels and restaurants	1,074,455	1.92%	96,894	0.08%	-	0.00%
Manufacturing of basic iron and steel	1,985,919	3.54%	17,005	0.01%	107,912	0.31%
Sugar	16,484,721	29.41%	269,064	0.23%	121,294	0.35%
Automobile and transportation equipment	2,597,492	4.63%	147,097	0.12%	1,197,805	3.49%
Financial	2,458,866	4.39%	8,393,043	7.06%	26,100,701	76.08%

Rice  
 Construction, Real Estate & Societies  
 Public Sector - Provincial Government  
 Funds / Departments  
 Food  
 Insurance  
 Power Electricity and Gas  
 Education  
 Individuals  
 Others

#### Total

	2016					
	Advances (Gross)		Deposits		Contingencies and commitments	
	(Rupees in Percent '000)		(Rupees in Percent '000)		(Rupees in Percent '000)	
Rice	318,184	0.57%	70,053	0.06%	-	0.00%
Construction, Real Estate & Societies	4,375,160	7.81%	7,427,251	6.25%	1,157,825	3.38%
Public Sector - Provincial Government	-	0.00%	19,896,414	16.74%	-	0.00%
Funds / Departments						
Food	6,781,675	12.10%	155,090	0.13%	189,562	0.55%
Insurance	-	-	11,971	0.01%	-	0.00%
Power Electricity and Gas	6,396,929	11.41%	565,145	0.48%	1,626,946	4.74%
Education	170,939	0.30%	10,315,436	8.68%	1,150	0.00%
Individuals	485,240	0.87%	8,924,585	7.51%	-	0.00%
Others	4,118,971	7.36%	53,180,079	44.76%	3,044,656	8.88%
Total	56,048,923	100.01%	118,843,374	100.01%	34,304,996	100.00%

	2015					
	Advances (Gross)		Deposits		Contingencies and commitments	
	(Rupees in Percent '000)		(Rupees in Percent '000)		(Rupees in Percent '000)	
Chemical and pharmaceuticals	716,001	1.53%	851,835	1.02%	3,411	0.01%
Agri-business	2,979,691	6.38%	2,030,415	2.42%	-	0.00%
Manufacturing of textile	114,307	0.24%	134,530	0.16%	401,143	0.75%
Cement	727,565	1.56%	14,529	0.02%	-	0.00%
Transport, Storage and Communication	755,426	1.62%	350,071	0.42%	-	0.00%
Importers / Exporters	324,404	0.69%	190,106	0.23%	133,278	0.25%
Wholesale and retail trade	38,360	0.08%	3,701,818	4.41%	55,511	0.10%
Mining and quarrying	374,214	0.80%	335,012	0.40%	3,000	0.01%
Hotels and restaurants	499,270	1.07%	74,527	0.09%	-	0.00%
Manufacturing of basic iron and steel	1,844,842	3.95%	65,291	0.08%	84,747	0.16%
Sugar	14,792,556	31.67%	200,150	0.24%	301,369	0.56%
Automobile and transportation equipment	1,735,653	3.72%	230,555	0.27%	73,922	0.14%
Financial	1,016,798	2.18%	2,889,762	3.44%	47,558,122	88.41%
Rice	183,446	0.39%	94,559	0.11%	-	0.00%
Construction, Real Estate & Societies	2,685,529	5.75%	3,388,076	4.04%	1,121,030	2.08%
Public Sector - Provincial Government						
Funds / Departments	-	0%	15,688,225	18.69%	-	0%
Food	10,068,982	21.56%	321,956	0.38%	72,442	0.13%
Insurance	-	-	94,094	0.11%	-	0%
Power Electricity and Gas	4,326,171	9.26%	1,297,548	1.55%	1,585,896	2.95%
Education	728,293	1.56%	4,596,686	5.48%	1,150	0%
Individuals	247,632	0.53%	7,929,366	9.45%	-	0%
Others	2,548,892	5.46%	39,441,689	46.92%	2,399,579	4.45%
Total	46,708,032	100%	83,920,800	100%	53,794,600	100%



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

	2016			2015		
	Classified Advances	Specific provision held	Percentage	Classified Advances	Specific provision held	Percentage
	(Rupees in '000)		%	(Rupees in '000)		%
Agri-business	297,846	29,268	18.98%	227,849	18,922	78.49%
Financial	-	-	0.00%	-	-	0%
Importers / Exporters	18,498	18,498	1.18%	18,498	18,498	6.37%
Sugar	500,000	84,128	31.86%	-	-	0%
Construction & Real Estate	616,686	-	39.30%	-	-	0%
Food	88,779	11,140	5.66%	43,934	-	15.14%
Others	47,566	-	3.03%	-	-	0%
<b>Total</b>	<b>1,569,375</b>	<b>143,034</b>	<b>100%</b>	<b>290,281</b>	<b>37,420</b>	<b>100%</b>

### 38.2.3 Segment by sector

	2016					
	Advances (Gross)		Deposits		Contingencies and commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Public / Government	6,245,905	11.14%	68,044,899	57.26%	248,586	0.72%
Private	49,803,018	88.86%	50,798,475	42.74%	34,056,410	99.28%
<b>Total</b>	<b>56,048,923</b>	<b>100.00%</b>	<b>118,843,374</b>	<b>100.00%</b>	<b>34,304,996</b>	<b>100.00%</b>

	2015					
	Advances (Gross)		Deposits		Contingencies and commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Public / Government	9,410,220	20.15%	48,826,543	58.18%	22,609,673	42.03%
Private	37,297,812	79.85%	35,094,257	41.82%	31,184,927	57.97%
<b>Total</b>	<b>46,708,032</b>	<b>100%</b>	<b>83,920,800</b>	<b>100%</b>	<b>53,794,600</b>	<b>100%</b>

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

	2016			2015		
	Classified Advances	Specific provision held	Percentage	Classified Advances	Specific provision held	Percentage
	(Rupees in '000)		%	(Rupees in '000)		%
Public / Government	-	-	-	-	-	-
Private	1,569,375	143,034	100.00%	290,281	37,420	100.00%
<b>Total</b>	<b>1,569,375</b>	<b>143,034</b>	<b>100.00%</b>	<b>290,281</b>	<b>37,420</b>	<b>100.00%</b>

### 38.2.5 Geographical Segment Analysis

	2016			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	(Rupees in '000)			
Pakistan	2,448,675	146,205,654	15,558,563	34,304,996

## Annual Report 2016



	2015			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	(Rupees in '000)			
Pakistan	2,074,904	128,103,914	14,773,603	53,794,600

### 38.3 Market risk

Market Risk is the risk that the value of 'on' or 'off' balance sheet positions will be adversely affected by movements in equity and interest rate markets, currency exchange rates and commodity prices.

The market risk management organization in the Group comprises of the Board of Directors, BRMC, Asset and Liability Committee (ALCO), RMD and within the RMD the Market and Asset Liability Risk Management Department

#### 38.3.1 Foreign exchange risk

Foreign exchange risk is the risk that the Group may suffer losses as a result of adverse exchange rate movements during a period in which it has an open position, either in the form of a balance sheet asset or liability account, or off balance sheet item. Likewise foreign exchange settlement risk is the risk of loss when a bank in a foreign exchange transaction pays the currency it sold but does not receive the currency it bought. FX settlement failures can arise from counter party default, operational problems, market liquidity constraints and other factors.

	As at December 31, 2016			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	(Rupees in '000)			
Pakistan Rupee	145,406,061	129,474,443	(447,564)	15,484,054
United States Dollar	490,410	1,004,314	573,879	59,975
Great Britain Pound	199,142	122,301	(76,915)	(74)
Euro	96,610	46,033	(49,400)	1,177
Japanese Yen	1,449	-	-	1,449
UAE Dirham	11,982	-	-	11,982
	<b>146,205,654</b>	<b>130,647,091</b>	<b>-</b>	<b>15,558,563</b>

	As at December 31, 2015			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	(Rupees in '000)			
Pakistan Rupee	126,648,183	111,470,037	(574,187)	14,603,959
United States Dollar	1,338,014	1,707,518	531,550	162,046
Great Britain Pound	83,397	116,983	36,900	3,314
Euro	31,422	35,773	5,737	1,386
Japanese Yen	2,066	-	-	2,066
UAE Dirham	832	-	-	832
	<b>128,103,914</b>	<b>113,330,311</b>	<b>-</b>	<b>14,773,603</b>





### 38.3.2 Equity position risk

Equity position risk in trading book arises due to change in price of shares or levels of equity indices.

The Group's equity and mutual fund exposure is managed within the SBP limits for overall investment and per scrip exposure. In addition, there are internal limits for trading positions as well as stop loss limits, dealer limits, future contracts limits and continuous funding system limits.

### 38.3.3 Yield / interest rate risk

Yield / Interest rate risk reflects the degree of vulnerability of an organization to adverse changes in markup / interest rates. Such risk taking is normal in a financial institution and could be an important source of profit earning. However, excess yield / interest rate risk may create a serious threat to a Group's returns and capital base. ALCO, Treasury Division and RMD monitor the repricing / mismatch risks, basis risks, yield curve risks, and option risks on a continuous basis to minimize the yield / interest rate risk.

### 38.3.4 Price risk

Price risk is the risk that the value of a security or portfolio of securities will decline in the future. It is the risk of losing money due to a fall in the market price of a security that the Group owns. It results from changes in the value of marked-to-market financial instruments. Transactions in equity securities are subject to systemic and non-systemic risks. In order to counter these the BRMC has laid down the limits of various investments, while the Treasury Division and RMD monitor these investments on a daily basis.

### 38.3.5 Mismatch of interest rate sensitive assets and liabilities

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market interest rates. The Group is exposed to interest / mark-up rate risk as a result of mismatches or gaps in the amount of interest / mark-up based assets and liabilities that mature or re-price in a given period. The Group manages this risk by matching / re-pricing of assets and liabilities. The Group is not excessively exposed to interest/mark-up rate risk as its assets and liabilities are re-priced frequently. The Assets and Liabilities Committee (ALCO) of the Bank monitors and manages the interest rate risk with the objective of limiting the potential adverse effects on the profitability of the Group.

	Effective Yield / Interest rate	2016										Non-interest bearing financial instruments
		Exposed to Yield / Interest risk										
		Total	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	
(Rupees in '000)												
<b>On-balance sheet financial instruments</b>												
<b>Assets</b>												
Cash and balances with treasury banks		7,502,624	69,142	47,679	35,171	33,411	-	-	-	-	-	7,317,221
Balances with other banks	2.04%	1,191,478	576,462	200,000	400,000	-	-	-	-	-	-	15,016
Lendings to financial institutions	5.25%	6,938,610	6,938,610	-	-	-	-	-	-	-	-	-
Investments	8.73%	70,889,737	8,983,317	676,001	1,525,830	204,900	-	118	50,442,903	6,523,318	2,533,350	-
Advances	7.76%	51,901,838	34,269,485	6,779,711	413,779	3,909,624	1,033,935	915,296	2,545,909	1,633,553	350,358	50,188
Other assets	6.38%	4,758,407	529,685	-	-	-	-	-	-	-	-	4,228,722
		143,182,694	51,366,701	7,703,391	2,374,780	4,147,935	1,033,935	915,296	2,546,027	52,076,456	6,873,676	14,144,497
<b>Liabilities</b>												
Bills payable		714,212	-	-	-	-	-	-	-	-	-	714,212
Borrowings from Financial Institutions	6.15%	8,910,738	6,337,415	1,081,500	1,491,823	-	-	-	-	-	-	-
Deposits and other accounts	4.51%	118,843,374	50,523,202	11,524,948	10,794,966	13,394,522	199,927	11,310	102,800	-	-	32,291,699
Other liabilities		2,178,767	-	-	-	-	-	-	-	-	-	2,178,767
		130,647,091	56,860,617	12,606,448	12,286,789	13,394,522	199,927	11,310	102,800	-	-	35,184,678
		12,535,603	(5,493,916)	(4,903,057)	(9,912,009)	(9,246,587)	834,008	903,986	2,443,227	52,076,456	6,873,676	(21,040,181)
<b>On-balance sheet gap</b>												
<b>Off-balance sheet financial instruments</b>												
Purchase and resale agreements		4,940,180	4,940,180	-	-	-	-	-	-	-	-	-
Sale and repurchase agreements		6,189,382	6,189,382	-	-	-	-	-	-	-	-	-
		11,129,562	11,129,562	-	-	-	-	-	-	-	-	-
<b>Off-balance sheet gap</b>												
<b>Total Yield / Interest Risk Sensitivity Gap</b>												
		5,635,646	(4,903,057)	(9,912,009)	(9,246,587)	834,008	903,986	2,443,227	52,076,456	6,873,676	(21,040,181)	
<b>Cumulative Yield / Interest Risk Sensitivity Gap</b>												
		5,635,646	(4,903,057)	(9,912,009)	(9,246,587)	834,008	903,986	2,443,227	52,076,456	6,873,676	(21,040,181)	
<b>Reconciliation with total assets:</b>												
Assets as per above		143,182,694	-	-	-	-	-	-	-	-	-	-
Fixed assets		1,832,883	-	-	-	-	-	-	-	-	-	-
Deferred tax asset		1,190,077	-	-	-	-	-	-	-	-	-	-
Assets as per Consolidated Statement of Financial Position		146,205,654	-	-	-	-	-	-	-	-	-	-
<b>Reconciliation with total liabilities:</b>												
Liabilities as per above		130,647,091	-	-	-	-	-	-	-	-	-	-
Deferred tax liability		-	-	-	-	-	-	-	-	-	-	-
Liabilities as per Consolidated Statement of Financial Position		130,647,091	-	-	-	-	-	-	-	-	-	-



2015

Effective Yield / Interest rate	Total	Exposed to Yield / Interest risk										Non-interest bearing financial instruments
		Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years		
(Rupees in '000)												
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	5,297,618	93,056	108,112	45,532	55,693	-	-	-	-	-	-	4,995,225
Balances with other banks	2,136,079	1,712,130	200,000	200,000	-	-	-	-	-	-	-	23,949
Lendings to financial institutions	400,000	-	-	400,000	-	-	-	-	-	-	-	-
Investments	69,644,245	-	10,811,753	1,131,796	5,051,575	290	7,990,389	4,532,208	31,114,405	6,427,599	2,584,230	-
Advances	44,169,089	32,555,442	1,892,704	4,112,700	2,217,976	428,205	475,556	1,802,414	570,888	69,328	43,876	-
Other assets	4,253,395	-	-	-	-	-	-	-	-	-	-	4,253,395
	125,900,426	34,360,628	13,012,569	5,890,028	7,325,244	428,495	8,465,945	6,334,622	31,685,293	6,496,927	11,900,675	-
Liabilities												
Bills payable	288,681	-	-	-	-	-	-	-	-	-	-	288,681
Borrowings from Financial Institutions	27,160,697	22,088,926	3,500,000	1,571,771	-	-	-	-	-	-	-	-
Deposits and other accounts	83,920,800	33,696,544	4,991,395	7,173,990	13,927,731	27,224	39,172	29,800	-	-	-	24,034,944
Other liabilities	1,960,133	-	-	-	-	-	-	-	-	-	-	1,960,133
	113,330,311	55,785,470	8,491,395	8,745,761	13,927,731	27,224	39,172	29,800	-	-	-	26,283,758
On-balance sheet gap	12,570,115	(21,424,842)	4,521,174	(2,855,733)	(6,602,487)	401,271	8,426,773	6,304,822	31,685,293	6,496,927	(14,383,083)	-
Off-balance sheet financial instruments												
Purchase and resale agreements	-	-	-	-	-	-	-	-	-	-	-	-
Sale and repurchase agreements	22,092,708	22,092,708	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap	22,092,708	22,092,708	-	-	-	-	-	-	-	-	-	-
Total Yield / Interest Risk Sensitivity Gap		667,866	4,521,174	(2,855,733)	(6,602,487)	401,271	8,426,773	6,304,822	31,685,293	6,496,927	(14,383,083)	-
Cumulative Yield / Interest Risk Sensitivity Gap		667,866	5,189,040	2,333,307	(4,269,180)	(3,867,909)	4,558,864	10,863,686	42,548,979	49,045,906	34,662,823	-
Reconciliation with total assets:												
Assets as per above	125,900,426											
Fixed assets	1,901,601											
Deferred tax asset	301,887											
Assets as per Consolidated Statement of Financial Position	128,103,914											
Reconciliation with total liabilities:												
Liabilities as per above	113,330,311											
Deferred tax liability	-											
Liabilities as per Consolidated Statement of Financial Position	113,330,311											

On-balance sheet financial instruments

Assets  
 Cash and balances with treasury banks  
 Balances with other banks  
 Lendings to financial institutions  
 Investments  
 Advances  
 Other assets

Liabilities  
 Bills payable  
 Borrowings from Financial Institutions  
 Deposits and other accounts  
 Other liabilities

#### On-balance sheet gap

Off-balance sheet financial instruments  
 Purchase and resale agreements  
 Sale and repurchase agreements

#### Off-balance sheet gap

Total Yield / Interest Risk Sensitivity Gap

Cumulative Yield / Interest Risk Sensitivity Gap

Reconciliation with total assets

Assets as per above

Fixed assets

Deferred tax asset

Assets as per Consolidated Statement of Financial Position

Reconciliation with total liabilities

Liabilities as per above

Deferred tax liability

Liabilities as per Consolidated Statement of Financial Position

Liabilities as per Consolidated Statement of Financial Position

## Annual Report 2016



**38.4** Liquidity risk refers to the potential inability of the Group to meet its funding requirements arising from cash flow mismatches at a reasonable cost (funding liquidity risk). Liquidity risk also arises due to the Group's potential inability to liquidate positions quickly and in sufficient volumes, at a reasonable price (market liquidity risk). Liquidity risk manifests in different dimensions, viz. funding risk, time risk and reasons like tight liquidity conditions.

The BRMC has laid down policies to be followed to ensure proper availability of liquidity and ALCO monitors the liquidity position of the Group on a regular basis. On a day to day basis the Treasury Division controls the liquidity of the Group and it is monitored by the Market and Asset Liability Risk Management Unit of the RMD.

#### 38.4.1 Maturity of assets and liabilities (based on contractual maturities)

2016

Assets (based on contractual maturities)	Total	(Rupees in '000)										Above 10 years
		Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years			
	7,502,624	7,502,624	-	-	-	-	-	-	-	-	-	
	1,191,478	591,478	200,000	400,000	-	-	-	-	-	-	-	
	6,938,610	6,938,610	-	-	-	-	-	-	-	-	-	
	70,889,737	12,266,666	497,430	345,826	536,577	429,229	40	496,932	50,543,717	5,773,320	-	
	51,901,838	9,151,154	8,131,791	2,377,939	7,886,479	3,379,456	2,852,593	5,689,894	10,147,941	2,284,591	-	
	1,832,883	48,961	36,392	54,887	108,581	217,758	217,770	360,380	356,563	431,591	-	
	1,190,077	118,988	118,988	118,988	237,976	297,470	298,075	529,685	-	-	-	
	4,758,407	3,126,367	709,117	298,599	45,047	45,009	4,583	7,076,891	61,048,221	8,489,502	-	
	146,205,654	39,744,440	9,693,718	3,596,239	8,814,660	4,368,922	3,373,061	-	-	-	-	
	714,212	714,212	-	-	-	-	-	-	-	-	-	
	8,910,738	7,418,915	-	1,491,823	-	-	-	-	-	-	-	
	118,843,374	82,814,901	11,524,948	10,794,966	13,394,522	199,927	11,310	102,800	-	-	-	
	-	-	-	-	-	-	-	-	-	-	-	
	2,178,767	1,335,413	310,843	263,548	255,678	8,055	55	5,175	-	-	-	
	130,647,091	92,283,441	11,835,791	12,550,337	13,650,200	207,982	11,365	107,975	-	-	-	
	15,558,563	(52,539,001)	(2,142,073)	(8,954,098)	(4,835,540)	4,160,940	3,361,696	6,968,916	61,048,221	8,489,502	-	
	10,010,130											
	1,207,731											
	4,206,670											
	134,032											
	15,558,563											



	2015									
Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	
(Rupees in '000)										
<b>Assets</b>										
Cash and balances with treasury banks	5,297,618	5,297,618	-	-	-	-	-	-	-	-
Balances with other banks	2,136,079	1,736,079	200,000	200,000	-	-	-	-	-	-
Lendings to financial institutions	400,000	-	-	400,000	-	-	-	-	-	-
Investments	69,644,243	2,334,269	10,301,374	6,341	5,057,933	9,163,032	4,525,950	31,557,050	64,30,702	-
Advances	44,169,089	7,973,832	2,079,031	13,751,219	4,866,863	2,595,102	6,771,641	2,261,268	2,742,047	-
Operating fixed assets	1,901,601	70,352	37,462	56,500	111,771	224,156	362,910	374,453	439,828	-
Deferred tax asset	301,887	301,887	-	-	-	-	-	-	-	-
Other assets	4,253,393	4,253,393	-	-	-	-	-	-	-	-
	128,103,914	21,967,432	12,617,867	14,414,060	10,036,571	11,982,303	11,660,501	34,192,771	9,612,577	-
<b>Liabilities</b>										
Bills payable	288,681	288,681	-	-	-	-	-	-	-	-
Borrowings from Financial Institutions	27,160,697	22,088,926	3,500,000	1,571,771	-	-	-	-	-	-
Deposits and other accounts	83,920,800	57,404,573	4,991,395	7,173,990	13,927,731	39,172	29,800	326,915	-	-
Deferred tax liability	-	-	-	-	-	-	-	-	-	-
Other liabilities	1,960,133	1,960,133	-	-	-	-	-	-	-	-
	113,330,311	81,742,313	8,491,395	8,745,761	13,927,731	39,172	29,800	326,915	-	-
<b>Gap</b>	14,773,603	(59,774,881)	4,126,472	5,668,299	(3,891,160)	11,943,131	11,630,701	33,865,856	9,612,577	-
Share capital	10,000,000									
Reserves	926,399									
Unappropriated Profit	3,088,325									
Surplus on revaluation of investments	758,879									
Net Asset	14,773,603									

### 38.4.2 Maturity of assets and liabilities (based on SBP BSD Circular No. 02 dated February 22, 2011)

	2016									
Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	
----- (Rupees in '000) -----										
<b>Assets</b>										
Cash and balances with treasury banks	7,502,624	3,139,546	2,287,773	1,919,419	155,886	-	-	-	-	-
Balances with other banks	1,191,478	591,478	200,000	400,000	-	-	-	-	-	-
Lendings to financial institutions	6,938,610	6,938,610	-	-	-	-	-	-	-	-
Investments	70,889,737	8,985,058	1,329,573	1,237,878	1,095,772	429,229	250,001	496,932	50,543,717	6,521,577
Advances	51,901,838	9,151,154	8,131,791	2,377,939	7,886,479	3,379,456	2,852,593	5,689,894	10,147,941	2,284,591
Operating fixed assets	1,832,883	48,961	36,392	54,887	108,581	217,758	217,770	360,380	356,563	431,591
Deferred tax asset	1,190,077	119,185	118,988	118,988	237,976	297,470	297,470	-	-	-
Other assets	4,758,407	3,123,459	709,117	298,599	45,047	45,009	4,584	529,685	-	2,907
	146,205,654	32,097,451	12,813,634	6,407,710	9,529,741	4,368,922	3,622,418	7,076,891	61,048,221	9,240,666
<b>Liabilities</b>										
Bills payable	714,212	714,212	-	-	-	-	-	-	-	-
Borrowings from Financial Institutions	8,910,738	6,337,415	1,081,500	1,491,823	-	-	-	-	-	-
Deposits and other accounts	118,843,374	26,829,748	32,128,745	27,436,495	31,709,259	199,927	111,310	102,800	425,090	-
Deferred tax liability	-	-	-	-	-	-	-	-	-	-
Other liabilities	2,178,767	1,302,497	310,843	263,548	288,598	8,055	55	5,171	-	-
	130,647,091	35,183,872	33,521,088	29,191,866	31,997,857	207,982	111,365	107,971	425,090	-
<b>Gap</b>	15,558,563	(3,086,421)	(20,707,454)	(22,784,156)	(22,468,116)	4,160,940	3,611,053	6,968,920	60,623,131	9,240,666
<b>Share capital</b>										
Reserves	10,010,130									
Unappropriated Profit	1,207,731									
Surplus on revaluation of investments	4,206,670									
<b>Net Asset</b>	134,032									
	15,558,563									

Where an asset or a liability does not have a contractual maturity date, the period in which these are assumed to mature have been taken as expected date of maturity, based on the criteria determined by ALCO of the Bank.







## Annual Report 2016

2015

	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
<b>Assets</b>										
Cash and balances with treasury banks	5,297,618	2,685,038	1,455,427	1,048,022	109,131	-	-	-	-	-
Balances with other banks	2,136,079	1,736,079	200,000	200,000	-	-	-	-	-	-
Lendings to financial institutions	400,000	-	-	400,000	-	-	-	-	-	-
Investments	69,644,245	-	11,246,068	890,067	5,563,783	267,592	9,163,032	4,525,950	31,557,050	6,430,703
Advances	44,169,089	7,973,832	2,079,031	13,751,219	4,866,865	1,128,084	2,595,102	6,771,641	2,261,268	2,742,047
Operating fixed assets	1,901,601	70,352	37,462	56,500	111,771	224,156	224,169	362,910	374,453	439,828
Deferred tax asset	301,887	30,188	30,188	30,188	60,377	75,472	75,474	-	-	-
Other assets	4,253,395	3,432,166	420,738	72,448	90,213	89,878	30,217	114,877	-	2,858
	128,103,914	15,927,655	15,468,914	16,448,444	10,802,140	1,785,182	12,087,994	11,775,378	34,192,771	9,615,436
<b>Liabilities</b>										
Bills payable	288,681	288,681	-	-	-	-	-	-	-	-
Borrowings from Financial Institutions	27,160,697	22,088,926	3,500,000	1,571,771	-	-	-	-	-	-
Deposits and other accounts	83,920,800	20,197,299	18,534,315	18,112,502	26,653,573	27,224	39,172	29,800	326,915	-
Deferred tax liability	-	-	-	-	-	-	-	-	-	-
Other liabilities	1,960,133	1,960,133	-	-	-	-	-	-	-	-
	113,330,311	44,535,039	22,034,315	19,684,273	26,653,573	27,224	39,172	29,800	326,915	-
<b>Cap</b>	14,773,603	(28,607,384)	(6,565,401)	(3,235,829)	(15,851,433)	1,757,958	12,048,822	11,745,578	33,865,856	9,615,436
Share capital	10,000,000	-	-	-	-	-	-	-	-	-
Reserves	926,399	-	-	-	-	-	-	-	-	-
Unappropriated Profit	3,088,325	-	-	-	-	-	-	-	-	-
Surplus on revaluation of investments	758,879	-	-	-	-	-	-	-	-	-
<b>Net Asset</b>	<b>14,773,603</b>									

Where an asset or a liability does not have a contractual maturity date, the period in which these are assumed to mature have been taken as expected date of maturity, based on the criteria determined by ALCO of the Group.

### 38.5 Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events; which includes legal risk, but excludes strategic and reputational risk.

The Operational Risk Management Department (ORMD) works under the RMD and its responsibilities include identifying, monitoring, measuring and managing operational risks assumed by the Group. In adherence to industry best practice, the key functions of the ORMD are the operational risk policy and planning function, operational risk assessment function, operational risk measurement and analytics function and operational risk monitoring, mitigation and control function.

### 39 RECLASSIFICATION

The Bank has reclassified the following amounts during the year and no impact on the financial statements has occurred:

Particulars	Reclassified		Amount (Rupees in '000)
	From	To	
Term deposit receipt	Lending to financial institution	Balances with other banks - saving accounts	1,050,000

### 40 GENERAL

40.1 Figures have been rounded off to the nearest thousand Rupees.

### 41 DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorized for issue by the Board of Directors in their 46th meeting held on March 02, 2017.

President & Chief Executive Officer

Chairman

Director

Director



## NOTICE OF SIXTH ANNUAL GENERAL MEETING

NOTICE is hereby given that the Sixth Annual General Meeting of Sindh Bank Limited will be held on March 24, 2017 at 10.00 a.m at Federation House, Clifton, Karachi to transact the following business:

### Ordinary Business:

- 1- To confirm the minutes of 5th Annual General Meeting held on 29th March, 2016.
- 2- To receive, consider and adopt the Audited consolidated/un-consolidated Accounts of the Bank for the period ended 31st December, 2016, together with Directors' and Auditors' Reports thereon and pass necessary Resolutions in this regard.
- 3- To consider appointment of Auditors of the Bank for the year 2017 and fix their remuneration.

### Special Business:

- 1- To approve payment of remuneration and provision of certain facilities to the President/CEO of the Bank.
- 2- To approve reimbursement of administrative expenses pertaining to office, staff and security of the Chairman in terms of SBP BPRD Circular # 09 of 2015 dated May 06, 2015
- 3- To grant post facto approval for the payment of remuneration to non-executive Directors including Chairman, fixed by the Board, in terms of SBP Prudential Regulations # G-1C(2).
- 4- To approve circulation of Annual Audited Accounts to Members through CD/DVD/USB in terms of SECP SRO No. 470(1)/2016 dated May 31, 2016 instead of hard copies, which may be provided free of cost to those members who request in writing for hard copies.

A statement of material facts under section 160(1) (b) of the Companies Ordinance, 1984 relating to aforesaid special business to be transacted is appended below.

- 5- Any other business with the permission of the chair.

By order of the Board

Shamsuddin Khan  
Company Secretary

### NOTES:

- (i) All members are entitled to attend and vote at the Meeting.
- (ii) A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote.
- (iii) The instrument of proxy and the power of attorney or other commission (if any) under which it is signed, or notarized certified copy of that power of attorney or authority to be effective must be deposited at the Registered Office of the company, not less than 48 hours before the time for holding the Meeting.
- (iv) Members are advised to bring their National Identity Cards along with CD Participant ID and account number at the meeting venue.
- (v) If any proxies are granted by any such shareholders, the same must be accompanied with attested copies of the National Identify Cards/Authority Letter of the grantors and the signatures on the proxy form should be the same as that appearing on the National Identity Cards/Authority Letter.

The Share transfer books of the company will remain closed from 18th March, 2017 to 24th March, 2017 (both days inclusive). CDC Transaction IDs received in order at the Registered Office of the Company up to the close of business on 17th March, 2017 will be considered as on time for the determination of entitlement of shareholder to attend and vote at the meeting. The share transfer Members are required to notify immediate changes, if any, in their registered address.

### Statement under section 160(1)(b)

- 1- The Shareholders' approval is sought for the payment of remuneration and provision of certain facilities to the President/CEO of the Bank. The following resolution may be passed:  
  
"RESOLVED THAT the payment of remuneration to the President/CEO and to the Executive Director for the year 2016 a gross sum of Rs.23,272,219/-, in addition to bonus and other perquisites as per their terms of appointment be and are hereby approved."
- 2- The meeting fee payable to the non-executive members of the Board has been revised by the Board of Directors in its 43rd meeting held on 18th October, 2016 @ Rs.250,000/- and Rs.200,000/- per meeting of the Board and Committees of the Board, respectively. Payment of administrative expenses pertaining to the office, fuel, staff and security allocated to the Chairman. The decision of the Board, in terms of Article 104 of the Articles of Association of the Bank requires approval of the shareholders in Annual General Meeting as per Regulation G-1(C-2) of SBP Prudential Regulations and BPRD Circular # 09 of 2015. The non-executive members of the Board and the Board Committees are interested in the payment of fee and executive members of the Board have no interest in the matter.
- 3- The Securities and Exchange Commission of Pakistan, vide S.R.O 470 (1)/2016 dated May 31, 2016, has allowed companies to circulate their annual balance sheet, profit and loss account, auditor's report, directors' report and ancillary statements/notes/documents ("Annual Audited Accounts") alongwith notice of general meeting to its shareholders in electronic form through CD/DVD/USB at their registered addresses. This would result in timely delivery of Annual Audited Accounts to the shareholders.
- 4- For the convenience of its shareholders, the Bank will place on its website a standard request form alongwith postal and e-mail address of Company Secretary/Share Registrar, so that shareholders may request a hard copy of the Audited Annual Accounts. The Bank will provide one hard copy free of cost to the requesting shareholder at their registered address within one week of the request.
- 5- The Bank is seeking shareholder approval to circulate the Annual Audited Accounts along with notice of general meeting in electronic form as aforesaid and pass the Resolution noted at Agenda Item 4 of Special Business in the Notice of 6th Annual General Meeting (attached) with or without modification.

## PATTERN OF SHAREHOLDINGS

Number of Shareholders	Size of Shareholding Rs. 10 each	Total Shares held
5	1	100
31	101	500
36	501	1000
31	1001	5000
6	5001	10000
3	10001	15000
1	15001	20000
1	20001	25000
2	25001	30000
1	45001	50000
4	95001	100000
1	195001	200000
1	999995001	1000000000
123		1,001,013,000



## PATTERN OF SHAREHOLDING UNDER CODE OF CORPORATE GOVERNANCE

Category No.	Shareholders	Number of Shares held	Category wise No. of Share holders	(%)
1	Individuals	100,000	1	0.00
2	Investment Companies			
3	Joint Stock Companies			
4	Directors and Chief Executive Officer; Mr. Afzal Ghani Mr. Syed Hasan Naqvi Mr. Muhammad Shahid Murtaza Mr. Muhammad Naeem Sahgal Mr. Tajammal Husain Bokharee Mr. Raja Muhammad Abbas Mr. Muhammad Bilal Sheikh Mr. Tariq Ahsan	200,001             100,001 100,000	               	
	Sub-Total:	400,007	8	0.04
5	Executives/Employees/Group employees	513,000	113	0.05
6	NIT / ICP			
7	Associated Companies, undertakings and related parties			
8	Banks, DFIs, NBFIs, Insurance companies, Modarabas& Mutual Funds			
9	Foreign Investors			
10	Co-operative Societies			
11	Charitable Trusts			
12	Others - Government of Sindh, through its Finance Department	999,999,993	1	99.90
	<b>Total</b>	<b>1,001,013,000</b>	<b>123</b>	<b>100.00</b>

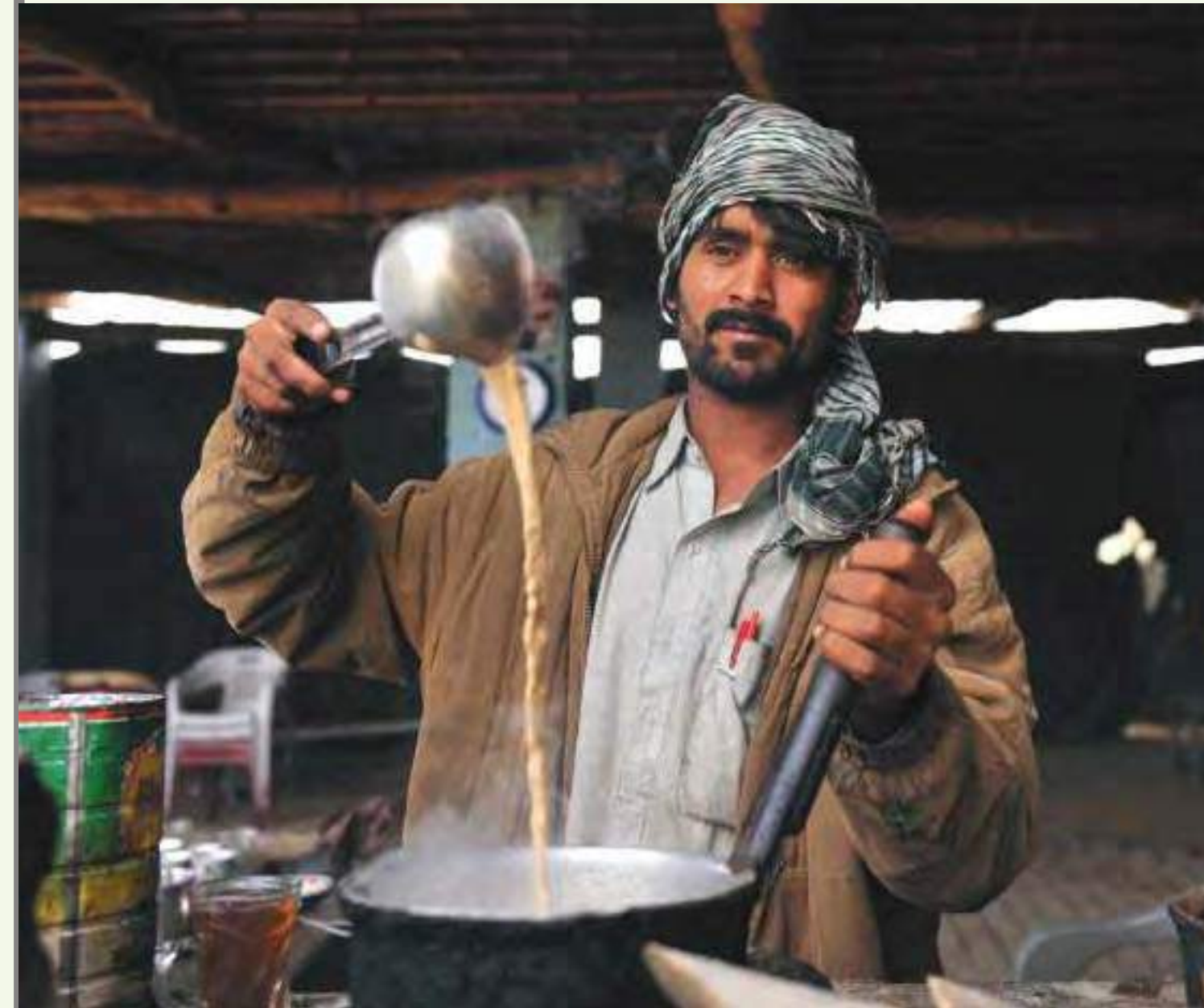
### Shareholders holding ten percent or more voting interest in the listed company

Total Paid-up Capital of the company	1,001,013,000 shares
10% of the paid-up capital of the Company	100,101,300 shares

Total Paid-up Capital of the company	1,001,013,000 shares	100,101,300 shares
10% of the paid-up capital of the Company		

Name(s) of Shareholder(s)	No. of Shares held	Percentage (%)
Government of Sindh, through its Finance Department	999,999,993	99.90

## Now Available to All! Sindh Bank Asaan Account



- Bring Your National Identity Card (CNIC)
- Fill a One Page form
- Open an individual or joint account
- Avail Sindh Bank's ATM/Debit card and SMS banking Facilities
- No Extra charge or minimum balance requirement





## Branch Network





## SINDH & BALOCHISTAN REGION BRANCHES

### KARACHI BRANCHES

#### BAHADURSHAH ZAFAR MARKET BRANCH

Property No. G-3 of R. B. I I/22, III-A-239-B,  
Rambagh Quarters, Gwali Lane No. I, Karachi  
Tel: 021-32743514, 021-32743515-6  
Fax: 021-32743517

#### BAHADURABAD BRANCH

Plot No. I I I, Shop No. 4, The City Towers,  
Bahadur Yar Jang Co-operative Housing Society,  
Alamgir Road, Karachi  
Tel: 021-34892113-14

#### BAHRIA COMPLEX-II BRANCH

Plot No-MISC-02 Bahria Complex-II,  
M.T.Khan Road, Karachi  
Tel: 35642110, 35642109

#### BHAINS COLONY BRANCH

Plot No. 217, Block-A,  
Cattle (Bhains) Colony,  
Landhi, Karachi  
Tel: 021-35130661-3

#### BUFFERZONE NAGAN CHOWRANGI BRANCH

Plot No. 32, Sector I I-H,  
North Karachi Township Scheme,  
Karachi  
Tel: 021-36409291  
Fax: 36409293

#### CIVIC CENTER BRANCH

Ground Floor, Civic Center,  
Gulshan-e-Iqbal, Karachi  
Tel: 021-99232500-99232501

#### CLIFTON BRANCH

Ground Floor, St-28,  
Block-5, Federation House,  
Clifton, Karachi  
Tel: 35829346, 35829460, 35829474

#### CLOTH MARKET BRANCH

Shop No. 28, Ground Floor,  
Cochinwala Market,  
Bunder Road Quarters, Karachi  
Tel: 021-32400790, 32424177  
Fax: 32424175

#### COURT ROAD BRANCH

Ground floor, G-5-A,  
Court View Apartments,  
Opposite Sindh Assembly, Karachi  
Tel: 021-35640032, 35640033  
Fax: 35640034

#### DHORAJEE BRANCH

Plot # 35/243, Block 7&8,  
C.P.Berar Co-operative Housing Society,  
Dhorajee Colony, Karachi  
Tel: 021-34891246, 34891247, 34891249  
Fax: 34891248

#### DHA PHASE-II BRANCH

Plot No. 13-C, Commercial Area 'A',  
DHA Phase-II, Karachi  
Tel: 021-35883711-12

#### DHA PHASE-IV BRANCH

Shop # 1,2,3, and 4, Plot No.III  
9th Commercial Street, Phase-IV, DHA, Clifton  
Cantonment, Karachi  
Tel: 021-35313005, 35313006  
Fax: 35313007

#### DHA 26th STREET BRANCH

Plot No.14-E, 26th Street, Phase 5 Ext.,  
D.H.A., Karachi  
Tel: 021-35875805, 35875809  
Fax: 35875807

#### DR. ZIAUDDIN AHMED ROAD BRANCH

Plot No.2/1, Sheet No. C I I-9,  
Imperial Court,  
Dr. Ziauddin Ahmed Road,  
Karachi Tel # 35680251-2

#### GARDEN EAST BRANCH

Plot No. GRE-491/2-B,  
Shop No. 2 & 3, Seven Star Residency,  
Garden East Quarters, Karachi  
Tel: 021-32243481, 32243482-4

#### GIZRI BRANCH

Commercial Plot No. G-1/2 & 23,  
Lower Gizri Bazar Area,  
Clifton Cantonment, Karachi  
Tel: 021-35862711, 35862713  
Fax: 35862728

#### GOLE MARKET BRANCH

Plot # 16, Row # 18, Sub-Block-F,  
Block-III, Gole Market, Karachi  
Tel: 021-36614461, 36614462  
Fax: 36614463

#### GULISTAN-E-JOHAR BRANCH

Shop # 7 & 8, Casim Paradise,  
Block-18, Scheme 33,  
Gulistan-e-Johar, Karachi  
Tel: 021-34623030, 34623031  
Fax: 3462033

#### GULSHAN-E-HADEED BRANCH

Plot No.C-53, Phase-I,  
Gulshan-e-Hadeed, Karachi  
Tel: 021-34715101, 34715102-3  
Fax: 34715104

#### GULSHAN-E-IQBAL BRANCH

Fl : I/13, block 5, KDA Scheme No.24,  
Main Rashid Minhas Road,  
Gulshan-e-Iqbal Karachi  
Tel: 021-34968976, 34968977, 34968979

#### GULSHAN-E-MAYMAR BRANCH

Plot No.SB-016, Sector-7,  
Sub-Sector IV, Gulshan-e-Maymar, Karachi  
Tel: 021-36832560, 36832561  
Fax: 36832562

#### HYDERI BRANCH

Plot No. SD-27, Block-G,  
Scheme No.2, Hyderi Market,  
North Nazimabad, Karachi  
Tel: 021-36722084, 36722085, 36722087-88  
Fax: 36722086

#### I.I. CHUNDRIGAR ROAD BRANCH

Ground Floor, P & O Plaza,  
Opposite I.I. Chundrigar Road, Karachi  
Tel: 021-32415399, 32463748, 32463744-45

#### JAMSHED QUARTER BRANCH

House # 13/B, Plot # 710/6,  
Survey Sheet # J.M. Quarters, Karachi  
Tel: 021-34911841, 34911842  
Fax: 34911843

#### JODIA BAZAR BRANCH

Plot No.57 & 59,  
Daryalal Street, Selani Center,  
Jodia Bazar, Napier Quarter, Karachi  
Tel: 021-32500380, 32500383  
Fax: 32500384

#### KARACHI ADMINISTRATION SOCIETY BRANCH

Plot # 5A/90, Block-8, K.A.E.C.H.S., Society,  
Opposite Shaheed-e-Millat Road, Karachi  
Tel: 021-34300432, 34300433  
Fax: 34300434

#### KARACHI UNIVERSITY BRANCH

Main Campus, University of Karachi  
University Road, Karachi  
Tel: 021-34831002-3

#### KARIMABAD BRANCH

C-23, Al-Habib Blessing, Block-4,  
Federal B Area, Meena Bazar, Karimabad, ,  
Karachi Tel: 36425541-42

#### KHAYABAN-E-ITTEHAD BRANCH

Plot No.128-N, Muslim Commercial Area,  
Khayaban-e-Ittehad, DHA,  
Phase-VI, Karachi  
Tel: 021-35846658, 35846375  
Fax: 35847709

#### KHAYABAN-E-SHAHBAZ BRANCH

Plot No.11-C, Shop No.1 & 2,  
Ground Floor, Shahbaz Lane-2, Phase-VI,  
Pakistan Defence Housing Authority, Karachi  
Tel: 021-35855724-5, 35855727

#### KORANGI INDUSTRIAL AREA BRANCH

Plot No.27/28, Showroom No.5,  
Korangi Industrial Area, Sector-I6, Karachi  
Tel: 021-35144261, 35144262  
Fax: 35144263

#### KEHKASHAN CLIFTON BRANCH

Plot No. F/101, Block # 7,  
Scheme No. 5, Kehkashan, Clifton, Karachi  
Tel: 021-35295344, 35295341-43

#### LANDHI BRANCH

Quarter No.14/10, Block-5 D,  
Landhi Township, Karachi  
Tel: 021-35046151-2, 35046152-3  
Fax: 35046153

#### LEA MARKET BRANCH

Plot Survey # 2, Lea Quarters,  
Lea Market, Karachi  
Tel: 021-32526863, 32526864  
Fax: 32526865

#### LIAQUATABAD BRANCH

Plot # 2, Block-3, Machine Area,  
Survey Sheet # 7/9,  
Liaquatabad, Karachi  
Tel: 021-34856645, 34856646  
Fax: 34856647

## Annual Report 2016

#### M. A. JINNAH ROAD BRANCH

Plot# 28/2, Shop No. 13, 14 & 15,  
Amber Medical Centre,  
M.A. Jinnah Road, Karachi  
Tel: 021-32710835-36

#### MALIR CITY BRANCH

Plot No. 46, Block-A,  
Malir Township, Near Atia Hospital,  
National Highway, Karachi  
Tel: 021-34492291  
Fax: 34492293

#### MALIR CANTT. BRANCH

Plot No.11, Block-S, Cantt. Bazar Area,  
Malir Cantonment, Karachi  
Tel: 021-34490951-4  
Fax: 34490954

#### MEHMOODABAD BRANCH

Plot No. 476 & 476A, MAC-II,  
Mehmoodabad, Karachi  
Tel: 021-35319351-2  
Fax: 35319353

#### MEMON GOTH BRANCH

Plot No. 232 Deh. Malh, Tapu Dersano Chano,  
Murad Memon Goth, Karachi  
Tel: 021-34562327, 34562326  
Fax: 34562325

#### METROVILLE BRANCH

Plot No. F-5, Block-3, Category-B,  
KDA Scheme, Metroville No.1,  
S.I.T.E., Karachi  
Tel: 021-36696925, 36696926

#### MOHAMMAD ALI SOCIETY BRANCH

Plot No. 39/F, Mohammad Ali Society, Karachi  
Tel: 021-34168110-12  
Fax: 34168111

#### NEW CHALLI BRANCH

Property Bearing # 37,  
Survey Sheet # SR-7,  
Serai Quarters New Challi, Karachi  
Tel: 021-32623227, 32623228  
Fax: 32623229

#### NEW KARACHI BRANCH

Plot # AS-24, Street # 3,  
Sector # 5-H,  
North Karachi Township  
Tel: 021-36949292, 36949291, 36949294

#### NISHTAR ROAD BRANCH

Shop No.1A, Ground Floor,  
Building Bearing Survey No.61/II,  
Nishtar Road, Karachi  
Tel: 32731115 & 17

#### NORTH KARACHI INDUSTRIAL AREA BRANCH

I/1, Sector 12-A, North Karachi  
Industrial Area, Karachi  
Tel: 021-36963174, 36963171-2  
Fax: 36963173

#### NORTH NAPIER ROAD BRANCH

Plot # 32/2, Survey # NP-10,  
Sheet # 10, Napier Quarters,  
Napier Road, Karachi  
Tel: 021-32526345, 32526347  
Fax: 32526347

#### NORTH NAZIMABAD BRANCH

Plot No.B-65, Block-L,  
Improvement Scheme # 2,  
North Nazimabad, Karachi  
Tel: 021-36725893, 36725892  
Fax: 36725894

#### PAPER MARKET BRANCH

Plot No. 22/2, Sheet No. SR.18,  
Serai Quarters, Saddar Town, Karachi  
Tel: 021-32600936-9, 32600940  
Fax: 32600940

#### P.E.C.H.S. COMMERCIAL AREA BRANCH

Plot No.187-3A, Shop No.3 & 4,  
Ground Floor, Dawood Apartment,  
Block-2, P.E.C.H.S., Karachi  
Tel: 021-34529071 & 73, 34529072

#### PIA EMPLOYEES CO-OPERATIVE HOUSING SOCIETY BRANCH

Plot No. B-44, Block-9,  
KDA Scheme # 36, PIA Employees Co-Operative  
Housing Society, Gulistan-e-Jauhar, Karachi  
Tel: 021-34161331-2  
Fax: 34161333

#### PIB COLONY BRANCH

Shop No. 2, Plot No. 340,  
Pir Illahi Bux Co-operative Housing Society Ltd.,  
PIB Colony, Karachi  
Tel: 021-34860542-3  
Fax: 34860544

#### PREEDY STREET, SADDAR BRANCH

Property bearing # 326/2,  
Artillery Maidan,  
Preedy Street, Saddar Karachi  
Tel: 021-32751704, 32751705  
Fax: 32711487

#### RASHID MINHAS ROAD BRANCH

Plot No. A-2,  
Shop No. S12 to S-15,  
Akbar Paradise, Block-A,  
National Cement Employees  
Co-operative Housing Society,  
Rashid Minhas Road, Karachi  
Tel: 3483458134834582  
Fax: 34834583

#### SAFOORA GOTH BRANCH

Plot No.SB-23, Shop No.2,  
Euro Heights, Block-7,  
KDA Scheme # 36,  
Gulistan-e-Johar, Karachi  
Tel: 021-34663920,34663921

#### SHAHEED-E-MILLAT ROAD BRANCH

Show Room # G-01,  
Sagar Heights, Block-3,  
M.S.G.P. Co-operative Housing Society,  
Shaheed-d-Millat Road, Karachi  
Tel: 021-34373972,34373975  
Fax: 34373974

#### SHAHRAH-E-FAISAL BRANCH

Plot No. 30-A, Ground Floor,  
Showroom No. 4, 5 & 6,  
Progressive Centre, Block-6,  
P.E.C.H.S, Shahrah-e-Faisal, Karachi  
Tel: 021-34322270, 34322272  
Fax: 34322271

#### SHAH FAISAL COLONY BRANCH

House No.CB-52,  
Ground Floor,Alfalalah Co-operative  
Housing Society (Drigh Colony)  
Shah Faisal Colony, Karachi  
Tel: 34686441-2

#### SHERSHAH BRANCH

Plot No. D/95, Shop# A-1 & A-2,  
S.I.T.E. Area, Karachi  
Tel: 021-32583257, 32580000  
Fax: 32583259

#### SHIREEN JINNAH COLONY BRANCH

Plot No. 46, Block-I, Category-B,  
Scheme No. 05, Shireen Jinnah Colony,  
Clifton, Karachi  
Tel: 021-34166144-5

#### SIR SYED HOSPITAL - SUB BRANCH

Plot No. 887, Block-A,  
Korangi Road, Near KPT Interchange,  
Qayyumabad,  
Opposite DHA Phase-VII Ext. Karachi  
Tel: 021-35882591, 35882592  
Fax: 35882594

#### SINDH SECRETARIAT SUB BRANCH

C.S. No. 409, Sheet No. AM-I,  
Artillery Maidan Quarter, Karachi  
Tel: 021-32622045, 32622046-48

#### SINDHI MUSLIM HOUSING SOCIETY BRANCH

Plot No. 117 & 118,  
Shah Abdul Latif Education Trust,  
Block-A, Sub-Block B,  
Sindh Muslim Cooperative Housing Society,  
Main Chowrang, Karachi  
Tel: 021-34188530, 34188531 & 33  
Fax: 34188532

#### S.I.T.E. BRANCH

B/9-B-2, S.I.T.E., Karachi  
Tel: 021-36404032, 36404031  
Fax: 36404033

#### SOHRAB GOTH BRANCH

Shop # 14/A & B, 15/A & B, Ground Floor,  
Al-Asif Square, Sohrab Goth, Karachi  
Tel: 021-36370520, 36370521  
Fax: 36370523

#### STOCK EXCHANGE BRANCH

Property No. 142 & 143,  
Third Floor, Stock Exchange Building, Karachi  
Tel: 021-32467891-2  
Fax: 32467894

#### TARIQ ROAD BRANCH

Plot No. 55-C, 56-C, Central Commercial Area,  
Block-2, P.E.C.H.S., Karachi  
Tel: 021-34535131-33, 34535134  
Fax: 34535135

#### TIMBER MARKET BRANCH

Plot Survey # 22  
(Old Survey # E-5/3-14),  
Lawrence Quarter,  
Siddique Wahab Road,  
Timber Market, Karachi  
Tel: 021-32751623, 32751625  
Fax: 327551624





**UNIVERSITY ROAD,  
GULSHAN-E-IQBAL BRANCH**  
Shop # 2 & 3 Bearing Plot # SB-13,  
Ground Floor, Gulshan Centre,  
Block-13-C, Scheme-24,  
Gulshan-e-Iqbal, Karachi  
Tel: 021-34826534, 34826535  
Fax: 34826536

**WATER PUMP BRANCH**  
Plot # 9, Block-16, Scheme # 16,  
Federal "B" Area, Karachi  
Tel: 021-36372419, 36372417  
Fax: 36372419

**WEST WHARF BRANCH**  
Plot No. 20, Warehouse Area,  
West Wharf Road, Karachi  
Tel: 021-32330319, 32330320  
Fax: 32330321

## INTERIOR SINDH BRANCHES

**BADAH BRANCH**  
Juryan No. 87,  
Main Badah Road, Badah,  
Tehsil Dokri, District Larkana  
Tel: 074-4081305, 4081306

**BADIN BRANCH**  
Plot / Survey No.157, Main Bus Stop,  
Hyderabad Badin Road, Badin  
Tel: 0297-862035, 861222  
Fax: 0297-862035

**BAWANI SUGAR MILLS  
SUB BRANCH**  
Ahmed Nagar, Talhar Distt. Badin  
Tel: 0297-830084-5

**BERANI BRANCH**  
Survey No 45(1-2-3) & 46, Deh Berani,  
Taluka Jam Nawaz Ali District Sanghar  
Tel: 0235-577501-2

**BHAN SAEEDABAD BRANCH**  
Jaryan No.698,  
Main Bhan Saeedabad Road,  
District Jamshoro  
Tel: 025-4660552-4

**CITIZEN COLONY BRANCH, HYDERABAD**  
Shop No. 3-7, Royal City Project,  
Citizen Colony, Jamshoro Road,  
Hyderabad  
Tel: 022-2100840, 2100842-3

**DADU BRANCH**  
Plot No. 54, RS No.987, Opposite  
Degree College, Dadu City, District Dadu  
Tel: 025-9200305, 4710640 9239059  
Fax: 025-9200305

**DADU SUGAR MILLS  
SUB BRANCH**  
Pyaro Goth, Distt. Dadu  
Tel: 025-4551115

**DAHARKI BRANCH**  
Survey No. 446,  
Main Daharki Road,  
Taluka Daharki, District Ghotki  
Tel: 0723-641450-4, 641451

**DIGRI BRANCH**  
Plot No 118, Deh 178,  
Mirwah Road Digri,  
Distrcr Mirpurkhas  
Tel: 0233-869591

**GAMBAT BRANCH**  
Plot No. 2153-A,  
Near Sui Gas Office, Main Gambat Road,  
District Khairpur  
Tel: 0243-720431, 720430

**GHARI KHATA BRANCH**  
Shop No. CSF/C/1075,20,  
Qazi Qayoom Road, Hyderabad  
Tel: 022-2782203-4

**GHARO BRANCH**  
Jaryan No.197,  
Main National Highway Road,  
Taluka Ghara, District Thatta  
Tel: 0298-760224

**GHOTKI BRANCH**  
Plot/City Survey No. 890, Ward-B,  
Main Deviri Sahib Road, Ghotki  
Tel: 0723-684431, 684434  
Fax: 0723-684432

**GHOUSPUR BRANCH**  
Shop No.1 & 2, Shahi Bazar,  
Near Shah Hussain Masjid Ghauspur,  
Taluka Kandhkot,  
District Kashmir-Kandhkot  
Tel: 072-2574407, 2574417

**HALA BRANCH**  
Survey No. 1397/88, Ward B,  
Gulshan Fahim Colony,  
Hala, District Matiari  
Tel: 0223-331147, 331116  
Fax: 0223-331117

**ISLAMKOT BRANCH**  
Plot No.17, 18 & 20, Near Jamia Masjid,  
Taluka Islamkot, District Tharparkar  
Tel: 0232-263233, 263234  
Fax: 0232-263232

**JACOBABAD BRANCH**  
Property No. 232, Ward-6,  
Main Quetta Road, Jacobabad.  
Tel: 0722-652913-14

**JAMSHORO BRANCH**  
Plot No. A-133,  
Sindh University Employees  
Co-operative Housing Society, Phase-I,  
Taluka Kotri, District Jamshoro  
Tel: 022-2771710, 2771712

**JOURNALIST SOCIETY BRANCH**  
Plot No. 9, Journalist Co-operative  
Housing Society, Near Center Jail,  
Hyderabad  
Tel: 022-2107053-4

**KANDHKOT BRANCH**  
S.No.167, opposite Shams Petroleum  
Services, Deh Akhero Kandhkot,  
District Kashmir-Kandhkot  
Tel: 0722-572007, 572006  
Fax: 0722-572007

**KANDIARO BRANCH**  
Jaryan No.1588,  
Opposite Zarai Taraqiati Bank Ltd.  
Hospital Road, Taluka Kandiara,  
District Naushero Feroze  
Tel: 0242-449945

**KASHMORE BRANCH**  
Jaryan No.874,  
Main Kashmore Kandhkot Road,  
Kashmore District Kandhkot.  
Tel: 0722-576315, 0722-576325  
Fax: 0722-567289

**KHAIRPUR BRANCH**  
Ground Floor,  
Syed Ramzan Ali Shah  
Trade Centre, Khairpurmirs  
Tel: 0243-715406, 715405-8  
Fax: 0243-715407

**KHANPUR MAHAR BRANCH,  
DISTT. GHOTKI**  
Plot No.115-II, Khanpur Mahar,  
Taluka Khan Garh, District Ghotki  
Tel.: 0723-653003

**KHAIRPUR NATHAN SHAH BRANCH**  
Shop No.C/407-A,  
Taluka Khairpur Nathan Shah, District Dadu  
Tel: 0254-720525, 720527

**KHIPRO BRANCH**  
Plot No. Z-437, Khipro Town,  
Main Sanghar Khipro Road,  
Taluka Khipro, District Sanghar  
Tel: 0235-865210-12

**KHOSKI SUGAR MILLS  
SUB BRANCH**  
Khoski Sugar Mills Ltd.  
Khoski, District Badin  
Tel: 0297-710044, 710055 & 66

**KOTRI BRANCH**  
City Survey No.290, Ward-A,  
Shop No. 8-10, Plot No.1,  
River Point Kotri, District Jamshoro  
Tel: 022-3874221, 3874216-19  
Fax: 022-3874219

**KUNRI BRANCH**  
Plot No. 10, Survey No.263/4, Block-6,  
Deh Garaho, Main Station Road,  
Kunri, District Umerkot.  
Tel: 0238-557412, 557413, 557414  
Fax: 0238-557415

**LARKANA BRANCH**  
Ground Floor, City Survey No. 799,  
Raza Shah Mohalla, VIP Road, Larkana  
Tel: 074-4040752, 4040761  
Fax: 074-4040753

**LATIFABAD BRANCH, HYDERABAD**  
Plot No. 06, Block-D, Unit No.VII,  
Latifabad, Hyderabad  
Tel: 022-3816373, 3816372

**MARKET AREA BRANCH, HYDERABAD**  
Shop No. A/1194, Ward-A,  
Market Road, Hyderabad  
Tel: 022-2610706, 2610703

## Annual Report 2016

**MATIARI BRANCH**  
Plot# 125, Situated Ward-A Town  
Opposite NADRA Office, Matiari  
Tel: 022-2760104, 2760107  
Fax: 022-2760106

**MALTI BRANCH, DISTRICT BADIN**  
Plot No. 381/I, Unit-II, Category II,  
Noor Hamd Nodakari Colony,  
Taluka Malti, District Badin  
Tel: 0297-840444 0297-840443  
Fax: 0297-840442

**MEHAR BRANCH**  
Shop No.1086, Ward-A, Mehar, District Dadu  
Tel: 0254-730601, 730602  
Fax: 0254-730603

**MEHRABPUR BRANCH**  
PTD No. III-A-43, Ward-16, Thari Road, Mehrabpur,  
Taluka Mehrabpur, District Naushahro Feroz  
Tel: 0242-430861-3

**MILITARY ROAD SUKKUR BRANCH**  
Survey No. 717, Main Military Road, Sukkur  
Tel: 071-5633129, 5633128  
Fax: 071-5633126-30

**MIRPUR MATHELO BRANCH**  
Plot No. 24(2-01) Deh, Tapo Mirpur,  
Main Mirpur Mathelo Road, District Ghotki  
Tel: 0723-663166, 663177

**MIRPURKHAS BRANCH**  
Plot No. RCN-18, Survey No. 864/6,  
Main Umerkot Road, Mirpurkhas  
Tel: 023-3876405, 3876407  
Fax: 0233-876406

**MIRPUR BATHORO BRANCH**  
Survey No.381/A, Ward-A,  
Main Road Sujawal to Mirpur Bathoro,  
Taluka Mirpur Bathoro, District Sujawal  
Tel: 0298-779124

**MITHI BRANCH**  
Plot/Jaryan No. 50,  
Opposite Hyderi Hotel, Mithi  
Tel: 0232- 920191-2  
Fax: 0232-262195

**MORO BRANCH**  
Plot No.14, Main Road Moro,  
District Naushahro Feroze  
Tel: 0242-410458, 410500-1

**NAUDERO BRANCH**  
Naudero Sugar Mills,  
Main Larkana Road, District Larkana  
Tel: 074-4047528, 074-4047526-7  
Fax: 074-4047526

**NAUSHAHRO FEROZ BRANCH**  
Property Jaryan No. 185/28-5-2005,  
Deh Survey No.137, Main Naushahro Feroz Road,  
Opposite National Savings Centre Taluka  
Tel: 0242-481550, 481551-2  
Fax: 0242-481553

**NASIRABAD BRANCH**  
Shop No.1-8, Madina Shopping Center,  
Mohallah Kathia Bazar, Badah Road,  
Nasirabad, District Kambar Shahdadkot  
Tel: 074-4710522-25

**PANO AQIL BRANCH**  
Property Survey No. 436,  
Main Pano Aqil Sukkur Road,  
Taluka Pano Aqil, District Sukkur.  
Tel: 071-5692007, 5692009  
Fax: 071-5692006

**PIR JO GOTH BRANCH**  
Shop No. 2180, Anaj Mandi,  
Pir Jo Goth, Taluka Kingri, District Khairpur  
Tel: 0243-670350 & 53, 610352

**QAMBAR BRANCH**  
City Survey No. 121 & 122, Ward-B,  
Near Shahi Bazar Station Road,  
Qambar, Shahdadkot  
Tel: 074- 4211193, 4211196, 4211180-84,

**QASIMABAD, HYDERABAD BRANCH**  
Plot No.11, Rs No.274/1, Faraz Villas,  
Qasimabad, Hyderabad  
Tel: 022-9240091 95, 9240093, 9240094-95  
Fax: 022-92400, 2653170

**QAZI AHMED BRANCH**  
Survey No.313, Main Qazi Ahmed Road,  
Taluka Qazi Ahmed,  
District Shaheed Benazirabad  
Tel: 0244-321585, 321586

**RATODERO BRANCH**  
City Survey No.795/5,  
Ward B, Ratodero Bus Stand,  
Ratodero, Larkana  
Tel: 074-4048470, 4048471  
Fax: 074-4048478

**ROHRI BRANCH**  
City Survey No.2181/9, Ward-B,  
Mohallah Kot Janullah Shah,  
G.T. Road, Rohri, District Sukkur  
Tel: 071-5810701-2  
Fax: 071-5810703

**SADDAR BRANCH, HYDERABAD**  
Property No. 91/3-4,  
Main Saddar Cantt, Hyderabad  
Tel: 022-9201456, 9201460  
Fax: 022-9201457

**SAEEDABAD BRANCH**  
Shop No. 53/2-36,  
Main Saeedabad Road,  
Taluka Saeedabad, District Matiari  
Tel: 022-2767380, 2767382, 2767383

**SAKRAND BRANCH**  
Shop No.355/1-4, 356, 357, 367,  
Main Sakrand Road, Taluka Sakrand  
District Shaheed Benazirabad  
Tel: 0244-323391, 323392

**SANGHAR BRANCH**  
Plot No.A-B,  
City Survey No.124/A-B  
Co-operative Housing Society, Sanghar  
Tel: 0235-542680, 542682  
Fax: 0235-542683

**SAJAWAL BRANCH**  
Plot No.CS-239/2 & 239/3,  
Mohallah Ward, Near UBL, Sajawal,  
District Thatta  
Tel: 0298-510680, 510660

**SEHWAN BRANCH**  
Plot No./Survey No.20/49/1951,  
Alam Channa Mohalla, Sehwan,  
District Jamshoro  
Tel: 0254-620523, 620513  
Fax: 025-4620513

**SHAHDADKOT BRANCH**  
Building Survey No. 652, Ward C,  
Main Kotoo Motoo Chowk, Shahdadkot  
Tel: 074-4012303, 4012309  
Fax: 074-4012310

**SHAHDADPUR BRANCH**  
City Survey No. 543, 548 Muhaga Land  
Station Road, Shahdadpur, District Sanghar  
Tel: 0235-843151, 843153

**SHAHEED BENAZIRABAD BRANCH**  
Plot No. 2481/13, VIP Road,  
Near Doctor's Colony, Nawabshah,  
District Shaheed Benazirabad  
Tel: 0244-330695, 330692-4

**SHIKARPUR BRANCH**  
Survey No. 34/3, Ward No. 23,  
Station Road, opposite Library, Shikarpur  
Tel: 0726-521645-6, 521648  
Fax: 0726-521647

**SHIKARPUR RICE MILLS (SUB BRANCH)**  
Shikarpur Rice Mills, Main Jacobabad Road,  
Village Lodhra, District Shikarpur  
Tel: 0726-618177

**STATION ROAD BRANCH, LARKANA**  
Plot No.03, Near Al-Abbas Chowk,  
Station Road, Larkana  
Tel: 074-4040745-46

**SUKKUR BRANCH**  
Plot No. C-550/17, Shalimar,  
Minara Road, Sukkur  
Tel: 071-5623961, 5623963  
Fax: 071-5623960

**SULTANABAD BRANCH**  
Sabzi Mandi, Sultanabad,  
Deh Salki Tapo Kamaro,  
Taluka & District Tando Allahyar  
Tel: 022-3404161-3

**TANDO ADAM BRANCH**  
Shop No.1,2,3, Prime Tower,  
Hogani Colony, Hyderabad Road,  
Tando Adam, District Sanghar  
Tel: 0235-571281-82, 571281-82  
Fax: 0235-571282

**TANDO ALLAHYAR BRANCH**  
Plot No. 4-4A & 5,  
Survey No.272/1,  
Al Habib Plaza, Main Tando Allahyar,  
Hyderabad Road, Tando Allahyar  
Tel: 022-3890198, 3890195  
Fax: 022-3890197

**TANDO ALLAHYAR SUGAR MILLS  
SUB BRANCH**  
Tando Allahyar Sugar Mills,  
Deh Kanidar, UC Sanjar Chang,  
Taluke Chamber,  
District Tando Allahyar  
Tel: 0233-514268





#### TANDO MUHAMMAD KHAN BRANCH

Plot. Survey No. 34,  
Jaryan No.13/10-7-08,  
Tando Muhammad Khan  
Tel: 022-3342039, 3342040

#### THATTA BRANCH

Survey No.115, near Badshahi Masjid,  
Thatta Sijawal Road, Thatta  
Tel: 0298-550528, 0298-550529, 550539  
Fax: 0298-550529

#### THATTA CEMENT - SUB-BRANCH

Thatta Cement Company Limited,  
Makli Ghulamullah Road, Thatta  
Tel: 0298-555231, 555235

#### THUL BRANCH

Property No. 484, Kandhkot Road,  
Thul, District Jacobabad  
Tel: 0722-610134, 610135

#### UMERKOT BRANCH

Plot No. 52, Survey No.111,  
Umerkot Nagori Society,  
Tehsil & District Umerkot  
Tel: 0238-570339-40

#### UBARO BRANCH

Survey No. 714 & 722,  
Main Ubaro Road,  
Taluka Ubaro, District Ghotki  
Tel: 0723-688063-4

### BALUCHISTAN BRANCHES

#### CHAMAN BRANCH

Khasra No.1311 & 1312,  
Dularam Road, Chaman  
Tel: 0826-615417, 0826-615415-6

#### DERA MURAD JAMALI BRANCH

Khatoni # 3014, Block # 84,  
National Highway Main Bazar,  
Dera Murad Jamali,  
District Naseerabad  
Tel: 0838-710135, 0838-710136  
Fax: 0838-710138

#### GAWADAR BRANCH

Khewat No. 1, Khatooni No.1,  
Vide No. 301-304, Moza Thani Ward,  
Gawadar.  
Tel: 0864-211410, 0864-211401

#### HUB BRANCH

Shop No.1 & 2,  
International Shopping Mall,  
7 Hotel Mouza Baroot, Tehsil Hub,  
District Lasbella  
Tel: 0853-363910-11

#### JINNAH ROAD BRANCH, QUETTA

Shop# 20-21, Ward # 18,  
Main M.A. Jinnah Road, Quetta  
Tel: 081-2865683, 081-2865680-1

#### LIAQAT BAZAR BRANCH, QUETTA

Property Bearing Khasra No. 75, 76, 77 & 79,  
Ward-22, Halqa Arban No.1,  
Tehsil City, Quetta  
Tel: 0812-843431, 0812-843432  
Fax: 0812843429

#### SIRKI ROAD BRANCH, QUETTA

Commercial Plot # C-48-A,  
Small Industrial Estate, Sirki Road, Quetta  
Tel: 081-2472521, 081-2472523

#### ZHOB BRANCH

House # H/176-A, Shop # H/148,  
Tehsil Road, Zhob  
Tel: 0822-413020-21, 0822-413022

### NORTH REGION BRANCHES

#### PUNJAB BRANCHES

##### ADDA JANPUR BRANCH DISTT. RAHIM YAR KHAN

KLP Road, Adda Janpur,  
Tehsil Liaqatpur, Distt. Rahim Yar Khan  
Tel: 068-5791001

##### ALLAMA IQBAL TOWN BRANCH

503-Karim Block (Commercial)  
Allama Iqbal Town, Lahore  
Tel: 042-35295581-3, 35295582  
Fax: 042-35295584

##### BAHRIA TOWN BRANCH

Shop No.1, 2 & 3, Ground Floor,  
D Plaza, Commercial Area,  
Bahria Town, Lahore  
Tel: 042-35340503, 35340504

##### BANK SQUARE MODEL TOWN BRANCH

Shop No.88, Bank Square Market,  
Model Town, Lahore.  
Tel: 042-35915748-9

##### BURKI BRANCH

Khasra # 1523, Khewat # 50,  
Khatoni # 82, Village Burki, Lahore  
Tel: 042-36560431  
Fax: 042-36560432

##### CHUNG BRANCH

Kewat No.493, Khatoni No.711 to 715,  
Khasra No.1712,1722,1755,1756,1757 & 1788  
Manga Manadi, Multan Road, Tesil & District Lahore.  
Tel: 042-37499152, 37499153

##### CIRCULAR ROAD BRANCH

Shop No.1, SE-38-R-55/D,  
Opposite Akbari Mandi,  
Circular Road, Lahore  
Tel: 042-37379401, 37379402-3  
Fax: 042-37379404

##### DAROGHAWALA BRANCH

Khasra No.449/289, Khewat No.289,  
Khatoni No.639, Main G.T. Road,  
Hadbast Masoodpura,  
Daroghawala, Lahore  
Tel: 042-36551500-02  
Fax: 042-36551503

##### DAVIS ROAD BRANCH

Plot No. 28, Escorts House,  
Davis Road, Lahore  
Tel: 042-36297740  
Fax: 042-36297742

##### DEPALPUR BRANCH, DISTRICT OKARA

Khewat No. 35-36, Grains Market,  
Main Bazar Depalpur, District Okara  
Tel: 0444-541516 0444-541517-19

#### DHA BRANCH

Plot No.159, Sector Y,  
Commercial Area,  
Defence Housing Authority,  
Lahore Cantt  
Tel: 042-99264334, 99264345

#### DHA PHASE-V BRANCH

Plot No. CCA-39, Phase 5-C,  
Defence Housing Authority,  
Lahore  
Tel: 042-37182146-7

#### DHA PHASE-VI BRANCH

15-C, Main Boulevard,  
DHA Phase-VI, Lahore  
Tel: 042-37180190-2, 36581848

#### FAISAL TOWN BRANCH

Plot No. 25, Block A,  
Near Masood Hospital,  
Faisal Town, Lahore  
Tel: 042-35160996 042-35160994-7  
Fax: 042-35236756

#### FATEH JANG BRANCH, DISTRICT ATTOCK

Shop No.1-5, Ward No.6,  
Moza Fateh Jang, District Attock  
Tel: 057-2212988 057-2212882

#### FEROZEPUR ROAD BRANCH

Plot 5-86-R-79, 79/2,  
Main Ferozepur Road, Ichra,  
Lahore  
Tel: 042-37428322-5

#### GHARI SHAHU BRANCH

Property No. SE-6R-107/B,  
Ground Floor, Allama Iqbal Road,  
Ghari Shahu, Lahore  
Tel: 042-36294721-24

#### GHURKI BRANCH

Khewat No. 8,  
Khatooni No. 576/568,  
Khata No.156/702, Ghurki  
Union Council, District Lahore  
Tel: 042-36581845-8, 36581847

#### JOHAR TOWN BRANCH

Plot No. 7, Block-B,  
Near Allah Hoo Chowk  
Johar Town, Lahore  
Tel: 042-35172833-35, 35172835  
Fax: 042-35172836

#### LIDHAR BRANCH

Village Lidhar,  
Wagha Town, Lahore  
Tel: 042-37165307  
Fax: 042-37165309

#### MAIN BOULEVARD DHA BRANCH

Shop No. 4, Mujtaba Plaza,  
Main Boulevard, DHA,  
Lahore Cantt.  
Tel: 042-36685800, 36685801

#### MAIN BOULEVARD GULBERG BRANCH

61-Main Bolulevard, Gulberg, Lahore  
Tel: 042-99268880, 99268881-83  
Fax: 042-99268882

## Annual Report 2016

#### MOHLANWAL BRANCH

Khewat No.126,  
Khatoni No. 524 to 527,  
Main Defence Road,  
Village Mohlanwal, Lahore  
Tel: 042-35966762, 35966590

#### MUGHAL PURA BRANCH

Plot No.13, Street No.17,  
Near Lalpul, Mughal Pura, Lahore  
Tel: 042-36524972-74

#### PECO ROAD BRANCH

Plot No.1-C/P-II, Phase-III,  
Main Peco Road, Lahore  
Tel: 042-35970192, 042-35970193  
Fax: 042-35172836

#### RAIWIND BRANCH, LAHORE

Plot 4-A, Mousa Niaz Baig,  
Main Raiwind Road, Lahore  
Tel: 042-35963296

#### SHAHDARA BRANCH LAHORE

Shop No. 1 & 2, Malik Market,  
Bus Stop Yousaf Park,  
Sheikhupura Road, Shahdara Lahore.  
Tel: 042-37912550

#### SHAHRAH-E-FATIMA JINNAH BRANCH

G-4, G-12 & 13, Queens Center,  
33-Shahrah-e-Fatima Jinnah  
(Queens Road), Lahore  
Tel: 042-37425878  
Fax: 042-37590625

#### VILLAGE KAHNA BRANCH

Hakim Ghulam Hussain Colony,  
Mozoa Gajomata, Kahna, Distt. Lahore  
Tel: 042-35270082, 042-35270084

#### VILLAGE MINHALA BRANCH, LAHORE

Village Minhala, Main Road,  
Near Govt. Higher Secondary School,  
Tehsil Shalamar, District Lahore  
Tel: 042-36590661-4

#### WALTON ROAD BRANCH

House No. E/48,  
Khasra No. 2328/280,  
Kheot No.1, Khatoni No. 537,  
Super-Town, Walton Road, Lahore  
Tel: 042-36626072-3

#### WAPDA TOWN BRANCH

Plaza No.12, Block-A-1, P.E.C.H.S.,  
Valencia (Commercial Area),  
Wapda Town, Lahore  
Tel: 042-35224695-6

### RAWALPINDI/ISLAMABAD BRANCHES

#### BANK ROAD, BRANCH RAWALPINDI

S.No.167, Opposite Shams Petroleum Services  
Bank Road, Rawalpindi  
Tel: 051-9270151, 9270153-4

#### BLUE AREA BRANCH, ISLAMABAD

Shop No. 1-5 & Mezzanine 1,  
Sohrab Plaza, Jinnah Avenue,  
Blue Area, Islamabad  
Tel: 051-2206330, 2206331, 2206327-8

#### E-I-I BRANCH, ISLAMABAD

Plot No.1, Sector E-I1/3,  
M.P.C.H.S, Islamabad  
Tel: 051-2318103, 2318104  
Fax: 051-2318102

#### F-I-I MARKAZ, ISLAMABAD BRANCH

Plot No. 39, Shops No. 3, 4, 5, 18, & 19,  
Near Rahat Bakery, F-I1,  
Markaz, Islamabad  
Tel: 051-2224246

#### MUREE ROAD BRANCH, RAWALPINDI

K-583, Ch. Mouladad Khan Road,  
Main Murree Road, Rawalpindi  
Tel: 051-5781073, 5781072, 5781071

#### PESHAWAR ROAD BRANCH, RAWLPINDI

Plot No.1211, Chur Harpal,  
Near Govt. College for Women,  
Peshawar Road, Rawalpindi  
Tel: 051-5492992-94  
Fax: 051-5492995

#### PWD HOUSING SOCIETY ISLAMABAD BRANCH

3-Civic Center, Block-A, PWD Employees  
Cooperative Housing Society Islamabad  
Tel: 051-5970737, 051-5970736, 051-5970735  
Fax: 051-5970734

#### RAJA BAZAR BRANCH, RAWALPINDI

Shop No. U/1328, Dingi Khuee,  
Raja Bazar, Rawalpindi  
Tel: 051-5778509, 051-5778507, 051-5778506

#### TARAMARI BRANCH ISLAMABAD

Khewat No.18, Khatoni No.19,  
Khasra No.1971/139, Taramari,  
Tehsil & District Islamabad  
Tel: 051-2616001, 051-2616000

#### WAH CANTT BRANCH RAWALPINDI

82-A, Minar Road,  
Lala Rukh, Wah Cantt.  
Tel: 0514-4531862-63

### OTHER NORTH BRANCHES

#### ALI PUR CHATHA BRANCH

Khewat No. 979, Khatooni No.1414,  
Khasra No. 3620/1683,  
Gujranwala Road, Ali Pur Chatha,  
Tehsil Wazirabad,  
District Gujranwala  
Tel: 055-6332740, 6332741, 6332742

#### ASHRAFABAD BRANCH, DISTRICT BAHAWALPUR

Ashrafabad Sugar Mill,  
Village Ashrafabad, Disrtict Bahawalpur  
Tel: 062-2870091, 2870092

#### ALI WALA BRANCH

Khewat No. 403, 414, 507, Village Ali Wala,  
Tehsil & District Muzaffargarh  
Tel: 066-2013819

#### CHAK GHANIAN, BRANCH DISTRICT GUJRAT

Village & PO Chak Ghanian,  
Tehsil Sarai Alamgir, District Gujrat  
Tel: 0544-652536, 652537

#### CHICHAWATNI BRANCH

Plot No. 376, Main Bazar Chichawatni,  
District Sahiwal  
Tel: 040-5482225-6, 5482226  
Fax: 040-5482227

#### CHINIOT BRANCH

Khewat No. 3133/3117,  
Khasra No.13557/9602, Chah Karian Wala,  
Faisalabad Road, Chiniot  
Tel: 0476-332401-3, 332402

#### DALWAL BRANCH, CHAKWAL

Village & Post Office Dalwal,  
Tehsil Choa Saidan Shah, District Chakwal  
Tel: 0543-582070, 582071

#### DERA GHAZI KHAN BRANCH

Opposite Medical Collge,  
Jampur Road, Dera Ghazi Khan  
Tel: 064-2471301-03  
Fax: 064-2471304

#### FAISALABAD BRANCH

7-D, Commercial Area,  
People Colony No. 1, Faisalabad  
Tel: 0418-711691-3, 711692-3

#### G.T. ROAD GUJRANWALA BRANCH

Property No. B-XII-75-60/A,  
Bhatia Nagar, G.T. Road, Gujranwala  
Tel: 055-3840015, 9200992, 9200994-1

#### GAGGO MANDI BRANCH

Khewat No. 58, Chak No.187/E.B.  
Opposite Police Station,  
Main Multan Road, Gaggo Mandi,  
Tehsil Burewala, District Vehari  
Tel: 067-3500495-6, 3500497

#### GILGIT BRANCH

Khasra No.104/5093-5339,  
Khewat No.185/185, Z.S. Plasa,  
Main Shahrah-e-Quaid-Azam, Gilgit  
Tel: 05811-922526, 922527-8  
Fax: 05811-922529

#### HARAPPA BRANCH

Main G.T. Road,  
Near Harappa Railway Station,  
Harappa, District Sahiwal  
Tel: 040-4504066, 4504067

#### HAROONABAD DISTRICT BRANCH BAHAWALNAGAR

Plot No. 1/7, Bangla Road,  
Opposite Grain Market,  
Haroonaabad,  
District Bahawalnagar  
Tel: 06322-50310-13

#### HAVELI LAKHA BRANCH DISTRICT OKARA

Khewat No. 410/410,  
Khatoni No. 526 to  
542, Khasra No. 35, Pakpatan Road,  
Haverli Lakha, Tehsil Depalpur,  
District Okara  
Tel: 0444-775527-28

#### JEHLUM BRANCH

Property No. 17, Kohinoor Plaza,  
Old G.T. Road, Jhelum  
Tel: 0544-622028



#### JANDIALA DHABWALA BRANCH

Khewat No. 216,  
Khatoni No. 512-514,  
G.T. Road, Jandiala Dhabwala,  
Near Motorway Police Office,  
District Gujranwala  
Tel: 055-6587172  
Fax: 055-6587171

#### KALRA KHASA BRANCH

Khewat No. 91,  
Khatoni No. 140,  
Khasra No. 648, G.T. Road,  
Near Vita Fan, Shabnum Colony,  
Kalra Khasa, Tehsil & District Gujrat  
Tel: 053-3515176, 3515175

#### KASUR BRANCH

B-2/13, R-1/D,  
Haji Farid Road, Kasur  
Tel: 049-2720120

#### KHANEWAL BRANCH

Plot No. 1743, Ground Floor,  
Sir Syed Road, Khanewal  
Phone: 065-2558804 - 065-2558806

#### KUNJAH BRANCH

Plot No. 5-A/15,  
Ward No. 3, Kunjah,  
Tehsil & District Gujrat.  
Tel: 053-3383152, 053-3383153-4

#### LALAMUSA BRANCH

Plot No. 1/123 Tehsil Kharian,  
Lalamusa, District Gujrat  
Tel: 053-7511422, 7511424  
Fax: 053-7511425

#### LILA BRANCH, DISTRICT JEHLUM

Post Office Lilla Town,  
Tehsil Pind Daden Khan,  
District Jehlum  
Tel: 0544-217661, 217662  
Fax: 0544-217662

#### MULTAN BRANCH

64-Abdali Road, Multan  
Tel: 061-4585203, 4585205, 4585205  
Fax: 061-4585207

#### MANAWALA BRANCH DISTRICT SHEIKHUPURA

Main Bazar Village Manawala,  
Sheikhupura  
Tel: 056-3771151-3

#### MIAN CHANNU BRANCH

Khewat No. 635, Khatooni No. 647,  
Khasra No. 1671 & 1672,  
Lakar Mandi, Mian Channu,  
District Khanewal  
Tel: 065-2660227, 2660229

#### MORR AIMANABAD BRANCH

Khasra No. 1215/1 & 2,  
Khewat No. 968,  
Khatoni No. 1126,  
Main G.T. Road,  
Morr Aminabad,  
District Gujranwala  
Tel: 055-3263127, 055-3263129

#### MOUZA GOJRA BRANCH

Khasra No. 12/22/2, Khewat No. 64/65,  
Khatoni No. 435, Mouza Gojra,  
Tehsil Malakwal, District Mandi Bahauddin  
Tel: 0546-599111-13

#### NANKANA SAHIB BRANCH

Khewat No. 309, Khatoni No. 521,  
Khasra No. 1503 & 1504, Ghala Mandi,  
Tehsil & District Nankana Sahib  
Tel: 056-2875087-8

#### OKARA BRANCH

Khasra # 52/12/1, Khewat # 428,  
Khatoni No. 1085, Mian Colony,  
M. A. Jinnah Road, Okara  
Tel: 044-2511234, 044-2511555  
Fax: 044-2511551

#### PINDI BAHAUDDIN BRANCH

Village Pindi Bahauddin, Rasool Road,  
Tehsil & District Mandi Bahauddin  
Tel: 0546-600346, 0546-600446

#### RAHIM YAR KHAN BRANCH

24 Model Town, Rahim Yar Khan  
Tel: 068-5877062, 068-5877064

#### SARGODHA BRANCH

Prince Cinema Market,  
Railway Road, Sargodha  
Tel: 048-9230511, 048-9230513  
Fax: 048-9230512

#### SATGARAH DISTRICT OKARA BRANCH

Adda Chow, Sat Garah,  
Tehsil and District Okara  
Tel: 0442-664064, 0442-664065

#### SIALKOT BRANCH

Khasra No. 834/2, Khatooni # 39,  
Khewat No. 29, Shahab Pura Road,  
Near Masjid Tajdar-e-Madina, Sialkot  
Tel: 052-3242701-3, 053-3242702

#### TALAGANG ROAD, BRANCH, CHAKWAL

Khasra No. 6150/2284,  
Khewat No. 68, Khatooni No. 143,  
Talagang Road, Chakwal  
Tel: 0543-542066-8

#### TOBA TEK SINGH BRANCH

Khewat No. 7/7, Khatoni No. 7,  
Allama Iqbal Road, Mohalla Janj Ghar,  
Toba Tek Singh  
Tel: 0462-512751, 0462-512752

#### VILLAGE HUIJRA SHAH MUQEEM

Khasra No. 362/354,  
Khewat No. 859, Hujra Road,  
Near Gillani Marriage Hall, Hujra Shah Muqeem,  
Tehsil Depalpur, District Okara  
Tel: 044-4860551-2

### KPK & MIRPUR AJK BRANCHES

#### ABBOTTABAD BRANCH

Opposite Radio Pakistan,  
Mansehra Road,  
Abbottabad  
Tel: 0992-330391, 0992-330392  
Fax: 0992-330393

#### G.T. ROAD, PESHAWAR BRANCH

Shop No. 1 & 2  
Jibran Adeel Plaza,  
Bilal Town, G.T. Road,  
Peshawar  
Tel: 091-2584452-3  
Fax: 091-2584454

#### HAYATABAD BRANCH PESHAWAR

Unit No. 13, Sector D-1,  
Phase-I, Bilal Commercial Market,  
Hayatabad, Peshawar  
Tel: 091-5823873, 5823855, 5823865

#### KARKHANO MARKET BRANCH PESHAWAR

C-Block, Palace Plaza,  
Karkhano Market,  
Regi Lalma, Peshawar  
Tel: 091-5893146, 091-5893139  
Fax: 091-5893148

#### KOHAT BRANCH

Shop No 889 to 896,  
Syed Saadullah Shah Building  
Kacher Chowk, Bank Square,  
Hangu Road, Kohat  
Tel: 0922-511675-78

#### MERAN BRANCH

Village Mehran Tehsil Parva  
(Tandianwala Sugar Mills Ltd)  
Dera Ismail Khan  
Tel: 0966-756112-4

#### MIRPUR AZAD KASHMIR BRANCH

Ground Floor,  
Portion No. 2, Younus Plaza,  
Allama Iqbal Road,  
Mirpur, Azad Jammu & Kashmir  
Tel: 05827-444520, 05827-444550

#### MUZAFFARABAD BRANCH

Khasra No. 1845/1314,  
Bank Road, Muzaffarabad  
Tel: 05822-920630, 0582-2920612

#### PESHAWAR BRANCH

Shop No. 4, Ground floor,  
Jasmine Arcade, I-Bashir lane,  
Fakhar-e-Alam Road,  
Peshawar  
Tel: 091-5271951, 091-5271950  
091-5250601

#### RAWALAKOT

#### AJK BRANCH

Plot No. D-20,  
Housing Scheme, Rawalakot, AJK.  
Tel: 05824-442571-72

#### UNIVERSITY ROAD

#### PESHAWAR BRANCH

Khata No. 179/661 & 662  
New Khata, Jamabandi No. 193/738,  
University Road, Peshawar  
Tel: 091-5711606  
Fax: 091-5711607-8

## ISLAMIC BANKING BRANCHES & ISLAMIC BANKING WINDOWS (IBWs)

### ISLAMIC BANKING BRANCHES

**AIRPORT ROAD BRANCH, QUETTA**  
Khasra No. 1246/140, Ground Floor, Pak Red Crescent  
Balochistan Almo Chowk, Airport Road, Quetta  
Tel: 081-2864804-5

#### ALLAMA SHABBIR AHMED USMANI ROAD BRANCH, KARACHI

Shop No. 2,3, & 4, Shaheen Heights, Block-7,  
KDA Scheme No. 24, Gulshan-e-Iqbal, Karachi.  
Tel: 34833516-7

#### ASHRAF ROAD BRANCH, PESHAWAR

Haji Darvesh Plaza, New Rampur Gate,  
Ashraf Road, Peshawar  
Tel: 091-2600028, 0912600037

#### DADYAL, AJK BRANCH

Commercial Plots No. 108 & 109,  
Dadyal Hamlet, District Mirpur Azad Kashmir.  
Tel: 05827-465990

#### EIDGAH ROAD BRANCH, BAHAWALPUR

Khata No. 62/119, Moza Bahawalpur, Milad Chowk,  
Eidgah Road, Bahawalpur  
Tel: 062-2880857, 2880858

#### GHALLA MANDI BRANCH, SHEIKHUPURA

Shop No. V-4, S112, Ghalla Mandi, Sheikhupura  
Tel: 056-3790205-7

#### GHORI TOWN BRANCH, RAWALPINDI

Plot # MC-16, Ghori Town, Phase-IV, Rawalpindi  
Tel: 051-2158511-2

#### KACHEHRI ROAD BRANCH, GUJRAT

Khewat No. 562-565, Khatooni No. 651-654,  
Khasra No. 2199/490, 2205/492, 2201/490,  
Nanwan Shah Pur, Kacheheri Road, Gujrat  
Tel: 053-3600071-73

#### KHAYABAN-E-ITTEHAD BRANCH, KARACHI

Plot # 13-C, Khayaban-e-Ittehad, Phase-II Ext.,  
DHA, Karachi. Tel: 021-35316805 Fax: 021-35316807

#### MODEL COLONY BRANCH, KARACHI

Plot No. 9-1/2-A Model Colony,  
Near National Saving Centre, Karachi  
Tel: 021-34510021-23

#### MALL ROAD BRANCH, LAHORE

Shop No. 30 & 30/A, 1ST & 2ND Floor,  
Plot No. 5.19-R-30, Commercial Building,  
Shahrah-e-Quaid-e-Azam, Mall Road, Lahore.  
Tel: 042-37241866 Fax: 042-37241870

#### MARDAN BRANCH

Shop No. C-959/C, B/435/5, Survey No. 127/4  
(New No. 401) Bank Road Mardan Cantt. Mardan  
Tel: 0937-875342-44

#### SAHIWAL BRANCH

Khewat # 142, Khatoni No. 161, Liaquat Road, Sahiwal  
Tel: 040-4223102 Fax: 040-4223104

#### SAMANABAD BRANCH, LAHORE

Plot # 91, Main Road, Samanabad Lahore  
Tel: 042-37535523

### ISLAMIC BANKING WINDOWS (IBW)

#### Bahadurabad Branch, Karachi

Shop # 4, The City Towers,  
Bahadur Yar Jang Cooperative Housing Society,  
Alamgir Road, Karachi  
Tel: 021-34892113-14 Fax: 021-34892115

#### Clifton Branch, Karachi

Ground Floor, Block-5, Federation House,  
Abdullah Shah Ghazi Road, Clifton, Karachi  
Tel: 021-35290332-35 Fax: 021-35290333

#### DHA, Phase-II Branch, Karachi

Plot # 13-C, Commercial Area "A",  
DHA Phase-II, Karachi  
Tel: 021-35883711-12 Fax: 021-35883713

#### DHA, Phase-V, Lahore

CCA-39, Phase 5-C, DHA, Lahore  
Tel: 042-37182146-47 Fax: 042-37182147

#### Dhorajee Branch, Karachi

Block 7 & 8, C.P, Berar Cooperative Housing Society,  
Dhorajee Colony, Karachi  
Tel: 021-34891246-47 Fax: 021-34891248

#### Ferozepur Road, Lahore

79/2, Main Ferozepur Road,  
Ichra, Lahore  
Tel: 042-37428322-25 Fax: 042-37428321

#### Ghari Shahu Road, Lahore

Property # SE-6R-107/B,  
Allama Iqbal Road, Ghari Shahu,  
Tel: 042-36294721-22 Fax: 042-36294725

#### I.I. Chundrigar Road Branch, Karachi

P & O Building, I.I. Chundrigar Road, Karachi  
Tel: 021-32463744-45 Fax: 021-32463757

#### PECO Road Branch, Lahore

Phase-III, Main Peco Road, Lahore  
Tel: 042-35970192-93 Fax: 042-35970191

#### Raiwind Road Branch, Lahore

Plot # 4-A, Sultan Town,  
Main Raiwind Road, Lahore  
Tel: 042-35963295-96 Fax: 042-35963296

#### Sindhi Muslim Housing Society Branch, Karachi

Shah Abdul Latif Education Trust,  
Block-A, Sub-Block B,  
Sindhi Muslim Housing Society,  
Main Chowrangi, Karachi  
Tel: 021-34188530-31 Fax: 021-34188532

#### Sohrab Goth Branch, Karachi

Ground Floor, Al-Asif Square,  
Sohrab Goth, Karachi  
Tel: 021-36370520-21 Fax: 021-36370523

#### Tariq Road Branch, Karachi

56-C, Central Commercial Area,  
PECHS, Block-2, Karachi  
Tel: 021-34535131-34 Fax: 021-34535135



223



I/We, \_\_\_\_\_ S/o. \_\_\_\_\_, being member of **Sindh Bank Limited** and holding \_\_\_\_\_ ordinary share as per CDC Participant ID & Account No. \_\_\_\_\_, do hereby appoint Mr \_\_\_\_\_ s/o \_\_\_\_\_ or failing him Mr \_\_\_\_\_ s/o \_\_\_\_\_ as my Proxy in my/our absence to attend and vote for me/us and on my/our behalf at the 6th Annual General Meeting of the Bank to be held on 24th March 2017 at 10.00 a.m at the Head Office of Sindh Bank Limited, 3rd Floor Federation House, Clifton, Karachi, and at any adjournment thereof.

Address

(Signature should agree with  
the specimen signature  
Registered with the Bank)

## 224





میں / ہم۔۔۔۔۔ ولد۔۔۔۔۔ جو سندھ بینک لمیٹڈ کا / کے ممبر ہیں اور سی ڈی سی پارٹنیشنمنٹ ID اور اکاؤنٹ نمبر۔۔۔۔۔

کے مطابق۔۔۔۔۔ آرڈری شیئر رکھتا / رکھتے ہیں، جناب۔۔۔۔۔ ولد۔۔۔۔۔ یا ان کی عدم دستیابی کی صورت میں

جناب۔۔۔۔۔ ولد۔۔۔۔۔ کو، میری / ہماری غیر موجودگی میں 24 مارچ، 2017 کو صبح 10.00 بجے سندھ بینک لمیٹڈ کے ہیڈ آفس واقع

تیسری منزل، فیڈریشن ہاؤس، کلنگٹن کراچی، میں منعقد ہونے والے بینک کے 6th سالانہ اجلاس عام میں شرکت کرنے اور میری / ہماری جانب سے ووٹ ڈالنے کے لیے اپنا نمائندہ

مقرر کرتا ہوں / کرتے ہیں۔