

## SERVING YOU IN MANY WAYS

### Products & Services

- Attractive Deposit Schemes
- Foreign Currency Accounts
- Sukoon Current Account
- Asaan Account
- Women Empowerment Account
- Young Talent Account
- Small & Medium Enterprises (SME) Credits
- Auto Finance • Call Center 24/7
- Agriculture Loans • Lockers Facility
- Islamic Banking • ATM Network
- Home Remittance
- VISA, PayPak & UnionPay Debit Cards

### SMS Banking

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



3rd Floor, Federation House, Abdullah Shah Ghazi Road,  
Clifton, Karachi-75600. UAN: +92-21-111-333-225







## 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.

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## Entity Ratings

**Long - Term Rating A+**  
**Short - Term Rating A-I**

Definitions by VIS Credit Rating Co. Ltd  
 (Formerly JCR-VIS Credit Rating Co. Ltd)

### Long - Term Rating A+

Good credit quality; Protection factors are adequate. Risk factors may vary with possible changes in the economy.

### Short -Term Rating A-I

Highest certainty of timely payment; Liquidity factors are excellent and supported by good fundamental protection factors. Risk factors are minor.

## 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 Information

### Board of Directors

Anis A. Khan  
 Syed Hasan Naqvi, Finance Secretary (GoS)\*  
 Sami ul Haq Khilji  
 Masooma Hussain  
 Javaid B. Sheikh  
 Imran Samad

Acting Chairman/Non-Executive Director  
 Non Executive Director  
 Independent Director  
 Non Executive Director  
 Independent Director  
 President & CEO

Chief Financial Officer  
 Company Secretary

Saeed Jamal Tariq  
 Shamsuddin Khan

### Auditors'

Naveed Zafar Ashfaq Jaffery & Co.  
 Chartered Accountants

### Legal Advisors

Mohsin Tayebaly & Co

### Share Registrar

CDC Share Registrar Services Ltd.

### 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

www.sindhbank.com.pk

### Facebook

/SindhBankLimitedOfficial

### Instagram

/SindhBankLimited

### linkedin

/company/sindh-bank-limited

\*FPT clearance from SBP yet to be received



## Chairman's Message

### CHAIRMAN'S REVIEW

On behalf of the Board of Directors of Sindh Bank, I present this review, along-with the financial statements of the Bank for the year ended December 31, 2019.

During the year 2019, the Bank registered pre-tax loss of Rs.13.761 billion compared to pre-tax loss of Rs.1.419 billion in 2018. Reasons for the increased loss were (i) 62.1 percent (Rs.3.025 billion) decrease in net markup/interest income compared to 2018, (ii) increase in specific provision against NPLs of Rs.10.02 billion compared to specific provision of Rs.1.38 billion during 2018 after netting of write back of general provision of Rs. 4.0 billion, created in earlier years, and (iii) loss on sale of investments (PIBs/Shares) of Rs. 1,253 million compared to loss of Rs. 907 million during 2018.

Decrease of net markup/interest income was attributed mainly to a marginal increase of 2.2 percent in markup/interest income compared to 36.7 percent increase in markup/interest expense, due to higher impact of suspension of markup/interest on NPLs amounting to Rs. 33.8 billion.

Total Deposits registered an increase of 18 percent and stood at Rs.134.1 billion compared to Rs.113.6 billion on December 31, 2018. Gross Advances decreased by 3.4 percent to Rs.76.4 billion compared to Rs.79.1 billion on December 31, 2018.

The financial results and appropriations, as recommended by the Board, are summarized below:

	Rupees in '000
<b>Loss before provisions and tax</b>	<b>(3,740,678)</b>
Provision for diminution in value of investment	(261,781)
Provision against loans and advance	(9,758,717)
<b>Loss before tax</b>	<b>(13,761,176)</b>
<b>Taxation</b>	
- Current	188,667
- Deferred	(5,689,983)
	<b>(5,501,316)</b>
<b>Loss after tax</b>	<b>(8,259,860)</b>
Un-appropriated profit brought forward	3,958,289
Other comprehensive loss	(2,760)
<b>Loss before appropriation</b>	<b>(4,304,331)</b>
<b>Appropriations:</b>	
Transfer to Statutory Reserve	---
<b>Accumulated loss carried forward</b>	<b>(4,304,331)</b>

During the year, the Government of Sindh injected an amount of Rs. 11.7 billion in the Bank's paid up capital, in pursuance of the capital plan to restore its capital adequacy. I am pleased to report that with the help and support of the Government of Sindh, the Bank stands compliant with regulatory CAR as on December 31, 2019. In addition, the process of merger of Sindh Leasing Company Limited is in an advanced stage, which should further augment the Bank's capital.

As at the year-end, Sindh Bank's Equity (i.e. Paid up Capital, Reserves, deficit on revaluation & accumulated losses), after injection of equity of Rs.11.7 billion by GoS, stood at Rupees 17.077 billion, increasing by about 51.95% over Rupees 11.238 billion last year. The Bank's risk adjusted Capital Adequacy stood at 13.15 percent against the year-end 2019 requirement of 12.50 percent.

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

I would also like to appreciate the efforts and commitment of the Bank's management and staff to face the challenges presently confronting the Bank, especially in reducing NPLs, strengthening risk management, increasing business, and restoring profitability etc. I am confident that with their dedication and hard work, the Bank would be able to tide over these challenges and others that come in its way.

I, on behalf of the Board would like to assure all the stakeholders of our full cooperation and support for the future development and progress of the Bank.

**Anis. A. Khan**  
 Acting Chairman

Karachi: March 09, 2020

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



## Profile of the Board of Directors



**Anis A. Khan**  
 Acting Chairman

Mr. Khan is a businessman and possesses rich experience in marketing and corporate affairs particularly in media industry. He is widely travelled and is well known in business & commercial spheres.

Date of Joining the Board: March 29, 2018

Other Directorships/Offices held:  
 Chairman - Media Axis (Pvt) Ltd. HAVAS (Media Buying House)



**Sami ul Haq Khilji**  
 Independent Director

Mr. Khilji is a retired Civil Servant and remained on various senior positions in the Government. His last position was that of Chairman Pakistan Railways. He possesses masters in Public Policy with Economics concentration from University of Wisconsin, Madison, USA. He has rich experience of management at higher level policy affairs to his credit.

Date of Joining the Board: April 24, 2018

Other Directorships/Offices held:  
 CEO - MM Management Consultants (Pvt) Ltd.

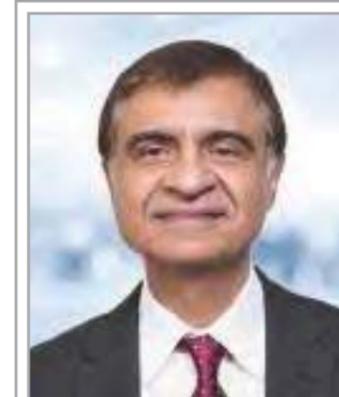


**Imran Samad**  
 President & CEO

Mr. Imran Samad Joined Sindh Bank Limited as its President & CEO. Mr. Samad has more than 30 years of experience in Banks/Financial Institutions as President & CEO, Managing Director and Senior Executive/Group Head. His expertise includes Credits, Portfolio Management, Retail Banking, Corporate Finance, Islamic Banking, Agriculture Finance, SME and Micro Credit. He is a seasoned banker with extensive experience in turning around organizations.

Date of Joining the Board: September 20, 2019

Other Directorships/Offices held:  
 None



**Javaid B. Sheikh**  
 Independent Director

Mr. Javaid B. Sheikh has experience of more than 45 years of various Banks/DFIs. He possesses MBA Degree from USA. He is senior partner in a Lahore based consulting firm. He has vast experience of investment and development banking and is well known in commercial and corporate networks.

Date of Joining the Board: April 11, 2019

Other Directorships/Offices held:  
 Director - AKD Reit Management Company Ltd.  
 Director - Prosperity Weaving Mills Ltd.



**Syed Hasan Naqvi\***  
 Finance Secretary, GoS

Mr. Naqvi is Finance Secretary, Government of Sindh and is a Non-Executive Director on the Board of Sindh Bank. Being a Civil Servant he has been Finance Secretary, GoS, Special Finance Secretary, GoS, Director Investment-Export Processing Zone Authority, Additional Secretary, Governor House Sindh, and has held various important positions in GoS departments.

Date of Joining the Board: October 22, 2019

Other Directorships/Offices held:  
 Director - Sindh Modarba Management Limited  
 Director - Sindh Leasing Company Limited  
 Director - Sindh Engro Coal Mining Company  
 (approval pending with SECP)



**Masooma Hussain**  
 Non Executive Director

Mrs. Hussain is a career banker having experience of over 50 years in the field of Operations, Credits, Domestic & International Banking. She has been instrumental in framing policy and procedural framework and implementation of institutional guidelines.

Date of Joining the Board: April 11, 2019

Other Directorships/Offices held:  
 Director - Sindh Leasing Company Ltd.

\* 22.10.2019 (Appointed by the Board in its 74th Meeting) his FPT is pending with SBP for approval.



From left to right: Masooma Hussain, Sami ul Haq Khilji, Anis A. Khan (Acting Chairman), Imran Samad (President & CEO), Javaid B. Sheikh

### Board of Directors:

1	Anis A. Khan	Acting Chairman/N.E. Director
2	Syed Hasan Naqvi, Finance Secretary (GoS)*	Non Executive Director
3	Sami ul Haq Khilji	Independent Director
4	Masooma Hussain	Non Executive Director
5	Javaid B. Sheikh	Independent Director
6	Imran Samad	President & CEO

\*FPT clearance from SBP yet to be received

### Committees of the Board:

#### Audit Committee:

Javaid B. Sheikh	Chairman
Finance Secretary (GoS)	Member
Masooma Hussain	Member
Head of Internal Audit	Secretary

#### Human Resource & Remuneration Committee:

Anis A. Khan	Chairman
Sami ul Haq Khilji	Member
Finance Secretary (GoS)	Member
President/CEO	By Invitation
Head of HR Division	Secretary

#### \* Nomination Committee:

Finance Secretary (GoS)	Member
Company Secretary	Secretary

#### Risk Management Committee:

Javaid B. Sheikh	Chairman
Masooma Hussain	Member
President/CEO	Member
Head of Risk Management Division	Secretary

#### Procurement, I.T. & Security Committee:

Sami ul Haq Khilji	Chairman
Anis A. Khan	Member
President/CEO	Member
Finance Secretary (GoS)	By Invitation
Head I.T./Head of Admin.	Secretary

\* The committee is presently non-functional for lack of membership



## Terms of Reference

The number of meetings of the Board of Directors (BOD) and its Sub-Committees held during the year 2019 and the attendance by each director/committee member are provided in the Directors Report.

The Key terms of reference of the Board Committee are as follows.

### Risk Management Committee

The Bank has formed a Board Risk Management Committee. The BRMC is primarily responsible for effective functioning of the risk management function within the Bank, and as a committee of the Board, acts with the delegated authority of the Board. It provides a platform to cover all material risk and also their mitigating tools.

The principle responsibilities of the Committee are as follows:

1. Review and oversee implementation of the Risk Management Policy including Enterprise Risk Management (ERM) Framework and Risk Appetite Framework (RAF) and provide recommendation to the Board to facilitate in decision regarding approval.
2. Review the tools and models developed by the Risk Management Division to measure and monitor risks; and Review regular risk reports related to Market, liquidity, credit and operational risk prepared by the Risk Management Division.
3. Ensure that the Bank has adequate capital available to absorb expected & unexpected losses and is able to achieve its strategic goals / objectives in short and long run.
4. Ensure appropriate risk controls and limits are established, properly implemented, communicated and monitored. Enforce actions upon violation of risk policies and procedures.
5. Review and administer the implementation of IFRS 9 as per SBP BPRD Circular 04 of 2019, dated 23rd October 2019.
6. Review any other risk related matters / regulatory changes that warrant discussion at the Committee

### Nomination Committee

To review the structure, size and composition of the Committee and skills, knowledge, expertise, experience and diversity of the Board members and to suggest any changes and modification.

To identify and suggest for approval name(s) of the candidate(s) to fill the Board vacancies and to ensure that the proposed candidate(s) have sufficient time and skill to perform their obligations and meet FPT Criteria of SBP.

Prior to the appointment of Director(s) the Committee shall require the prospective candidate(s) to disclose any other business interest which may cause a result of conflict of interest between the prospective candidate(s) with the Bank and the Committee shall also require from him to submit his future business interest that may cause a conflict of interest. Upon receipt of the aforesaid information, the Committee shall minutely observe the nature of conflict of interest and make its own independent observations thereon.

Apart from the Directors the Committee shall seek candidature for CEO's position if fell vacant and select the best available candidates for final approval by the Board and the Government of Sindh. The Committee meets on need basis.

### Audit Committee

The Board Audit Committee is responsible under the Code of Corporate Governance to review and recommend to the Board of Directors, the quarterly, half-yearly and annual financial statements of the Bank particularly focusing on the reasonableness of significant adjustment, major judgments and estimates, the adequacy of the disclosures in the financial statements, going concern assumption, change in accounting policies, related party transactions and compliance with applicable accounting standards.

BAC administers the Bank's financial reporting process on behalf of the Board and BAC has direct responsibility for appointment, retention, remuneration/ compensation and oversight of work of external auditors.

BAC is also responsible for reviewing and approving annual audit plan; scope, extent and procedure of internal audit and reporting framework. BAC is responsible to regularly reviews significant issues and observations raised by External & Internal Auditors along with progress thereon.

BAC also confers with the management to ensure the scope, sufficiency, adequacy and effectiveness of Internal Control Systems of the Bank including financial and operational controls, accounting systems, and reporting structures.

The other terms of reference of BAC include consideration of major findings of internal investigations and results of investigation of Whistle Blow. BAC is also responsible for monitoring and reviewing implementation of Whistle Blowing Policy.

### Human Resource and Remuneration Committee

The BHR&RC is responsible for reviewing & recommending the HR Policy to the Board, appointment of Key Executives, Performance Appraisals & Performance Bonuses, revision in Salary Scales / Ranges, Incentive Schemes & Retirement Benefits. The Committee has a composition of three members & a secretary while President & CEO attends the meeting by invitation. The Committee meets on need basis but preferably once in a quarter.

### Procurement, I.T & Security Committee

I.T, Procurement & Security Committee principally manages the procurement requirements of the IT function ensuring unhindered performance of IT services and keeping in line with market dynamics and business objectives of the bank. Reporting to the BOD with recommendations for approval and changes in IT policies as needed with guidance on the application of IT resources. Additionally ITPSC also manages the security system requirements & policy of the bank.

## Profiles of the Shariah Board Members

### 1. Mufti Muhammad Najeeb Khan

Mufti Muhammad Najeeb Khan is Chairman Shariah Board of Sindh Bank-Islamic Banking Division. He holds a degree of specialization in Islamic Jurisprudence/Islamic Finance "Takhassus" from JamiaDarulUloom, Karachi under the supervision of Justice Rtd. Mufti Taqi Usmani. He completed "Al-ShahdatulAalamiyyah" (equivalent to Masters in Arabic and Islamic Sciences) from JamiaDarulUloom, Faisalabad. He is a Shariah Board member of the following organizations:

- Summit Bank - Islamic Banking Operations
- UBL Fund Managers
- Pak Oman Islamic Fund
- HBZ Dubai As a trainer he has professional affiliations with various educational and training institutes including NIBAF (SBP), IDB, IBA-CEIF, LUMS, COMSAT, CIE, AAOIFI, UoK etc.

He is also the Principal of 'Hira Foundation School'

### 2. Mufti Zeeshan Abdul Aziz

Mufti Zeeshan Abdul Aziz is Member, Shariah Board of Sindh Bank-Islamic Banking Division. He has completed TakhassusFilllfta (Specialization in Islamic Jurisprudence) majoring in Islamic Banking & Finance from JamiaDarulUloom, Karachi, under the supervision of Justice (R) Mufti Taqi Usmani. Besides being Shariah Advisor to some other Islamic Financial Institutions, Consultancy Firms and Halal Certification bodies within and outside Pakistan, he is also involved in teaching Islamic Banking & Takaful on different forums/universities as visiting faculty member.

### 3. Mufti Muhammad Hassan Ashraf Usmani

Mufti Muhammad Hassan Ashraf Usmani is the Resident Shariah Board Member of Sindh Bank- Islamic Banking Division. He has completed TakhassusFilllfta (Specialization in Islamic Jurisprudence) from JamiaDarulUloom, Karachi, under the supervision of Justice (R) Mufti Taqi Usmani. Further, he has done his doctorate from Karachi University in the field of Islamic Finance. He is associated as a member of Shariah Supervisory Board of mutual funds, as well as member of the Teaching Faculty of Darul-Uloom, Karachi.

### Terms of Reference and Meetings of the Shariah Board

The IBI shall have a SB comprises of three Shariah Scholars, i.e., Board Chairperson (Chairperson) and Board Members including one of the Member designated as Resident Shariah Board Member (RSBM) as per FAPC given in SGF provided by SBP. Further, every IBI shall have a Shariah Compliance Department (SCD) which may be headed by a RSBM or a suitably qualified, trained and experienced officer recommended by SB.

### Sharia Board Meetings

Details of Meetings of the Shariah Board held during the year 2019 and attendance by each Shariah Board Member are given below:

S.No.	Name	Shariah Board Meetings	
		Held During the Year	Attended
1	Mufti Muhammad Najeeb Khan	4	4
2	Mufti Zeeshan Abdul Aziz	4	4
3	Mufti Hassan Ashraf Usmani	4	4
<b>Total Meetings Held During the Year 2019</b>		4	



## Disclosure on Remuneration Policy of the Bank

The Human Resource Division at Sindh Bank acknowledges its people as the most significant resource and believes in providing a synergic work environment that fosters customer centricity and ownership in a proactive manner, while maintaining high moral standards.

We are an equal opportunity employer and are committed to hiring and retaining suitably qualified talent from across the country or abroad, through a merit-based and non-discriminatory selection process. We believe that engaged employees are more committed and deliver better results, hence we support staff retention. To improve key positions' bench-strength, Sindh Bank has a Succession Planning Policy, which identifies successors for senior roles within the organization, thus allowing upward career mobility to the right talent and help them in fulfilling their career growth aspirations.

Our Senior Management is highly approachable and has an open-door-policy. We organize country-wide Town Halls, which provide the ideal platform for open discussions between our Management Committee and staff. In addition to increasing employee engagement, this is an event where hard-work and sound performance are recognized and awarded; acknowledgement of special contributions and alignment with the Bank's culture & values takes place. We are highly focused on maintaining positive, constructive employee relations and such meetings foster a culture of transparency and good employee communications.

The Bank engaged an external consultant for assistance in implementation of the SBP's Revised Guidelines on Remuneration Practices. The major activities performed by them were identification of Material Risk Takers (MRTs) and Material Risk Controllers (MRCs), development of risk-adjusted balanced scorecards for all MRTs and MRCs, identification of areas for improvement and development of bank-wide remuneration policy. The Bank has processes in place to ensure that the consultants were independent, and no conflict of interest existed with any Board member or any of its key executives.

Our remuneration policy is market-aligned competitive pay, making our compensation fair and consistent, ensuring internal equity. In the event of death or disability, the Bank offers life and disability insurance, through an Insurance Company, to provide financial assistance to the staff. Life Insurance coverage provides financial support to the heirs of the deceased staff in the unfortunate event of death in service, complete coverage of House Loan, if availed, will be provided to the staff.

The Board is overall responsible for reviewing, approving and monitoring implementation of the Bank-wide remuneration framework, based on the recommendations of Board's Human Resource & Remuneration Committee (HRRC), which shall be mainly responsible for overseeing the Bank's remuneration programme.

Since professionalism is paramount at Sindh Bank, our Code of Conduct is well-structured and in place. The Disciplinary Action policy provides an expertly designed corrective action process and a formal framework for issues to be dealt with fairly and swiftly. The policy ensures that employees are managed in a transparent manner and it also addresses instances where a staff's performance or conduct fails to meet the standards laid down by the Bank. Our proficient DA Team also deals with the staff's grievances promptly and professionally. Furthermore, a strict law-mandated harassment policy is in place along with awareness-raising and training sessions, warranting discipline in this respect.

### Material Risk Taker (MRT)/ Material Risk Controller (MRC)

The MRTs and MRCs have been identified through a detailed assessment of the Bank's employees using various qualitative and quantitative criteria, as documented in the remuneration policy.

The Bank offers a compensation structure with a balanced mix of fixed and variable elements with the objective to encourage behaviors focused on achievement of long term sustainable results. For MRTs / MRCs the deferred variable component has been made part of their compensation structure.

### Performance measurement of MRTs and MRCs

The Bank's performance management mechanism provides a sound basis for assessing employee performance holistically. The Bank's remuneration policy is aligned with the performance management mechanism and differentiates pay appropriately amongst its employees based on degree of contribution, skill and availability of talent owing to competitive market forces by considering factors such as role, skills, competencies, experience and grade/seniority.

Performance measurement of MRTs /MRCs will be carried out through the risk adjusted balanced scorecards. The Bank is in a process to develop risk-adjusted balanced scorecards for all MRTs and MRCs for their performance measurement, which will ensure establishing a correlation between and alignment of risks and rewards. These scorecards are prepared at individual levels, incorporating various financial, non-financial/ qualitative and risk-adjusting factors.

The Bank has introduced an individual level accountability mechanism whereby a certain portion of variable compensation of the MRTs/MRCs will be deferred/withheld for a defined period, thus creating alignment between the employees and stakeholders interests and reinforcing that compensation is appropriately linked to longer term sustainable performance.

The deferred pay will be subject to claw back clause that permits the Bank to cancel or reduce, all or part of the amount of an unvested variable compensation award, due to specific crystalized risk, behavior, conduct or adverse performance outcome, attributable to the MRT/MRC.

## 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:

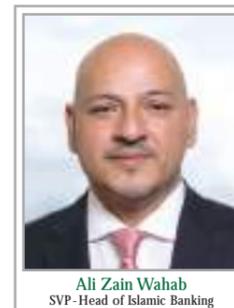
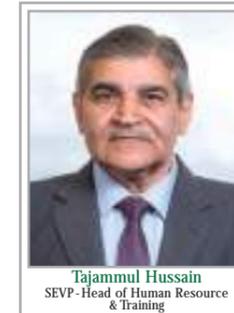
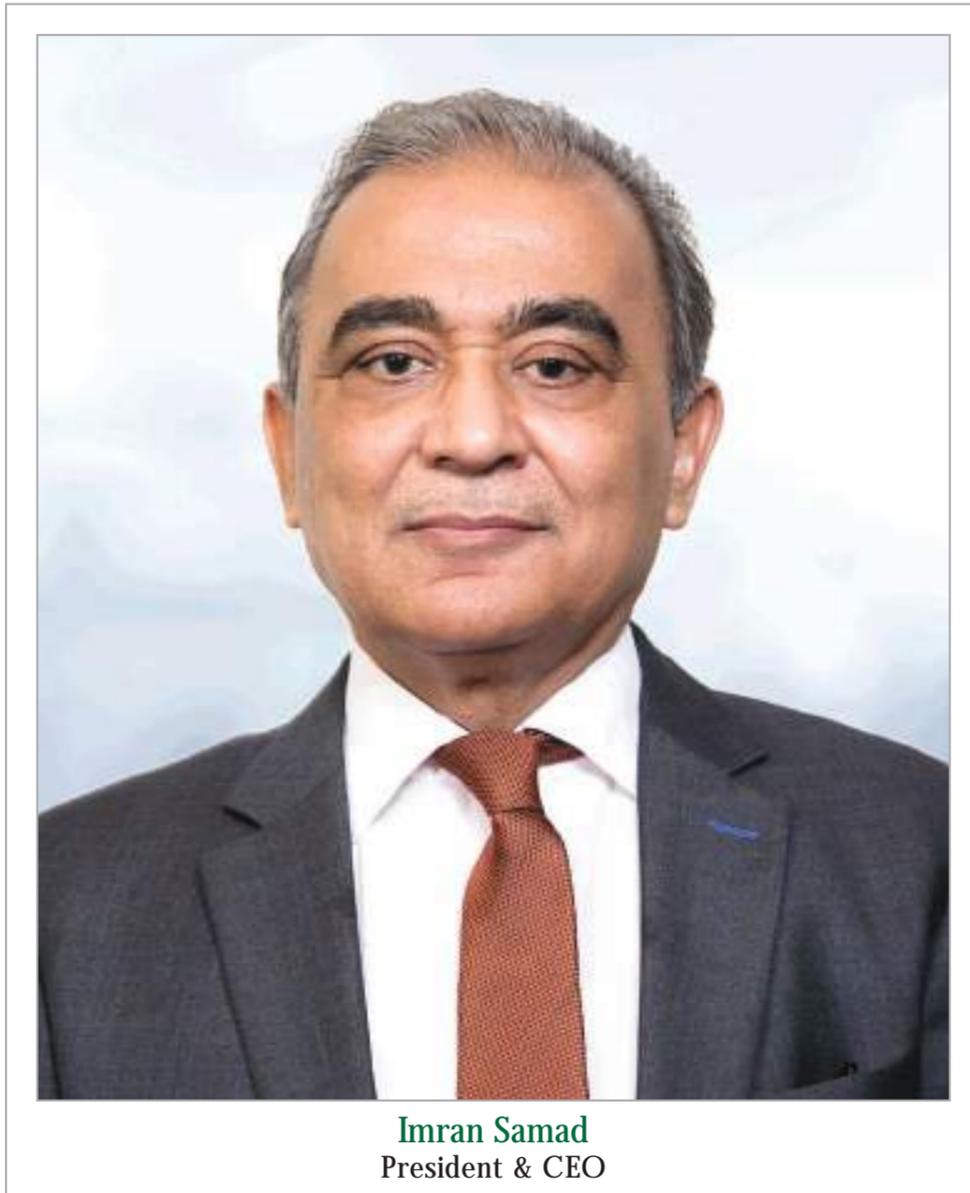
1. We will abide by the laws of the Country in all activities at work and beyond. Any suspected material violation of a law, regulation or ethical standard must be reported to the appropriate level of authority within the Bank. Where appropriate, the authority will report to the relevant statutory authority.
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's 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 judgement 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 disassociate 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 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

Note:

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."



## Management





## Events



Training on "Personal Effectiveness" by Mr. Bilal Mustafa Ex-President BoK and KASB Bank.



MOU Signing Ceremony Between Sindh Bank & UnionPay International for EMV QuickPass Debit Card Issuance



President & CEO Sindh Bank Mr. Imran Samad along with Group Head Rural Sindh Region with Branch Mangers and Area Managers celebrating the yearly targets achievements for 2019 at the Head Office, Karachi.



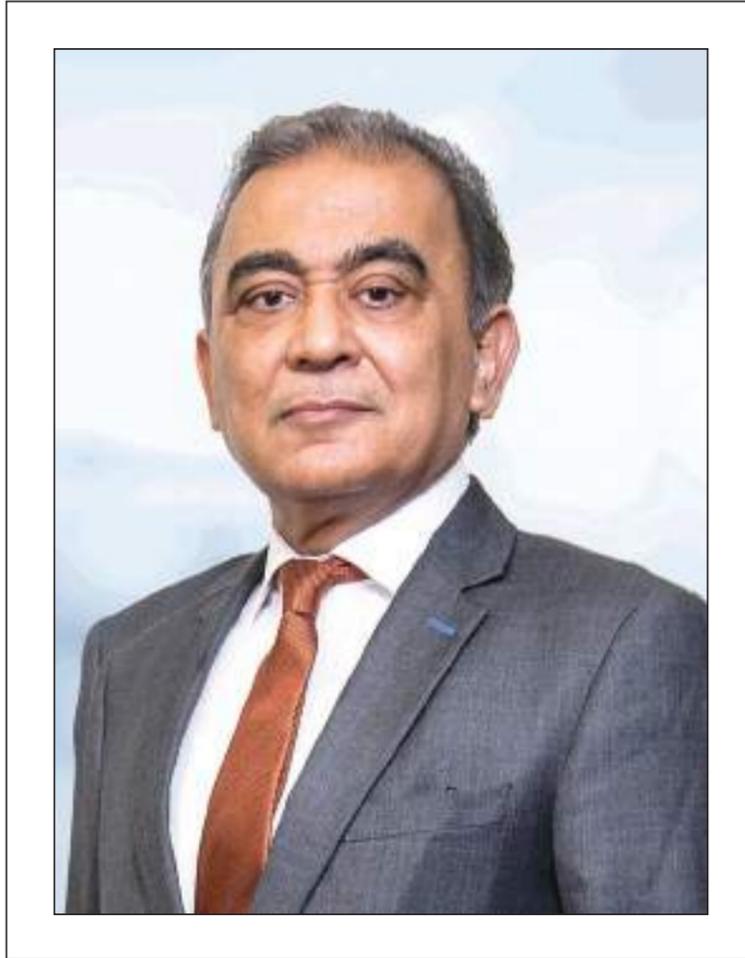
President & CEO Sindh Bank Mr. Imran Samad addressing the Branch Managers of Southern Region at the Bank's Head Office in Karachi.



Sindh Bank President & CEO Mr. Imran Samad and Synite Digital's Managing Director Mr. Ahmed Kapadia at the launch of Sindh Bank's new website.



(Rupees in '000)



## Directors' Report

On behalf of the Board of Directors, I am presenting herewith the financial results of the Bank for the year ended December 31, 2019. Financial highlights of the year are as follows:

(Rupees in '000)

Balance Sheet	As on December 31, 2019	As on December 31, 2018	%age Change
Paid up Capital	19,710,130	10,010,130	96.9%
Shares Deposit Money	2,000,000		
Reserves & accumulated loss	(2,852,352)	5,410,268	-152.72%
<b>Paid up Capital &amp; Reserves</b>	<b>18,857,778</b>	<b>15,420,398</b>	<b>-22.29%</b>
Deficit on Revaluation of Investment	(1,780,577)	(4,181,968)	
<b>Equity</b>	<b>17,077,201</b>	<b>11,238,430</b>	<b>51.95%</b>
<b>Deposits</b>	<b>134,049,662</b>	<b>113,594,544</b>	<b>18.0%</b>
<b>Investment (carrying value)</b>	<b>65,143,452</b>	<b>55,350,066</b>	<b>17.7%</b>
<b>Gross Advances</b>	<b>76,430,095</b>	<b>79,171,957</b>	<b>-3.5%</b>

Profit & Loss Account	Year Ended December 31, 2019	Year Ended December 31, 2018	%age Change
Markup/return/interest income	12,115,401	12,382,921	-2.2%
Markup/return/interest expenses	10,265,615	7,507,771	36.7%
<b>Net markup/return/interest income</b>	<b>1,849,786</b>	<b>4,875,150</b>	<b>-62.1%</b>
Capital loss on sale of Investments	(1,253,105)	(907,095)	
Dividends	115,212	86,957	
Fee, Commission & Other Income	469,981	431,523	
<b>Non-mark-up/non-interest income</b>	<b>(667,912)</b>	<b>(388,615)</b>	<b>-71.9%</b>
<b>Non mark-up/interest expenses</b>	<b>4,922,552</b>	<b>4,527,421</b>	<b>8.73%</b>
Provision-general (reversed)	-	(4,000,000)	
Provision-general (Consumer/SME)	(202)	(813)	
Provision-specific	10,020,700	5,377,718	
<b>Total Provisions</b>	<b>10,020,498</b>	<b>1,377,846</b>	
<b>Loss before Tax</b>	<b>(13,761,176)</b>	<b>(1,418,732)</b>	
<b>Loss After Tax</b>	<b>(8,259,860)</b>	<b>(1,205,180)</b>	
<b>Loss per share (Rupees)</b>	<b>(8.00)</b>	<b>(1.20)</b>	

Other Information	As on December 31, 2019	As on December 31, 2018	%age Change
<b>No. of Accounts</b>	<b>511,779</b>	<b>477,399</b>	<b>7.2%</b>
<b>Number of Branches</b>	<b>330</b>	<b>330</b>	<b>-</b>

### A. DEPOSITS

Total Deposits registered an increase of 18 percent and stood at Rs. 134 billion compared to Rs. 113.6 billion on December 31, 2018. This increase is especially commendable, considering the fact that throughout the year, there was a declining trend with the Bank touching a low of Rs. 104.00 billion in September 2019. However, the Bank's retail team with their hard work and dedication, achieved an unprecedented turnaround, by mobilizing Rs. 30 billion in the last quarter to close the year at Rs. 134 billion. Ratio of Finance Department, Government of Sindh (GoS) Deposits to other Deposits was 13:87 as compared to 11:89 at the year ended 2018 and number of customer accounts at 511,779 registered an increase of 7.2 percent over 2018.

### B. ADVANCES

Gross Advances decreased by 3.5 percent to Rs. 76.4 billion as compared to Rs. 79.2 billion on December 31, 2018. During the period, the Bank did not undertake fresh financing considering the Capital adequacy issues faced by it. By the grace of Allah and with the help and support of the Government of Sindh, the issue stands addressed as on December 31, 2019.

### C. INVESTMENTS

Carrying value of Investments increased by 17.7 percent over 2018 financed mainly by increase in customers deposits. Federal Government securities (at cost) increased by 12.1 percent to Rs. 62.9 billion on December 31, 2019 compared to Rs. 56.1 billion as at December 31, 2018. Investment in long-term Pakistan Investment Bonds decreased by Rs. 9.9 billion, while Short-term Market Treasury Bills increased by Rs. 17 billion.

Investment in the equities and mutual funds stood at Rs. 3,682 million, including Rs. 750 million in Sindh Microfinance Bank Limited (wholly owned subsidiary, increased by 1.1 percent over December 31, 2018 (Rs. 3,641 million).

### D. PROFIT AND LOSS

Bank registered pre-tax loss of Rs. 13.761 billion during the year compared to loss of Rs. 1.419 billion last year. Reasons for the increased loss are (i) decrease of 62.1 percent in net markup/interest income compared to 2018, (ii) specific provision of Rs. 10.02 billion against NPLs, (iii) capital loss of Rs. 914 million booked on the sale of long-term PIBs as a strategic decision to reduce Bank's exposure, and (iv) loss of Rs. 339 million recorded on sale of shares due to significant decline in PSX.



Significant decline in Net Markup/Interest income was mainly on account of full year impact of income suspended (compared to about 6 months impact in 2018) on NPLs carried over from 2018 (Rs. 24.9 billion) and additional NPLs arising in 2019 (Rs. 8.9 billion). Due to this reason, Bank's Markup/Return income suffered a year-on-year decline of 2.2 percent, instead of increasing in tandem with Markup/Return expense, which increased by 36.7 percent.

Non-markup/non-interest loss recorded during 2019 amounted to Rs. 667.9 million compared to loss of Rs. 388.6 million recorded in 2018. Losses during 2019 were attributed mainly to (i) loss on sale of long term PIBs of Rs. 914 million (against loss of Rs. 546 million in 2018) due to a strategic decision to reduce exposure and (ii) realized loss on sale of shares of Rs. 339 million (against loss of Rs. 362 million in 2018).

#### E. BRANCH NETWORK

The Bank continued to maintain its presence at 330 locations spread over 169 cities/towns around Pakistan and includes 14 branches which are dedicated to Islamic Banking. Region wise breakup is as under:

Regions	No. of Branches	No. of Cities/Towns
South: including Karachi, Sindh-other cities/towns & Balochistan	206	97
North: including Punjab, Islamabad, KPK, AJK & GB	124	72
<b>Total</b>	<b>330</b>	<b>169</b>

#### ECONOMIC REVIEW

SBP's report on the 'State of Pakistan's Economy' for 2017-18 had forecasts Real GDP growth during FY 2019 to slow down to 3.5-4 percent compared to 5.2 percent during FY 2018. However modest GDP growth of 3.3 percent was achieved and the Government has set a 4.0 percent growth target for FY 2020. Monetary Policy Statement ('MPS') issued on January 28, 2020, expects SBP's projections for GDP growth (ie 3.00 to 4 percent) to be revised downwards primarily on account of adverse supply side shocks to cotton production as well as contraction in LSM so far, although it is stated that slowdown in most economic sectors appears to have been bottomed out and gradual recovery expected in the coming months.

Average CPI during FY 2019 rose to 7.3 percent compared to 3.8 percent in the same period last year. As per MPS, CPI inflation rose to 12.7 percent year on year basis in December 2019. This increase was viewed as primarily transitory in nature and SBP projections for inflation broadly unchanged at 11-12 percent with a medium-term target range of 5-7 percent. SBP increased the policy rate from 5.75 percent to 12.25 percent till the end of FY2019 and by another 100 bps in July 2019 with it remaining unchanged at 13.25 percent since then.

Current account deficit, which had increased to USD\$ 19.9 billion at 6.3 percent of GDP during FY2018 decreased to USD\$ 13.5 billion ie 4.80% of GDP during FY2019. This improvement was driven primarily by import compression and healthy growth in workers remittances though exports remained static in terms of amount. Significant improvement in CAD was made possible due to a number of policy measures by the Government of Pakistan, which included over 50 percent depreciation of the currency since December 2017 as well as increase in policy rate. Current account deficit contracted further by 75 percent to US\$ 2.5 billion during the first half of FY 2020, somewhat aided by inflows of foreign portfolio and direct investment. As at total Liquid FX Reserves held by SBP and Commercial Banks amounted to US\$ 17,930 million, increasing by 30 percent over US\$ 13,757 million held on December 31, 2018.

PSX 100 index ended the year 2019 at 40,735 points recording a year-on-year rise of 10 percent over 37,066 points as at December 31, 2018. Between the two dates, the Index suffered a significant decline starting from the start of the year to mid-August 2019, with the Index falling to a multi-year low of 28,765 points on account of various factors which included currency depreciation, lower GDP growth and other factors affecting corporate earnings such as rising taxes and other business costs. During the later period lasting till the end of the year, the Index bounced back as effects of macroeconomic adjustments unfolded and investors returned to buy equities.

#### CREDIT RATING

VIS Credit Rating Company (Formerly JCR-VIS Credit Rating Company) in their report dated July 05, 2019, revised the Bank's (i) medium to long term entity rating to 'A+' (Single A plus) from 'AA' (Double A) and (ii) short term rating to 'A1' (A One) from 'A-I+' (A One Plus). Outlook has been revised to 'Stable' from 'Rating Watch Developing' status after decision of the Board to call of the proposed merger with Summit Bank.

#### MINIMUM CAPITAL REQUIREMENT & CAPITAL ADEQUACY RATIO

The Bank is compliant with the minimum capital requirement prescribed by the State Bank of Pakistan while its Capital Adequacy Ratio stood at 13.15% as against the minimum requirement of 12.5% as on December 31, 2019.

#### 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.

The Board is pleased to endorse the statement made by management relating to Internal Controls including management's evaluation of ICFR. The Management's Statement on Internal Control is included in the Annual Report.

#### OTHER HIGHLIGHTS

##### a. Benazir Income Support Program

The Bank has been handling this scheme since its start for Tando Muhammad Khan district in the province of Sindh. The number of beneficiaries presently stands at 41,590. Total amount disbursed during 2019 amounted to Rs. 667 million as compared to Rs. 612 million disbursed in 2018. Handling BISP provides the Bank an opportunity to serve the less privileged segments of the population.

##### b. Issuance of Benazir Muawanat ATM Cards

Continuing its endeavor to facilitate the disbursement of Zakat of Sindh Zakat & Ushr Department's recipients of Guzara Allowance, the Bank issued 3,599 new ATM cards during the year. The total number of recipients of Guzara Allowance who have been issued Benazir Muawanat Cards now stands at 105,475 to beneficiaries in 29 tehsils of Sindh.

##### c. Home Remittances

The Bank's branches handled home remittances to the tune of Rs 2.122 billion through 33,066 transactions during 2019 as compared to Rs 1.869 billion through 35,618 transactions in 2018. The Bank has arrangements in this regard with globally reputed companies such as Western Union, Money Gram etc.

##### d. Strengthening Compliance with AML/CFT regulations

To comply with SBP's Guidelines & instructions, Sindh Bank's IT & Compliance functions, successfully implemented the following to strengthen Bank's AML/CFT capacity:

- AML/CFT (Anti Money Laundering / Combating Finance of Terrorism) or TMS (Transaction Monitoring System) software solution, "SAS" for monitoring and reporting of suspicious transactions fulfilling all the regulatory requirements of SBP.
- Name Screening Solution software "Accuity" to dynamically screen customer accounts automatically against "negative" lists to fulfill SBP's guidelines on AML/CFT on an ongoing basis automatically.

##### e. Upgradation of ATM Network

The Bank's ATM network has expanded to 290 ATMs after the inclusion of 27 new "Diebold Nixdorf" ATM machines. These new ATMs are all bio-metric ATMs and are in the process of becoming operational. A further 30 existing ATMs are also in the process of being converted into bio-metric ATMs which should bring the total number of operational bio-metric ATMs to 70.

##### f. Sindh Microfinance Bank Limited (wholly owned subsidiary)

Sindh Microfinance Bank Limited ('SMFB') started microfinance operations in May 2016 in the province of Sindh. As an exception from norm, SMFB continually registered profits from the very first year of operations and has accumulated reserves currently standing in excess of Rs. 133 million. SMFB has achieved these results through sustainable organic growth while maintaining a very low client delinquency ratio of 1.9%. The outstanding loan portfolio of SMFB stood at Rs. 850 million as at December 31, 2019 and had as of date disbursed in excess of Rs. 2.5 billion (more than 100,000 loans) to women engaged in business, agriculture, fisheries and livestock related activities through its presence in 75 locations (of which 17 are branches and 58 are financial centers) in the province of Sindh.



Due to SMFB's strong performance indicators and low default ratios, the Pakistan Credit Rating Agency (PACRA) assigned the ratings of A- for the long term and A2 for the short term which in PACRA's perspective captures the strength of SMFB as a growing institution in the microfinance sector.

As at December 31, 2019 the Net Equity of SMFB stood at Rs. 889 million with a paid up capital of Rs. 750 million.

#### STAFF, TRAINING & DEVELOPMENT

Total number of staff working in the Bank i.e. executives, officers and support staff as at December 31, 2019 numbered 2,377 as compared to 2,246 as at December 31, 2018.

During 2019, in-house Training Programs were conducted in the areas of Banking, Branch Operations, Fair Treatment to Customers, Audit, International Trade, Islamic Banking Orientation sessions, soft skills etc. Being important issues, we have focused more on trainings in AML/CFT and Compliance related matters.

In order to comply with regulatory requirements and to convey the message down the line, Area Managers, Branch and Operation Managers of all the 3 regions were provided training and entrusted the responsibility to conduct sessions on 'Fair Treatment to Customers' at branch level.

Relevant staff was nominated in ex-house training offerings from SBP, NIBAF, IBP and other renowned consultancies. Since State Bank's focus during 2019 was on promotion and regulation of SME Financing, Housing Finance and Islamic Banking, staff was nominated for such seminars/workshops at various locations across Pakistan.

#### CORPORATE SOCIAL RESPONSIBILITY (CSR)

During 2019, the Bank facilitated payments amounting to Rs. 667 million to around 42 thousand beneficiaries under Government of Pakistan's Benazir Income Support Program. Further disbursement of an amount of Rs. 746 million to over 93 thousand Zakat beneficiaries on behalf of the Sindh Zakat & Ushar Department, Government of Sindh was facilitated through Sindh Bank's Benazir Muawanat Card.

#### 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 therefrom 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.
- 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 President & 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, 2019 amounted to Rs. 859.68 million (2018-Rs. 607.28 million). Value of investments of Sindh Bank Limited Employees Gratuity Fund as at December 31, 2019 amounted to Rs.337.39 million (2018-Rs.244.09 million) and further an amount of Rs. 76.02 million has been transferred subsequent to the balance sheet date, based on actuarial valuation of the fund.
- Statement of compliance with the Public Sector Companies (Corporate Governance) Rules, 2013 is given separately in the Annual Report.

#### EVALUATION OF BOARD, CHAIRMAN, INDIVIDUAL DIRECTORS, INDEPENDENT DIRECTORS, PRESIDENT & 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, President & CEO and its Committees.

The Board members carried out annual evaluation based on the in-house developed mechanism 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 contribution towards developing strategies, policy framework, robust and effective risk management, internal control and audit functions etc.

In terms of aforesaid Circular of SBP the performance evaluation is to be carried out once in three years by an outside agency. Accordingly performance evaluation in 2019 was carried out by Beerbal & Co. Chartered Accountants, whose appointment was approved by the Board.

#### BOARD OF DIRECTORS

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

S. No.	Name of Directors	Board of Directors		Human Resource Committee		Board Audit Committee		Board Risk Management Committee		Board Admin & IT Procurement Committee		Board Nomination Committee	
		Held During the Year	Attended	Held During the Year	Attended	Held During the Year	Attended	Held During the Year	Attended	Held During the Year	Attended	Held During the Year	Attended
1	Mr. Afzal Ghani**	14	1	-	-	-	-	-	-	-	-	-	-
2	Mr. Muhammad Bilal Sheikh**	14	8	7	2	7	2	-	-	-	-	3	3
3	Mr. Tajammul Husain Bokharee**	14	14	7	5	7	3	6	2	-	-	3	3
4	Mr. Anis A. Khan	14	11	7	7	-	-	6	1	3	1	3	1
5	Mr. Samil ul Haq Khiliji	14	13	7	5	7	7	-	-	3	2	-	-
6	Mr. Najam Ahmed Shah*	14	11	7	5	7	5	-	-	3	2	3	3
7	Mr. Jawaid Bashir Sheikh	14	9	-	-	7	4	6	5	-	-	-	-
8	Mrs. Masooma Hussain	14	8	-	-	-	-	6	4	3	1	-	-
9	Mr. Tariq Ahsan, Ex President & CEO***	14	8	-	-	-	-	6	3	3	2	-	-
10	Mr. Saeed Jamal Tariq, Acting President & CEO***	14	3	-	-	-	-	6	2	3	-	-	-
11	Mr. Imran Samad, President & CEO***	14	2	-	-	-	-	6	1	3	1	-	-
Total meetings held during the year		14		7		7		6		3		3	

\* Mr. Najam Ahmed Shah (ex-finance Secretary GoS) remained as director from 16th October 2018 to 16th September 2019, and was replaced by Mr. Syed Hasan Naqvi (Finance Secretary, GoS) as per GoS notification dated 16-09-2019. SBP approval is awaited.

\*\* During the year, after completion of their tenure under the Banking Companies Ordinance, 1962, Mr. Afzal Ghani and Mr. Tajammul Husain Bokharee retired. Furthermore, a casual vacancy occurred during the period due to the resignation of Mr. Muhammad Bilal Sheikh.

\*\*\* Mr. Saeed Jamal Tariq was appointed as Acting President & CEO on 11th September 2019, in place of Mr. Tariq Ahsan. Further, Mr. Imran Samad joined as President & CEO on 20th September, 2019 in place of Mr. Saeed Jamal Tariq.

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

#### BOARD COMMITTEES MEETINGS

Details of the Board Committees meetings are 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

The retiring auditors, being eligible, offer themselves for re-appointment for the year 2020. The Audit Committee of the Board has recommended M/S Naveed Zafar Ashfaq Jaffery & Co Chartered Accountants, the retiring auditors, as external auditors of the Bank for another term.

#### FUTURE OUTLOOK

The Bank is working on a Business Viability Plan aimed at restoring its Financial Strength and to make it a viable, self-sustaining institution going forward. The Plan focuses on the following areas:



## ڈائریکٹرز رپورٹ

میں بورڈ آف ڈائریکٹرز کی جانب سے 31 دسمبر 2019 کو اختتام پذیر سال کے لیے بینک کی مالیاتی نتائج پیش کرتا ہوں۔ اس سال کے اہم مالیاتی نکات درج ذیل ہیں:

(روپے '000 میں)

- Strengthening Bank's Capital**-The Bank is pursuing a structured plan to augment its capital adequacy with the support of the Government of Sindh (Bank's sole sponsor) which envisages injection of Rs.11.7 billion in cash and an estimated Rs. 3.0 billion through the merger of Sindh Leasing Company Limited ('SLCL'). The cash portion of Rs. 11.7 billion has already been received making the Bank CAR compliant as on December 31, 2019 while the process of merger of SLCL is in an advanced stage targeting completion during first half of 2020.
- Improving Business Volumes and Profitability**-Taking aggressive measures for increasing fee-based business, mobilizing cost effective (CASA) deposits, launching new asset products in the Consumer and SME segments, and other cost rationalization measures.
- Recovery and reduction of Non-Performing Loans-Special Assets Management Division (SAM)** has been established to pursue recovery and remedial measures for reducing NPLs. Hectic efforts will continue for reaching negotiated settlement(s) with major borrowers/group(s), where considered feasible.
- Strengthening the Governance, Risk and Control environment.**

### 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.

On behalf of the Board of Directors

**Imran Samad**  
 President/CEO  
 Karachi, March 09, 2020

بیلنس شیٹ	31 دسمبر 2019 پر	31 دسمبر 2018 پر	فیصد تبدیلی
اداشدہ سرمایہ	19,710,130	10,010,130	96.9%
حصص کی جمع شدہ رقم	2,000,000		
ذخائر اور جمع شدہ نقصان	(2,852,352)	5,410,268	-152.72%
اداشدہ سرمایہ اور ذخائر	18,857,778	15,420,398	-22.29%
دوبارہ قدر پذیر پیری پر خسارہ	(1,780,577)	(4,181,968)	
ملکیتی سرمایہ	17,077,201	11,238,430	51.95%
ڈپازٹس	134,049,662	113,594,544	18.0%
سرمایہ کاری (Carrying value)	65,143,452	55,350,066	17.7%
مجموعی ایڈانسنز	76,430,095	79,171,957	-3.5%

نفع نقصان کا کھاتہ	اختتام پذیر سال 31 دسمبر 2019 پر	اختتام پذیر سال 31 دسمبر 2018 پر	فیصد تبدیلی
مارک اپ / ریٹرنز / سودی آمدنی	12,115,401	12,382,921	-2.2%
مارک اپ / اخراجات / سودی اخراجات	10,265,615	7,507,771	36.7%
خالص مارک اپ / ریٹرنز / سودی آمدنی	1,849,786	4,875,150	-62.1%
سرمایہ کی فروخت سے کیپٹل نقصان	(1,253,105)	(907,095)	
منقسم منافع	115,212	86,957	
فیس، کمیشن اور دیگر آمدنی	469,981	431,523	
بنامارک اپ / غیر سودی آمدنی	(667,912)	(388,615)	-71.9%
بنامارک اپ / غیر سودی اخراجات	4,922,552	4,527,421	8.73%
عام ختصات (واپس لئے گئے)	-	(4,000,000)	
عام ختصات (صارف / ایس ایم ای لئے گئے)	(202)	(813)	
مخصوص ختصات	10,020,700	5,377,718	
کل ختصات	10,020,498	1,377,846	
نقصان قبل از ٹیکس	(13,761,176)	(1,418,732)	
نقصان بعد از ٹیکس	(8,259,860)	(1,205,180)	
نقصان فی حصص (روپے)	(8.00)	(1.20)	

دیگر معلومات	31 دسمبر 2019 پر	31 دسمبر 2018 پر	فیصد تبدیلی
کھاتوں کی تعداد	511,779	477,399	7.2%
شاخوں کی تعداد	330	330	-

### A. ڈپازٹس

کل ڈپازٹس 31 دسمبر 2018 کے 113.6 ارب روپے کی مالیت میں 18 فیصد اضافے کے ساتھ 134 ارب روپے ہو گئے۔ یہ اضافہ خاص طور پر قابل تعریف ہے کیونکہ سال کے دوران بینک میں ایک گراؤ کا رجحان رہا جس نے ستمبر 2019 میں 104 ارب روپے کی کم سطح کو چھوا۔ تاہم بینک کی ریٹیل ٹیم نے سخت محنت اور عزم سے بے مثل نتائج حاصل کرتے ہوئے سال کی آخری سرمایہ 30 ارب روپے متحرک کر کے سال کے ڈپازٹس 134 ارب روپے پر بند کئے۔ حکومت سندھ کے شعبہ مالیات، کے ڈپازٹس کا دیگر ڈپازٹس سے تناسب گذشتہ سال 2018 کے 89:11 کے مقابلے میں 87:13 رہا اور سال 2019 کے کھاتے داروں کی تعداد 7.2 فیصد اضافے کے ساتھ 511,779 کھاتے ہو گئی۔



سال 2019 کے دوران اوسط صارفین کی قیمتوں کا انڈیکس (CPI) گذشتہ سال کی اسی مدت کے دوران 3.8 فیصد سے بڑھ کر 7.3 فیصد ہو گیا۔ MPS کے مطابق CPI افراط زر سال بہ سال کی بنیاد پر دسمبر 2019 میں بڑھ کر 12.7 فیصد ہو گیا۔ اس اضافے کو بنیادی طور پر وقتی نوعیت کا سمجھا گیا اور بینک دولت پاکستان کا افراط زر کا پیشگی اندازہ 11-12 فیصد سیز یا دہ تر تبدیل نہیں ہوا۔ مع وسطی مدت کے ہدف کی رینج 5-7 فیصد کے۔ بینک دولت پاکستان نے معاشی سال 2019 کے اختتام تک پالیسی نرخ 5.75 فیصد سے بڑھا کر 12.25 فیصد کر دیا اور جولائی 2019 میں ایک اور 100 پیس پوائنٹس کا اضافہ ہوا لیکن اس کے بعد سے پالیسی نرخ 13.25 فیصد سے تبدیل نہیں ہوا۔

معاشی سال 2018 میں جاری کھاتے کا خسارہ بڑھ کر 19.9 ارب امریکی ڈالر پہنچ چکا تھا جو مجموعی قومی پیداوار کا 6.3 فیصد تھا جو معاشی سال 2019 میں گھٹ کر 13.5 ارب امریکی ڈالر ہو گیا یعنی مجموعی قومی پیداوار کا 4.80 فیصد رہا۔ اس بہتری کا بنیادی محرک درآمدات میں کمی اور سمندر پار پاکستانی کارکنوں کی جانب سے ترسیل زر میں صحت مند اضافہ تھیں جبکہ برآمدات مالیت کی مد میں جاری کھاتے کے خسارے میں بڑی بہتری کے ممکن ہونے کی وجہ حکومت پاکستان کے متعدد پالیسی اقدامات ہیں جس میں دسمبر 2017 سے 50 فیصد کرنسی کی قدر میں کمی کے ساتھ ساتھ پالیسی نرخ میں اضافہ شامل ہیں۔ معاشی سال 2020 کی پہلی ششماہی میں جاری کھاتے کا خسارہ مزید 75 فیصد سکڑ کر 2.5 ارب امریکی ڈالر ہو گیا جس کی معاونت غیر ملکی پورٹ فولیو کا ملک میں بہاؤ اور براہ راست غیر ملکی سرمایہ کاری ہے۔ 31 دسمبر 2018 پر غیر ملکی زرمبادلہ کے ذخائر 13,757 ملین امریکی ڈالر میں 30 فیصد اضافے کے ساتھ بینک دولت پاکستان اور دیگر بینکوں کے پاس اس کی مالیت 17,930 ملین امریکی ڈالر ہو گئی۔

سال 2019 کے اختتام پر PSX-100 انڈیکس پر 40,735 پوائنٹس رہا جس میں سال 2018 کے 37,066 پوائنٹس میں، سال بہ سال، 10 فیصد اضافہ ہوا۔ ان دو تاریخوں کے درمیان انڈیکس میں سال کے آغاز سے اگست 2019 کے وسط تک، خاصی کمی ہوئی جس میں انڈیکس کئی سالوں کے 28,765 پوائنٹس کی کم تر سطح رہی جس کی وجوہات میں کرنسی کی قدر میں کمی، کم تر مجموعی قومی پیداوار کی نمو، اور دیگر عوامل شامل ہیں جو اداراتی آمدنی کو متاثر کرتے ہیں مثلاً بڑھتے ہوئے محصولات اور دیگر کاروباری لاگتیں ہیں۔

### کریڈٹ ریٹنگ

VIS کریڈٹ ریٹنگ کمپنی (سابقہ VIS-JCR) کریڈٹ ریٹنگ کمپنی نے اپنی 5 جولائی 2019 کی رپورٹ میں (i) بینک کی اپنی نظر ثانی شدہ entity ریٹنگ کو درمیانی سے طویل المدت درجہ بندی کے لیے 'AA' (ڈبل A) سے 'A'+1 (A ون پلس) (ii) قلیل المدت درجہ بندی کے لیے 'A'+1 (A ون پلس) سے 'A'-1 (A ون) کر دیا گیا ہے۔ منظر نامہ کو واچ ڈیولپمنٹ حیثیت سے مستحکم (Stable) کر دیا گیا ہے جو بورڈ کے سٹ پیسٹ سے مجوزہ انضمام کو ختم کئے جانے کے فیصلے کے بعد کیا گیا ہے۔

### کم سے کم سرمایہ (capital) کی ضرورت اور کپینٹل کی موزونیت کا تناسب

سندھ بینک، بینک دولت پاکستان (SBP) کی تجویز کردہ کم سے کم سرمایہ (Capital) کی قیام کر رہا ہے۔ جبکہ SBP کی 31 دسمبر 2019 کی کم سے کم 12.5 فیصد کی سرمایہ (Capital) کی موزونیت کے تناسب کے مقابلے میں سندھ بینک کا تناسب 13.15 فصد ہے۔

### خطرات سے نپٹنے کا انتظامی ڈھانچہ

سندھ بینک کے پاس اس کے آپریشن کے حجم اور پیچیدگیوں سے مطابقت رکھتا ہوا کاروباری خطرات سے نپٹنے کا انتظامی ڈھانچہ موجود ہے تاکہ درپیش کاروباری خطرات کی متعین حدود میں ان کے مناسب طور پر نپٹنے کے انتظام کو یقینی بنایا جاسکے۔ سال کے دوران خطرے سے نپٹنے کے خود کار نظام میں مزید بہتری / توسیع کی گئی تاکہ بینک کا اپنے آپریشن پر بہتر کنٹرول ہو سکے۔ اس میں ماہیتی (qualitative) بہتری کے لیے کوششیں جاری ہیں تاکہ بینک خطرات سے نپٹنے کا انتظام کرنے کے نظام سے اچھی طرح لیس ہوتا کہ بڑے / مادی خطرات کا اندازہ لگا سکے خاص طور پر بینکاری کے شعبے میں کریڈٹ، منڈی اور آپریشن کے خطرات۔

### مالیاتی رپورٹنگ پر اندرونی کنٹرول

سندھ بینک نے بینک کو درپیش اہم خطرات کی شناخت، تجزیہ اور ان سے نپٹنے کے لیے ایک جاری عمل تشکیل دیا ہے اور اس میں مالیاتی رپورٹنگ پر اندرونی کنٹرول کا نظام شامل ہے۔ اس عمل کا بورڈ کی آڈٹ کمیٹی باقاعدگی سے جائزہ لیتی ہے۔

بورڈ کا خیال ہے کہ، بینک کے موجودہ مالیاتی رپورٹنگ کے اندرونی کنٹرول کا نظام، بیرونی مقاصد کے لیے، مالیاتی رپورٹنگ اور مالیاتی دستاویزات کی تیاری کو مناسب حد تک قابل اعتبار بنانے کے لیے مضبوط اور موزوں ہے اور متعلقہ اکاؤنٹنگ کے اصولوں اور ریگولیٹری ضوابط کے مطابق ہے۔

بورڈ کی مالیاتی رپورٹنگ کے اندرونی کنٹرول سے متعلق پالیسیوں اور ہدایات کے نفاذ میں انتظامیہ بورڈ کی معاونت کرتی ہے۔ انتظامیہ مالیاتی رپورٹنگ کے اندرونی کنٹرول کے نظام کو مضبوط کرنے کے لیے مسلسل کام کر رہی ہے۔

### B. ایڈوانسز

مجموعی ایڈوانسز 3.5 فیصد کمی کے باعث 31 دسمبر 2018 کے 79.2 ارب روپے کے مقابلے میں 76.4 ارب روپے تک پہنچ گئے۔ سال کے دوران بینک، کپینٹل موزونیت کے مسئلہ کی بنیاد پر نئے قرضہ جات کی فراہمی نہیں کر سکا۔ اللہ کی عنایت اور سندھ گورنمنٹ کی معاونت سے 31 دسمبر 2019 تک یہ مسئلہ حل ہو گیا ہے۔

### C. سرمایہ کاری

سرمایہ کاری کی (value Carrying) گاہکوں کے ڈپازٹس میں اضافے کی وجہ سے، سال 2018 کے مقابلے میں 17.7 فیصد اضافہ ہوا۔ وفاقی گورنمنٹ کے تسکات کی اصل لاگت 12.1 فیصد اضافے کے ساتھ 31 دسمبر 2019 پر 62.9 ارب روپے ہو گئی جبکہ دسمبر 2018 میں یہ 56.1 ارب روپے تھی۔ طویل المدت پاکستان انویسٹمنٹ بانڈز میں 9.9 ارب روپے کی کمی ہوئی، جبکہ قلیل المدت مارکیٹ ٹریڈیبلز کی مالیت میں 17 ارب روپے کا اضافہ ہوا۔

ملکی سرمایہ کاری اور میچل فنڈ سرمایہ کاری (بشمول سندھ مائیکروفنانس بینک، سندھ بینک کا مکمل ملکیتی ادارہ میں 750 ملین روپے کی سرمایہ کاری) 31 دسمبر 2018 کی 3,641 ملین روپے کی سرمایہ کاری میں 1.1 فیصد اضافے کے ساتھ 3,682 ملین روپے رہی۔

### D. نفع نقصان

سال کے دوران قبل از محصول نقصان کی مالیت 13,761 ارب روپے رہی جبکہ گذشتہ سال نقصان کی مالیت 14,419 ارب روپے تھی۔ نقصان میں اضافے کی وجوہات میں (i) سال 2018 کے مقابلے میں خالص مارک اپ / سودی آمدنی میں 62.1 فیصد کمی، (ii) ناکارکردگی دکھانے والے قرضہ جات کے لیے 10.02 ارب روپے کا خصوصی مختص کیا جانا، (iii) بینک کی حکمت عملی کے مطابق طویل المدت پنی آئی بی میں شمولیت کم کرنے کی وجہ سے اگلی فروخت سے 914 ملین روپے کا کپینٹل نقصان اور (iv) PSX میں خاصی گراوٹ کی وجہ سے حصص کی فروخت میں 339 ملین روپے کے نقصان کا اندراج ہوا۔

خالص مارک اپ / سودی آمدنی میں خاصی کمی کی وجہ ناکارکردگی دکھانے والے قرضہ جات پر معطل شدہ آمدنی کے پورے سال پر اثرات تھے (جبکہ اس کے مقابلے میں 2018 میں 6 ماہ کے اثرات تھے) جو 2018 کے 24.9 ارب روپے سے بڑھ گئے اور سال 2019 میں اس میں 8.9 ارب روپے کا اضافہ ہوا۔ اس وجہ سے بینک کی مارک اپ / رٹرنز آمدنی میں سال بہ سال کی بنیاد پر 2.2 فیصد کمی کا سامنا ہوا، اور اس کے برخلاف مارک اپ / رٹرنز اخراجات میں 36.7 فیصد اضافہ ہو گیا

سال 2019 میں غیر مارک اپ / غیر سودی نقصان کی مالیت 667.9 ملین روپے رہی جو سال 2018 کے اختتام پر 388.6 ملین روپے تھی۔ سال 2019 میں نقصانات کی وجوہات (i) طویل المدت پاکستان انویسٹمنٹ بانڈز کی فروخت سے 914 ملین روپے کا خسارہ (اس کے برخلاف 2018 میں 546 ملین روپے کا نقصان تھا) جس کی وجہ حکمت عملی کے تحت ان میں شمولیت میں کمی تھا (ii) 339 ملین روپے کی حصص کی فروخت سے ہونے والا نقصان (اس کے برخلاف 2018 میں 362 ملین روپے کا نقصان تھا)۔

### E. برانچ نیٹ ورک

بینک کی موجودگی پورے پاکستان میں 169 شہروں / قصبہ جات میں 330 مقامات پر ہے جس میں اسلامی بینکاری کے لیے مخصوص 14 شاخیں بھی شامل ہیں۔ علاقائی تقسیم کی تفصیلات درج ذیل ہیں:

علاقہ	شاخوں کی تعداد	شہروں / قصبہ جات کی تعداد
جنوب: بشمول کراچی، سندھ، دیگر شہر / قصبہ جات اور بلوچستان	206	97
شمال: بشمول پنجاب، اسلام آباد، خیبر پختونخوا، آزاد جموں کشمیر اور گلگت بلتستان	124	72
کل تعداد	330	169

### معاشی جائزہ

اسٹیٹ بینک کی پاکستان کی معیشت کی صورتحال پر رپورٹ کے مطابق، سال 2017-18 کی پیش گوئی کے مطابق معاشی سال 2019 کے دوران حقیقی مجموعی قومی پیداوار کی نمو گھٹ کر 4-3.5 فیصد رہے گی جبکہ اس کے مقابلے میں معاشی سال 2018 میں یہ 5.2 فیصد رہی تھی۔ تاہم 3.3 فیصد کی ایک مناسب مجموعی قومی پیداوار حاصل کی جا چکی ہے اور گورنمنٹ معاشی سال 2020 کے لیے 4 فیصد نمو کا ہدف متعین کر چکی ہے۔

28 جنوری 2020 میں جاری کردہ مالیاتی پالیسی بیان کے مطابق بینک دولت پاکستان کے مجموعی قومی پیداوار کے بارے میں تخمینوں (یعنی 3 سے 4 فیصد) میں کمی کے لیے نظر ثانی ہوگی جس کی بنیادی وجہ کپاس کی پیداوار میں ہونے والے نقصان کی وجہ سے فراہمی میں متوقع کمی کے ساتھ ساتھ اب تک بڑے پیمانے کے صنعتی پیداوری سکٹر میں سکڑاؤ ہے، اگرچہ یہ کہا جا رہا ہے کہ بہت سے معاشی سکٹرز میں انتہائی چٹائی سطح پر آئیے بعد آنے والے مہینوں میں بتدریج بحالی دکھانے کی توقع ہے۔





بینک دولت پاکستان کے مذکورہ بالا سرکلر کے مطابق کارکردگی کی قدر پذیری تین سال میں ایک مرتبہ کسی بیرونی ادارے سے کروائی جائے۔ اس طرح سے سال 2019 میں کارکردگی کی قدر پذیری

بیرل اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس نے کی جس کے انتخاب کی منظوری بورڈ نے دی تھی۔

## بورڈ کے ڈائریکٹرز

زیر جائزہ سال کے دوران بورڈ کے ڈائریکٹرز آف بورڈ کے اجلاس کی حاضری کی تفصیلات درج ذیل تھیں:

نمبر شمار	بورڈ کے نائبین		انسانی وسائل کی کمیٹی		بورڈ کی آڈٹ کمیٹی		بورڈ کی رسک مینجمنٹ کمیٹی		بورڈ کی ایڈمن اور آئی ٹی خریداری کمیٹی		بورڈ کی نامزدگی کمیٹی		ڈائریکٹر کے نام
	شکرت	منعقدہ	شکرت	منعقدہ	شکرت	منعقدہ	شکرت	منعقدہ	شکرت	منعقدہ	شکرت	منعقدہ	
1	14	1	-	-	-	-	-	-	-	-	-	-	جناب فضل غنی**
2	14	8	7	2	7	2	-	-	-	-	-	-	جناب محمد بلال شیخ**
3	14	14	7	5	7	3	6	2	-	-	-	-	جناب تجل حسین بخاری**
4	14	11	7	7	-	-	6	1	3	1	3	1	جناب انیس اے خان
5	14	13	7	5	7	7	-	-	2	3	2	-	جناب سمیع الحق علی
6	14	11	7	5	7	5	-	-	3	3	2	3	جناب نجم احمد شاہ*
7	14	9	-	-	7	4	6	5	-	-	-	-	جناب جاوید شیر شیخ
8	14	8	-	-	-	-	6	4	3	1	3	-	محترمہ معصومہ حسین
9	14	8	-	-	-	-	6	3	3	2	3	-	جناب طارق احسن، سابقہ صدر اور CEO***
10	14	3	-	-	-	-	6	2	3	-	3	-	جناب سعید جمال طارق، قائم مقام صدر اور CEO***
11	14	2	-	-	-	-	6	1	3	1	3	-	جناب عمران محمد، صدر اور CEO***
													سال کے دوران کل منعقدہ اجلاس
													14
													7
													7
													6
													3
													3

\* جناب نجم احمد شاہ (سابقہ سیکریٹری مالیات، حکومت سندھ) 16 اکتوبر 2018 سے 16 ستمبر 2019 تک بطور ڈائریکٹر ہے اور ان کی جگہ حکومت سندھ کے 16 ستمبر 2019 کے اعلامیہ کے مطابق جناب سید حسن نقوی (سیکرٹری مالیات، حکومت سندھ) ڈائریکٹر نامزد ہوئے، جس کے لیے SBP کی اجازت کا انتظار ہے۔

\*\* بینکنگ کمینیز آرڈیننس 1962 کے تحت سال کے دوران جناب فضل غنی اور جناب تجل حسین بخاری اپنی پیشہ ورانہ ذمہ داریوں کی مدت کے اختتام پر ریٹائر ہو گئے تھے۔ علاوہ ازیں اس مدت کے دوران جناب محمد بلال شیخ کے استعفیٰ دینے سے ایک عارضی آسامی پیدا ہوئی۔

\*\*\* 11 جولائی 2019 کو جناب طارق احسن کی جگہ جناب سعید جمال طارق کا انتخاب بطور قائم مقام صدر اور CEO ہوا۔ بعد ازاں جناب سعید جمال طارق کی جگہ جناب عمران محمد نے 20 ستمبر 2019 کو بطور صدر اور CEO شمولیت اختیار کی۔

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

## بورڈ کمیٹیوں کے اجلاس

بورڈ کمیٹیوں کے اجلاس کی تفصیل اس رپورٹ میں بینک سیکرٹری کمپنیز (کارپوریٹ گورننس) رولز 2013 کی قیام کے اسٹیٹمنٹ میں ظاہر کیا گیا ہے۔

## تخصیص رکھنے کا رجحان (pattern)

تخصیص رکھنے کا رجحان (pattern) اس رپورٹ کے ساتھ منسلک ہے۔

## بیرونی محاسبین (External Auditors)

سیکڈوش ہونے والے ڈائریکٹرز دوبارہ انتخاب کے لیے اہل ہیں اس لیے انہوں نے سال 2020 کے لیے اپنے آپ کو پیش کیا۔ بورڈ کی آڈٹ کمیٹی نیا سال 2020 کے لیے میسرز نوید ظفر اشفاق جعفری اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس کا نام بطور بیرونی محاسبین دوبارہ انتخاب کے لیے تجویز کیا ہے۔

## مستقبل کا منظر نامہ

بینک بزنس کے ایک پلان پر کام کر رہا ہے جس کا مقصد اپنی مالیاتی استحکام کو بحال کرنا اور بینک کو منافع بخش بنایا جائے اور اپنی استعداد پر ترقی کرنے والا ادارہ بنایا جاتا ہے۔ پلان کی توجیہ مندرجہ ذیل چیزوں پر مرکوز ہے؛  
 بینک کا کیٹیجیل مضبوط کرنا۔ بینک، حکومت سندھ (بینک کا واحد سپانسر) کی مدد سے ایک مرحلہ وار پلان کے تحت اپنے کیٹیجیل کو مضبوط کرنے پر عمل پیرا ہے جس کے تحت 11.7 ارب روپے نقد اور سندھ لیونگ کمیٹی کے انضمام سے تقریباً 3.0 ارب روپے آئیں گے۔ اس سلسلے میں 31 دسمبر 2019 تک نقد 11.7 ارب روپے بینک کو وصول ہو چکے ہیں جس سے بینک کی CAR کی قیام ہو گئی ہے اور بینک میں SLCL کے انضمام کا عمل اگلی سٹیج کے مراحل میں ہے جس کی تکمیل کا پورے سال 2020 کی پہلی ششماہی کے اختتام تک ہے۔

• کاروبار کے حجم اور منافع بخشگی میں بہتری لانا  
 Consumers اور SME سیکٹرز اور فنانس کی بنیاد پر کاروبار میں اضافہ، موخر لاگتوں کے ڈپازٹ کو متحرک کرنا اور نئے Asset پروڈکٹس کو پیش کرنے کے لیے جارحانہ اقدامات کرنا اور خرچے گھٹانے کے لیے حقیقت پسندانہ اقدامات کرنا۔

• ناکارکردگی دکھانے والے قرضہ جات کی وصولی اور کمی  
 مخصوص اثاثہ جات مینجمنٹ (SAM) ڈویژن کی تشکیل کی جا چکی ہے تاکہ ناکارکردگی دکھانے والے قرضہ جات (NPLs) کی وصولی کی جائے اور اس میں کمی کے اسناد کے لئے اقدامات کیے جا سکیں۔ جہاں ممکن ہو، بڑے قرضہ لینے والوں کو روک دینے سے مذاکرات کے ذریعے تصفیے پر پہنچنے کی بھرپور کوششیں جاری رہیں گی۔

• نظم و ضبط، رسک اور کنٹرول ماحول میں مضبوط کرنا۔

## اعتراف

بورڈ آف ڈائریکٹرز کی جانب سے، میں خلوص دل سے ریگولیٹرز، حصص کنندگان اور کارکنوں کا ان کی بینک انتظامیہ کی مسلسل رہنمائی اور حمایت کرنے پر شکریہ ادا کرنا چاہتا ہوں۔

بورڈ آف ڈائریکٹرز کی جانب سے

عمران احمد

صدر/CEO

کراچی، 9 مارچ 2020

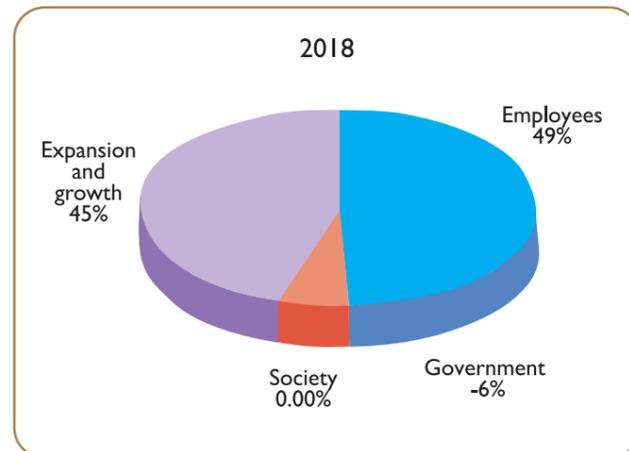
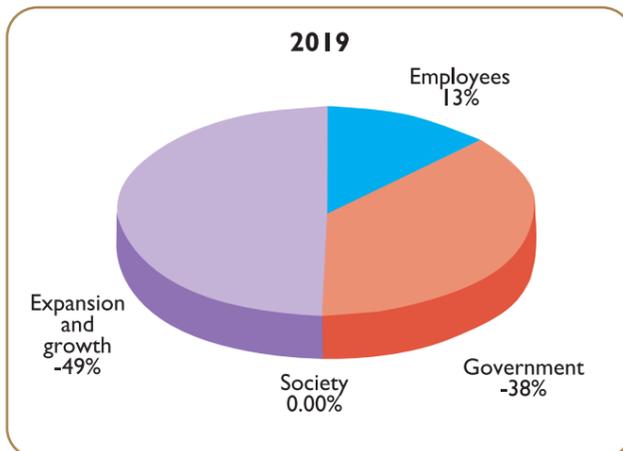


## Value Added Statement

	2019 Rs. in million	%	2018 Rs. in million	%
<b>Value Added</b>				
Net interest income	1,850		4,875	
Non interest income	(668)		(389)	
Operating expenses excluding staff costs depreciation, amortization and donations	(1,561)		(2,071)	
Provision against advances, investments & others	(10,020)		(1,378)	
<b>Value added available for distribution</b>	<b>(10,399)</b>		<b>1,037</b>	

### Distribution of value added:

<b>To employees</b>				
Remuneration, provident fund and other benefits	2,361	-22.70%	2,105	-20.24%
<b>To government</b>				
Income tax	(5,501)	52.90%	(213)	2.05%
<b>To society</b>				
Donations	-	0.00%	2	-0.02%
<b>To expansion and growth</b>				
Depreciation	979	-9.41%	322	-3.10%
Amortization	22	-0.21%	27	-0.26%
Retained in business	(8,260)	79.43%	(1,206)	11.60%
	(7,259)	69.80%	1,637	157.86%
	(10,399)	100%	1,037	100%



## Vertical Analysis

### Statement of Financial Position / Profit & Loss

	2019		2018		2017		2016		2015		2014	
	Rs. in million	%										
<b>STATEMENT OF FINANCIAL POSITION</b>												
<b>ASSETS</b>												
Cash and balances with treasury banks	13,553	8%	9,103	6%	9,680	5%	7,501	5%	5,298	4%	5,066	4%
Balances with other banks	839	1%	508	0%	3,023	1%	791	1%	1,936	2%	538	0%
Lendings to financial institutions	3,645	2%	5,383	3%	5,331	3%	6,939	5%	-	0%	12,665	10%
Investments	65,143	41%	55,351	36%	114,260	56%	71,539	49%	70,394	55%	59,467	48%
Advances	61,131	38%	73,632	47%	64,713	32%	51,833	35%	44,169	34%	41,185	33%
Operating fixed assets	3,828	2%	1,663	1%	1,655	1%	1,825	1%	1,899	1%	1,812	1%
Deferred tax assets-net	8,607	5%	4,028	3%	1,612	1%	1,191	1%	301	0%	-	-
Other assets	3,853	2%	5,894	4%	4,602	2%	4,736	3%	4,245	3%	4,138	3%
	<b>160,599</b>	<b>100%</b>	<b>155,561</b>	<b>100%</b>	<b>204,876</b>	<b>100%</b>	<b>146,355</b>	<b>100%</b>	<b>128,242</b>	<b>100%</b>	<b>124,871</b>	<b>100%</b>
<b>LIABILITIES</b>												
Bills payable	495	0%	929	1%	905	0%	714	0%	289	0.23%	400	0%
Borrowings from financial institutions	4,192	3%	26,772	17%	50,971	25%	8,911	6%	27,161	21.18%	46,077	37%
Deposits and other accounts	134,050	83%	113,594	73%	134,207	66%	119,022	81%	84,077	65.56%	61,884	50%
Deferred tax liability-net	-	0%	-	0%	-	-	0%	0%	-	0%	903	1%
Other liabilities	4,785	3%	3,027	2%	2,725	1%	2,177	1%	1,958	1.53%	1,506	1%
	<b>143,522</b>	<b>89%</b>	<b>144,322</b>	<b>93%</b>	<b>188,808</b>	<b>92%</b>	<b>130,824</b>	<b>89%</b>	<b>113,484</b>	<b>88%</b>	<b>110,769</b>	<b>89%</b>
<b>NET ASSETS</b>	<b>17,077</b>	<b>11%</b>	<b>11,239</b>	<b>7%</b>	<b>16,068</b>	<b>8%</b>	<b>15,531</b>	<b>11%</b>	<b>14,758</b>	<b>12%</b>	<b>14,102</b>	<b>11%</b>
<b>REPRESENTED BY</b>												
Share capital	19,710	12%	10,010	6%	10,010	5%	10,010	7%	10,000	8%	10,000	8%
Advance against issuing of shares capital	2,000	1%	-	-	-	-	-	-	-	-	-	-
Reserves	1,452	1%	1,452	1%	1,452	1%	1,201	1%	923	1%	676	1%
Accumulated (loss) / unappropriated profit	(4,304)	-3%	3,958	3%	5,176	3%	4,186	3%	3,077	2%	2,102	2%
Surplus / (Deficit) on revaluation of investments - net of related deferred tax	(1,781)	-1%	(4,181)	-3%	(570)	0%	134	0%	759	1%	1,325	1%
	<b>17,077</b>	<b>11%</b>	<b>11,239</b>	<b>7%</b>	<b>16,068</b>	<b>8%</b>	<b>15,531</b>	<b>11%</b>	<b>14,758</b>	<b>12%</b>	<b>14,102</b>	<b>11%</b>
<b>PROFIT &amp; LOSS ACCOUNT</b>												
Mark-up / return / interest earned	12,115	106%	12,383	103%	11,541	90%	9,775	74%	10,127	74%	8,932	90%
Fee, commission and brokerage	304	3%	328	3%	454	4%	359	3%	234	2%	184	2%
Income from dealing in foreign currencies	159	1%	87	1%	104	1%	53	0%	69	1%	66	1%
Capital gain and dividend income	(1,138)	-10%	(820)	-7%	760	6%	3,075	23%	3,183	23%	702	7%
Other income	8	0%	16	0%	10	0%	9	0%	6	0%	4	0%
<b>Total income</b>	<b>11,448</b>	<b>100%</b>	<b>11,994</b>	<b>100%</b>	<b>12,869</b>	<b>100%</b>	<b>13,271</b>	<b>100%</b>	<b>13,619</b>	<b>100%</b>	<b>9,889</b>	<b>100%</b>
Mark-up / return / interest expensed	10,266	90%	7,508	63%	6,276	49%	5,371	40%	5,685	42%	5,497	56%
Operating & admin expenses	4,923	43%	4,527	38%	4,158	32%	3,865	29%	3,367	25%	2,759	28%
Provision against investments & others	10,020	88%	1,378	11%	252	2%	1,607	12%	2,516	18%	21	0%
Taxation	(5,501)	-48%	(214)	-2%	927	7%	1,037	8%	821	6%	532	5%
<b>Total Expenses</b>	<b>19,708</b>	<b>172%</b>	<b>13,199</b>	<b>110%</b>	<b>11,613</b>	<b>90%</b>	<b>11,880</b>	<b>90%</b>	<b>12,389</b>	<b>91%</b>	<b>8,809</b>	<b>89%</b>
<b>(Loss) / Profit after taxation</b>	<b>(8,260)</b>	<b>-72%</b>	<b>(1,205)</b>	<b>-10%</b>	<b>1,256</b>	<b>10%</b>	<b>1,391</b>	<b>10%</b>	<b>1,230</b>	<b>9%</b>	<b>1,079</b>	<b>11%</b>



## Horizontal Analysis

	2019 Rs. in million	18 vs 19 %	2018 Rs. in million	18 vs 17 %	2017 Rs. in million	17 vs 16 %	2016 Rs. in million	16 vs 15 %	2015 Rs. in million	15 vs 14 %	2014 Rs. in million	14 vs 13 %
<b>STATEMENT OF FINANCIAL POSITION</b>												
<b>ASSETS</b>												
Cash and balances with treasury banks	13,553	49%	9,103	-6%	9,680	29%	7,501	42%	5,298	5%	5,066	44%
Balances with other banks	839	65%	508	-83%	3,023	282%	791	-59%	1,936	260%	538	182%
Lendings to financial institutions	3,645	-32%	5,383	1%	5,331	-23%	6,939	-	-	-100%	12,665	214%
Investments	65,143	18%	55,351	-52%	114,260	60%	71,539	2%	70,394	18%	59,467	62%
Advances	61,131	-17%	73,632	14%	64,713	25%	51,833	17%	44,169	7%	41,185	55%
Operating fixed assets	3,828	130%	1,663	0%	1,655	-9%	1,825	-4%	1,899	5%	1,812	3%
Deferred tax assets-net	8,607	114%	4,028	150%	1,612	35%	1,191	296%	301	-	-	-
Other assets	3,853	-35%	5,894	28%	4,602	-3%	4,736	12%	4,245	3%	4,138	91%
	<b>160,599</b>	<b>3%</b>	<b>155,561</b>	<b>-24%</b>	<b>204,876</b>	<b>40%</b>	<b>146,355</b>	<b>14%</b>	<b>128,242</b>	<b>3%</b>	<b>124,871</b>	<b>66%</b>
<b>LIABILITIES</b>												
Bills payable	495	-47%	929	3%	905	27%	714	147%	289	-28%	400	10%
Borrowings from financial institutions	4,192	-84%	26,772	-47%	50,971	472%	8,911	-67%	27,161	-41%	46,077	175%
Deposits and other accounts	134,050	18%	113,594	-15%	134,207	13%	119,022	42%	84,077	36%	61,884	35%
Deferred tax liability	-	0%	-	0%	-	0%	0	-	-	-	903	9391%
Other liabilities	4,785	58%	3,027	11%	2,725	25%	2,177	11%	1,958	30%	1,506	84%
	<b>143,522</b>	<b>-1%</b>	<b>144,322</b>	<b>-24%</b>	<b>188,808</b>	<b>44%</b>	<b>130,824</b>	<b>15%</b>	<b>113,484</b>	<b>2%</b>	<b>110,769</b>	<b>74%</b>
<b>NET ASSETS</b>	<b>17,077</b>	<b>52%</b>	<b>11,239</b>	<b>-30%</b>	<b>16,068</b>	<b>3%</b>	<b>15,531</b>	<b>5%</b>	<b>14,758</b>	<b>5%</b>	<b>14,102</b>	<b>25%</b>
<b>REPRESENTED BY</b>												
Share capital	19,710.00	97%	10,010	0%	10,010	0%	10,010	0%	10,000	0%	10,000	0%
Advance against issuing of shares capital	2,000.00	0%	-	0%	-	0%	-	0%	-	0%	-	0%
Reserves	1,452.00	0%	1,452	0%	1,452	21%	1,201	30%	923	37%	676	47%
Accumulated (loss) / unappropriated profit	(4,304.00)	-209%	3,958	-23.53%	5,176	24%	4,186	36%	3,077	46%	2,102	69%
Surplus / (Deficit) on revaluation of investments - net of related deferred tax	(1,781.00)	-57%	(4,181)	633%	(570)	-525%	134	-82%	759	-43%	1,325	-453%
	<b>17,077</b>	<b>52%</b>	<b>11,239</b>	<b>-30%</b>	<b>16,068</b>	<b>3%</b>	<b>15,531</b>	<b>5%</b>	<b>14,758</b>	<b>5%</b>	<b>14,102</b>	<b>25%</b>
<b>PROFIT &amp; LOSS ACCOUNT</b>												
Mark-up / return / interest earned	12,115	-2%	12,383	7%	11,541	18%	9,775	-3%	10,127	13%	8,932	41%
Fee, commission and brokerage	304	-7%	328	-28%	454	26%	359	53%	234	27%	184	13%
Income from dealing in foreign currencies	159	82%	87	-16%	104	96%	53	-24%	69	4%	66	51%
Capital gain and dividend income	(1,138)	39%	(820)	-208%	760	-75%	3,075	-3%	3,183	353%	702	8%
Other income	8	-49%	16	58%	10	8%	9	60%	6	46%	4	41%
<b>Total income</b>	<b>11,448</b>	<b>-5%</b>	<b>11,994</b>	<b>-7%</b>	<b>12,869</b>	<b>-3%</b>	<b>13,271</b>	<b>-3%</b>	<b>13,619</b>	<b>38%</b>	<b>9,889</b>	<b>38%</b>
Mark-up / return / interest expensed	10,266	37%	7,508	20%	6,276	17%	5,371	-6%	5,685	3%	5,497	35%
Operating & admin expenses	4,923	9%	4,527	9%	4,158	8%	3,865	15%	3,367	22%	2,759	29%
Provision against investments & others	10,020	627%	1,378	446%	252	-84%	1,607	-36%	2,516	11719%	21	-3%
Taxation	(5,501)	2486%	(213)	-123%	927	-11%	1,037	26%	821	54%	532	85%
<b>Total Expenses</b>	<b>19,708</b>	<b>49%</b>	<b>13,200</b>	<b>14%</b>	<b>11,613</b>	<b>-2%</b>	<b>11,880</b>	<b>-4%</b>	<b>12,389</b>	<b>41%</b>	<b>8,809</b>	<b>35%</b>
<b>(Loss)/Profit after taxation</b>	<b>(8,260)</b>	<b>585%</b>	<b>(1,206)</b>	<b>-196%</b>	<b>1,256</b>	<b>-10%</b>	<b>1,391</b>	<b>13%</b>	<b>1,230</b>	<b>14%</b>	<b>1,079</b>	<b>62%</b>

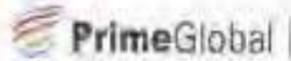
## Key Performance Indicators

	2019	2018	2017	2016	2015	2014	2013	2012	2011	
<b>Financial</b>										
Investments-Gross	Rs. In million	68,567	62,027	115,145	71,341	69,235	57,437	37,383	62,556	26,246
Advances-Gross	" "	76,430	79,172	69,112	55,980	46,708	41,204	26,565	19,282	7,259
Deposits	" "	134,050	113,595	134,207	119,022	84,077	61,884	45,756	31,470	23,518
Shareholders' Equity	" "	17,077	11,238	16,067	15,397	14,000	12,777	11,702	11,037	10,750
Total Assets	" "	160,599	155,560	204,876	146,355	128,242	124,871	75,033	92,291	47,730
Net Interest Income	" "	1,850	4,875	5,265	4,404	4,442	3,435	2,258	2,038	1,463
Non Interest Income	" "	(668)	(389)	1,328	3,496	3,492	956	860	527	222
Operating Expenses	" "	4,923	4,527	4,158	3,865	3,367	2,759	2,142	1,278	514
(Loss)/ Profit Before provisions	" "	(3,741)	(41)	2,435	4,035	4,567	1,633	975	1,287	1,171
Provision against investments & others	" "	10,021	1,378	252	1,607	2,516	21	22	1	31
(Loss)/Profit Before Taxation	" "	(13,761)	(1,419)	2,182	2,428	2,051	1,612	953	1,286	1,140
(Loss)/Profit After Taxation	" "	(8,260)	(1,206)	1,256	1,391	1,230	1,079	666	887	750
Dividend Paid	" "	-	-	-	-	-	-	600	-	-
<b>Non Financial</b>										
No. of Customers (as of)	Numbers	497,507	477,399	471,439	414,944	355,567	162,992	120,643	74,600	8,120
No. of New Branches Opened	" "	-	30	40	10	25	25	40	110	50
No. of New Accounts Opened	" "	39,172	42,721	57,657	61,638	192,572	47,419	56,541	74,949	9,971
No. of ATM/Debit Cards Issued (as of)	" "	291,741	265,413	244,659	128,667	83,729	32,293	17,926	6,923	1,158
No. of Permanent Employees (as of)	" "	1,745	1,628	1,466	1,501	1,456	1,298	1,167	924	462
No. of ATM Machine (as of)	" "	265	252	240	225	192	105	24	19	3
No. of Mobile Banking Customers	" "	205,022	180,718	188,157	170,367	143,608	86,045	62,248	34,040	5,983
<b>Key Financial Ratios</b>										
Earnings Per Share - Pre tax	Rupees	(6.98)	(1.42)	2.18	2.43	2.05	1.61	0.95	1.29	1.14
Book Value Per Share	" "	7.87	11.23	16.63	15.38	14.00	12.78	11.70	11.09	10.66
Return on Equity - Pre tax	%	-97.20%	-12.62%	13.63%	16.52%	15.32%	13.17%	8.39%	11.81%	9.09%
Return on Assets - Pre tax	" "	-8.71%	-0.79%	1.24%	1.77%	1.62%	1.61%	1.14%	1.97%	2.21%
Capital Adequacy Ratio	" "	13.15	8.02	15.67	17.50	20.13	22.57%	23.97%	38.51%	56.28%



**Naveed Zafar Ashfaq Jaffery & Co.**  
 Chartered Accountants

A member firm of



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 Web: www.nzt.com.pk

**REVIEW REPORT TO THE MEMBERS**

**On the Statement of Compliance with the Public Sector Companies  
 (Corporate Governance) Rules, 2013**

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Public Sector Companies (Corporate Governance) Rules, 2013 (the Rules) prepared by the Board of Directors of Sindh Bank Limited for the year ended December 31, 2019.

The responsibility for compliance with the Rules is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Rules and report if it does not and to highlight any non-compliance with the requirements of the Rules. 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 Rules.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Bank's corporate governance procedures and risks.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Bank's compliance, in all material respect, with the best practices contained in the Rules as applicable to the Company for the year ended December 31, 2019.

*Naveed Zafar Ashfaq Jaffery*

**Naveed Zafar Ashfaq Jaffery & Co.**  
 Chartered Accountants

Place: Islamabad  
 Date: 11 March, 2020

**(SCHEDULE-I)**

Statement of Compliance with the Public Sector Companies (Code of 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, 2019

- 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.	Rule-2(d)	✓																			
2	The Board has atleast one-third of its total members, as independent directors. At present the board includes:	Rule-3(2)	✓																			
	<table border="1"> <thead> <tr> <th>Category</th> <th>Names</th> <th>Date of last appointment</th> </tr> </thead> <tbody> <tr> <td>Non Executive Director</td> <td>1. Mr. Anis A. Khan</td> <td>29.03.2018</td> </tr> <tr> <td>Independent Director</td> <td>2. Mr. Sami-ul-Haq Khilji</td> <td>24.04.2018</td> </tr> <tr> <td>Non Executive Director</td> <td>3. Syed Hasan Naqvi*</td> <td>22.10.2019</td> </tr> <tr> <td>Non Executive Director</td> <td>4. Mrs. Masooma Hussain</td> <td>11.04.2019</td> </tr> <tr> <td>Independent Director</td> <td>5. Mr. Javaid Bashir Sheikh</td> <td>11.04.2019</td> </tr> </tbody> </table>	Category	Names	Date of last appointment	Non Executive Director	1. Mr. Anis A. Khan	29.03.2018	Independent Director	2. Mr. Sami-ul-Haq Khilji	24.04.2018	Non Executive Director	3. Syed Hasan Naqvi*	22.10.2019	Non Executive Director	4. Mrs. Masooma Hussain	11.04.2019	Independent Director	5. Mr. Javaid Bashir Sheikh	11.04.2019			
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Independent Director	5. Mr. Javaid Bashir Sheikh	11.04.2019																				
	* Appointed in 74thBoD Meeting held on 22.10.2019, but his FPT documents were submitted to SBP on 04.10.2019 for clearance, which is awaited ** 02 vacancies created during the month of December, 2019, due to retirement/resignation of directors. One of such vacancies has been filled by co-opting Mr. Saleem Zamindar, as Independent Director on 12.02.2020, whose FPT documents have been submitted to SBP. The other vacancy will be filled, in due course.																					
3	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.	Rule-3(5)	✓																			
4	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 Companies Act, 2017.	Rule-3(7)	✓																			
5	The Office of the Chairman of the Board is separate from Chief Executive of the Company.	Rule-4(1)	✓																			
6	The Chairman is elected by the Board of Directors, except where Chairman of the Board has been appointed by the Government.	Rule-4(4)	✓																			
7	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. (Not applicable, where the chief executive has been nominated by the Government).	Rule-5(2)	✓																			
8	(a) The Company has prepared a "Code of Conduct" to ensure that professional standards and corporate values are in place. (b) The Board 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 companies' website. <a href="http://sindhbankltd.com">sindhbankltd.com</a> . (c) The Board has set in place adequate systems and controls for the identification and redressal of the grievances arising from unethical practices.	Rule-5(4)	✓																			
9	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.	Rule-5(5)	✓																			
10	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.	Rule-5(5)(b)(ii)	✓																			



S. No.	Provision of the Rules	Rule No.	Y	N																		
			Tick the relevant box																			
11	The Board has developed and implemented a policy on anti-corruption to minimize actual or perceived corruption in the company.	Rule-5(5)(b)(vi)	✓																			
12	(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.	Rule-5(5)(c)(ii)	✓																			
13	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.	Rule-5(5)(c)(iii)	✓																			
14	The Board has developed a vision or mission statement and corporate strategy of the company.	Rule-5(6)	✓																			
15	The Board has developed 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.	Rule-5(7)	✓																			
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.	Rule-5(8)	N/A																			
17	The Board has ensured compliance with policy directions requirements received from the Government.	Rule-5(11)	✓																			
18	(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.	Rule-6(1) Rule-6(2) Rule-6(3)	✓																			
19	The Board has monitored and assessed the performance of senior management on annual basis and held them accountable for accomplishing objectives, goals and key performance indicators set for the purpose.	Rule-8(2)	✓																			
20	The Board has reviewed and approved the related party transactions placed before it after recommendation of audit committee. A party wise record of transactions entered into with the related parties during the year has been maintained.	Rule-9	✓																			
21	a. 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. b. In case of listed PSCs, the Board has prepared half yearly account and undertaken limited scope review by the auditors. c. The Board has placed the annual financial statements on the company's website.	Rule-10 (b) N/A	✓																			
22	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.	Rule-11	✓																			
23	(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:	Rule-12	✓																			
	<table border="1"> <thead> <tr> <th>Committee</th> <th>Total Members</th> <th>Name of Chair (I.D-Independent Director &amp; NED-Non Executive Director)</th> </tr> </thead> <tbody> <tr> <td>Audit Committee</td> <td>03</td> <td>Mr. Sami-ul-Haq Khilji (I.D) Finance Secretary (GoS) (N.E.D)</td> </tr> <tr> <td>Risk Management Committee</td> <td>03</td> <td>Mr. Tajammal Husain Bokharee (I.D) Mr. Javaid Bashir Sheikh (I.D)</td> </tr> <tr> <td>HRR Committee</td> <td>04</td> <td>Mr. Afzal Ghani (I.D) Mr. Anis A. Khan (N.E.D)</td> </tr> <tr> <td>Procurement, I.T. &amp; Security Committee</td> <td>03</td> <td>Finance Secretary-GoS, (N.E.D) Mr. Tajammal Husain Bokharee (I.D) Mrs. Masooma Hussain (N.E.D) Mr. Sami-ul-Haq Khilji (I.D)</td> </tr> <tr> <td>Nomination Committee</td> <td>02</td> <td>Mr. Tajammal Husain Bokharee (I.D)</td> </tr> </tbody> </table>	Committee	Total Members	Name of Chair (I.D-Independent Director & NED-Non Executive Director)	Audit Committee	03	Mr. Sami-ul-Haq Khilji (I.D) Finance Secretary (GoS) (N.E.D)	Risk Management Committee	03	Mr. Tajammal Husain Bokharee (I.D) Mr. Javaid Bashir Sheikh (I.D)	HRR Committee	04	Mr. Afzal Ghani (I.D) Mr. Anis A. Khan (N.E.D)	Procurement, I.T. & Security Committee	03	Finance Secretary-GoS, (N.E.D) Mr. Tajammal Husain Bokharee (I.D) Mrs. Masooma Hussain (N.E.D) Mr. Sami-ul-Haq Khilji (I.D)	Nomination Committee	02	Mr. Tajammal Husain Bokharee (I.D)			
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Nomination Committee	02	Mr. Tajammal Husain Bokharee (I.D)																				

S. No.	Provision of the Rules	Rule No.	Y	N						
			Tick the relevant box							
24	The Board has approved appointment of Chief Financial Officer, Company Secretary and Chief Internal Auditor, by whatever name called, with their remuneration and terms and conditions of employment.	Rules-13	✓							
25	The Chief Financial Officer and the Company Secretary have requisite qualification as prescribed by Rules.	Rules-14	✓							
26	The Company has adopted International Financial Reporting Standards notified by the Commission in terms of Sub-section I of Section 225 of the Act.	Rule-16	✓							
27	The directors' report for this year has been prepared in compliance with the requirements of the Act and the Rules and fully describes the salient matters required to be disclosed.	Rule-17	✓							
28	The directors, CEO and executives, or their relatives, are not, directly or indirectly, concerned or interested in any contract or arrangement entered into by or on behalf of the company except those disclosed to the company.	Rule-18								
29	a. A formal and transparent procedure for fixing the remuneration packages of individual directors has been set in place and no director is involved in deciding his own remuneration. b. The annual report of the company contains criteria and details of remuneration of each director.	Rule-19	✓							
30	The financial statements of the company were duly endorsed by the chief executive and chief financial officer, before consideration and approval of the audit committee and the board.	Rule-20	✓							
31	The Board has formed an audit committee, with defined and written terms of reference, and having the following members:	Rule-21(1)&(2)	✓							
	<table border="1"> <thead> <tr> <th>Number of Committee</th> <th>Category &amp; Number of Members</th> <th>Professional background</th> </tr> </thead> <tbody> <tr> <td>Audit Committee</td> <td>(i) Finance Secretary, GoS (ii) Mrs. Masooma Hussain (iii) Mr. Javaid Bashir Sheikh</td> <td>Secretary Finance, BPS-20 Ex-Banker Ex-Banker</td> </tr> </tbody> </table>	Number of Committee	Category & Number of Members	Professional background	Audit Committee	(i) Finance Secretary, GoS (ii) Mrs. Masooma Hussain (iii) Mr. Javaid Bashir Sheikh	Secretary Finance, BPS-20 Ex-Banker Ex-Banker			
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Audit Committee	(i) Finance Secretary, GoS (ii) Mrs. Masooma Hussain (iii) Mr. Javaid Bashir Sheikh	Secretary Finance, BPS-20 Ex-Banker Ex-Banker								
	The chief executive and chairman of the Board are not members of the audit committee.									
32	a. The chief financial officer, the chief internal auditor and a representative of the external auditors attended all meetings of the audit committee at which issues relating to accounts and audit were discussed. b. The audit committee met the external auditors, at least once a year, without the presence of the chief financial officer, the chief internal auditor and other executives. c. The audit committee met the chief internal auditor and other members of the internal audit function, at least once a year, without the presence of chief financial officer and external auditors.	Rule-21(3)	✓							
33	a. The board has set up an effective internal audit function, which has an audit charter, duly approved by the Audit Committee. b. The chief internal auditor has requisite qualification and experience prescribed in the Rules. c. The internal audit reports have been provided to the external auditor for their review.	Rule-22	✓							
34	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.	Rule-23(4)	✓							
35	The auditors have confirmed that they have observed applicable guidelines issued by IFAC with regard to provision of non-audit services.	Rule-23(5)	✓							

Imran Samad  
 President & CEO

Non-Executive Director



## Statement of Internal Control

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 2018.

The Bank also successfully completed the cycle of review Internal Control over Financial Reporting for the year 2019 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 2019 shall be submitted by Board Audit Committee to the State Bank of Pakistan by March 31, 2020.

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

Imran Samad  
President/CEO  
Karachi, March 09, 2020

## Disclosure in Annual Accounts on Consumer Grievances Handling Mechanism

Sindh Bank recognizes Consumer Grievances Handling Mechanism as a key process in supporting its business and is all the time striving hard to promote a culture that values customer experience as an important factor to derive growth.

Towards achievement of this goal, Sindh Bank has put in place a fair and efficient mechanism for handling Consumer Grievances entailing the following:

1. Every complaint is treated fairly, impartially and with transparency.
2. Complaint handling mechanism is visible and accessible.
3. All complaints are forwarded to the Complaint Management Unit (CMU) of the bank and Customer complaints are acknowledged within two working days.
4. Complaints are investigated and resolved within the time limit prescribed by the State Bank of Pakistan (7 to 30 days depending on the severity of the complaint).
5. In case a complaint is not resolved within the stipulated time, customer is advised of the status through an interim reply.
6. In case a complaint is declined by the bank the customer will be provided with the alternative grievance redressal forums.

Complaint trends and GAP analysis reports are shared with the Senior Management & Business owners on quarterly basis, to improve customer experience & avoid recurrence of instances.

During the year 2019 approximately 2620 complaints were received by the bank and the average resolution time was 23 days.

Complaint lodgment procedure has been made public through display of placards in branches, ATM Booths and the Bank's website.



**Naveed Zafar Ashfaq Jaffery & Co.**  
Chartered Accountants



**ANNUAL  
REPORT  
2019**



## **INDEPENDENT AUDITORS' REPORT**

**To the members of Sindh Bank Limited**

**Report on the Audit of the Unconsolidated Financial Statements**

### **Opinion**

We have audited the annexed unconsolidated financial statements of Sindh Bank Limited (the Bank), which comprise the unconsolidated statement of financial position as at December 31, 2019, the unconsolidated profit and loss account, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated cash flow statement for the year then ended, which incorporate unaudited certified returns received from the branches except for 19 branches which have been audited by us, and notes to the unconsolidated financial statements including a summary of significant accounting policies and other explanatory information and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, unconsolidated profit and loss account, the unconsolidated statement of comprehensive income, unconsolidated statement of changes in equity and unconsolidated cash flow statement together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan, and give the information required by the Banking Companies Ordinance, 1962 and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Bank's affairs as at December 31, 2019 and of the loss and other comprehensive income, the changes in equity and its cash flows for the year then ended.

### **Basis for Opinion**

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

### **Key Audit Matters**

Not applicable, being non-listed company.

### **Information Other than the Unconsolidated and Consolidated Financial Statements and Auditors' Reports Thereon**

Management is responsible for the other information. The other information comprises the information included in the Bank's Annual Report, but does not include the unconsolidated and consolidated financial statements and auditors' reports thereon.

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

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

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

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

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

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

### **Auditors' Responsibilities for the Audit of the Unconsolidated Financial Statements**

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

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

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

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

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

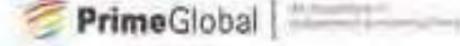
From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the unconsolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation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



**Naveed Zafar Ashfaq Jaffery & Co.**  
Chartered Accountants



**ANNUAL  
REPORT  
2019**



#### **Report on Other Legal and Regulatory Requirements**

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

- a) proper books of account have been kept by the Bank as required by the Companies Act, 2017 (XIX of 2017) and the returns referred above from the branches have been found adequate for the purpose of our audit;
- b) the unconsolidated statement of financial position, the unconsolidated profit and loss account, the unconsolidated statement of comprehensive income, unconsolidated statement of changes in equity and unconsolidated cash flow statement together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 and the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were in accordance with the objects and powers of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank; and
- d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

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

#### **Other Matters**

Without qualifying Auditors' Report, we draw attention to Note 1.4 to the Financial Statements on the 'Going Concern' and concur with the management and Government of Sindh to make the Bank as a sustainable entity.

The engagement partner on the audit resulting in this independent auditors' report is Shah Naveed Saeed.

**Place: Islamabad  
Date: 11 March, 2020**

**Naveed Zafar Ashfaq Jaffery & Co.  
Chartered Accountants**

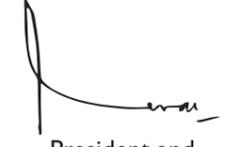
**UNCONSOLIDATED  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
DECEMBER 31, 2019**



**Sindh Bank Limited**  
**Unconsolidated Statement of Financial Position**  
**As At December 31, 2019**

	Note	2019 (Rupees in '000)	2018 (Rupees in '000)
<b>ASSETS</b>			
Cash and balances with treasury banks	6	13,552,972	9,102,696
Balances with other banks	7	838,364	507,605
Lendings to financial institutions	8	3,645,392	5,383,162
Investments - net	9	65,143,452	55,350,066
Advances - net	10	61,131,052	73,631,631
Fixed assets	11	3,788,000	1,613,063
Intangible assets	12	39,964	50,405
Deferred tax assets - net	13	8,606,608	4,028,288
Other assets	14	3,853,130	5,894,051
		<b>160,598,934</b>	<b>155,560,967</b>
<b>LIABILITIES</b>			
Bills payable	15	495,010	929,426
Borrowings	16	4,192,284	26,771,698
Deposits and other accounts	17	134,049,662	113,594,544
Liabilities against assets subject to finance lease		-	-
Subordinated debt		-	-
Deferred tax liabilities		-	-
Other liabilities	18	4,784,777	3,026,869
		<b>143,521,733</b>	<b>144,322,537</b>
<b>NET ASSETS</b>		<b>17,077,201</b>	<b>11,238,430</b>
<b>REPRESENTED BY</b>			
Share capital - net	19	19,710,130	10,010,130
Reserves		1,451,979	1,451,979
Shares deposit money	20	2,000,000	-
Deficit on revaluation of assets	21	(1,780,577)	(4,181,968)
Accumulated (Loss) / Unappropriated profit		(4,304,331)	3,958,289
		<b>17,077,201</b>	<b>11,238,430</b>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	22		

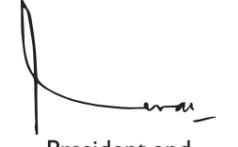
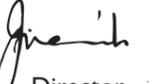
The annexed notes from I to 45 and Annexure I (pages I to 9) form an integral part of these unconsolidated financial statements.

 Chairman  
 President and Chief Executive Officer  
 Director  
 Director  
 Chief Financial Officer

**Sindh Bank Limited**  
**Unconsolidated Profit and Loss Account**  
**For The Year Ended December 31, 2019**

	Note	2019 (Rupees in '000)	2018 (Rupees in '000)
Mark-up / Return / Interest Earned	23	12,115,401	12,382,921
Mark-up / Return / Interest Expensed	24	10,265,615	7,507,771
Net Mark-up / return / Interest Income		<b>1,849,786</b>	<b>4,875,150</b>
<b>Non mark-up / interest Income</b>			
Fee and Commission Income	25	303,709	328,461
Dividend Income		115,212	86,957
Foreign Exchange Income		158,692	87,365
Income / (loss) from derivatives		-	-
Gain / (Loss) on securities	26	(1,253,105)	(907,095)
Other Income	27	7,580	15,697
Total non-markup/interest Income		<b>(667,912)</b>	<b>(388,615)</b>
Total Income		<b>1,181,874</b>	<b>4,486,535</b>
<b>Non mark-up / interest Expenses</b>			
Operating expenses	28	4,902,734	4,439,505
Other charges	29	19,818	87,916
Total non-markup/interest expenses		<b>4,922,552</b>	<b>4,527,421</b>
<b>Loss Before Provisions</b>		<b>(3,740,678)</b>	<b>(40,886)</b>
Provisions and write offs - net	30	10,020,498	1,377,846
Extra ordinary / unusual items		-	-
<b>Loss before Taxation</b>		<b>(13,761,176)</b>	<b>(1,418,732)</b>
Taxation	31	(5,501,316)	(213,552)
<b>Loss after Taxation</b>		<b>(8,259,860)</b>	<b>(1,205,180)</b>
----- Rupees -----			
<b>Basic Loss per share</b>	32	<b>(8.00)</b>	<b>(1.20)</b>
<b>Diluted Loss per share</b>	33	<b>(8.00)</b>	<b>(1.20)</b>

The annexed notes from I to 45 and Annexure I (pages I to 9) form an integral part of these unconsolidated financial statements.

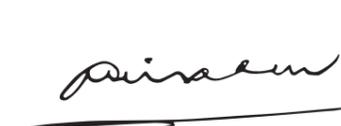
 Chairman  
 President and Chief Executive Officer  
 Director  
 Director  
 Chief Financial Officer



**Sindh Bank Limited**  
**Unconsolidated Statement of Comprehensive Income**  
**For The Year Ended December 31, 2019**

	2019	2018
	(Rupees in '000)	
Loss after taxation for the year	(8,259,860)	(1,205,180)
<b>Other comprehensive income</b>		
<b>Items that will not be reclassified to profit and loss account in subsequent periods:</b>		
Remeasurement loss on defined benefit obligations - net of tax	(2,760)	(12,351)
	<b>(8,262,620)</b>	<b>(1,217,531)</b>
<b>Items that may be reclassified to profit and loss account in subsequent periods:</b>		
Movement in deficit on revaluation of investments - net of tax	2,401,391	(3,611,847)
<b>Total comprehensive loss</b>	<b>(5,861,229)</b>	<b>(4,829,378)</b>

annexed notes from I to 45 and Annexure I (pages I to 9) form an integral part of these unconsolidated financial statements.

  
 Chairman  
  
 President and Chief Executive Officer  
  
 Director  
  
 Director  
  
 Chief Financial Officer

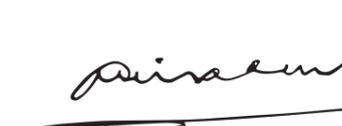
**Sindh Bank Limited**  
**Unconsolidated Statement of Changes in Equity**  
**For The Year Ended December 31, 2019**

	Share Capital	Shares Deposit Money	Capital Reserves		Surplus / (Deficit) on revaluation of assets	Unappropriated Profit/(Loss) **	Total
			Shares Premium	Statutory Reserve *			
(Rupees in '000)							
Balance as at January 01, 2018	10,010,130	-	51	1,451,928	(570,121)	5,175,820	16,067,808
Loss for the year ended December 31, 2018	-	-	-	-	-	(1,205,180)	(1,205,180)
Other comprehensive income /(loss) - net of tax	-	-	-	-	(3,611,847)	(12,351)	(3,624,198)
Transfer to statutory reserve	-	-	-	-	-	-	-
<b>Balance as at December 31, 2018</b>	<b>10,010,130</b>	<b>-</b>	<b>51</b>	<b>1,451,928</b>	<b>(4,181,968)</b>	<b>3,958,289</b>	<b>11,238,430</b>
Loss for the year ended December 31, 2019	-	-	-	-	-	(8,259,860)	(8,259,860)
Other comprehensive income /(loss) - net of tax	-	-	-	-	2,401,391	(2,760)	2,398,631
Issue of Shares during the year	9,700,000	-	-	-	-	-	9,700,000
Shares deposit money	-	2,000,000	-	-	-	-	2,000,000
<b>Balance as at December 31, 2019</b>	<b>19,710,130</b>	<b>2,000,000</b>	<b>51</b>	<b>1,451,928</b>	<b>(1,780,577)</b>	<b>(4,304,331)</b>	<b>17,077,201</b>

\* 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 10.6.2 of these unconsolidated financial statements, unappropriated profit includes an amount of Rs.9,541.05 million net of tax as at December 31, 2019 (December 31, 2018: Rs. 5,568.16 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 45 and Annexure I (pages I to 9) form an integral part of these unconsolidated financial statements.

  
 Chairman  
  
 President and Chief Executive Officer  
  
 Director  
  
 Director  
  
 Chief Financial Officer



**Sindh Bank Limited**  
**Unconsolidated Cash Flow Statement**  
**For The Year Ended December 31, 2019**

**CASH FLOW FROM OPERATING ACTIVITIES**

Loss before taxation  
 Less: Dividend income

**Adjustments:**

Depreciation  
 Amortisation  
 Provision against non-performing loans and advances - net  
 Reversal of general provision  
 Provision for diminution in the value of investments - net  
 Charge for defined benefit plan  
 Gain on sale of operating fixed assets

**(Increase) / decrease in operating assets**

Lendings to financial institutions  
 Advances - net  
 Other assets - net

**Increase / (decrease) in operating liabilities**

Bills payable  
 Borrowings  
 Deposits and other accounts  
 Other liabilities (excluding current taxation)

Contribution to gratuity fund  
 Income tax paid

**Net cash flow from operating activities**

**CASH FLOW FROM INVESTING ACTIVITIES**

Net investment in available-for-sale securities  
 Net investment in held-to-maturity securities  
 Dividend received  
 Investments in operating fixed assets  
 Sale proceeds of operating fixed assets disposed off

**Net cash (used in) / from investing activities**

**CASH FLOW FROM FINANCING ACTIVITIES**

Shares deposit money  
 Issue of share capital

**Net cash from financing activities**

Increase in cash and cash equivalents  
**Cash and cash equivalents at the beginning of the year**  
**Cash and cash equivalents at the end of the year**

Note	2019 (Rupees in '000)	2018
	(13,761,176)	(1,418,732)
	(115,212)	(86,957)
	(13,876,388)	(1,505,689)
28	978,643	321,716
28	21,711	27,150
30	9,758,717	5,141,501
	-	(4,000,000)
30	261,781	235,402
36.1.5	71,496	57,740
27	(1,358)	(4,968)
	11,090,990	1,778,541
	(2,785,398)	272,852
	1,737,770	(51,835)
	2,741,862	(10,059,791)
	2,062,559	(964,532)
	6,542,191	(11,076,158)
	(434,416)	24,003
	(22,579,414)	(24,199,476)
	20,455,118	(20,612,512)
	1,758,628	329,478
	(800,084)	(44,458,507)
	2,956,709	(55,261,813)
36.1.4	(76,741)	(71,446)
	(222,387)	(625,692)
	2,657,581	(55,958,951)
	(6,580,429)	53,230,820
	40,081	(113,072)
	127,294	101,410
	(3,165,909)	(358,445)
	2,417	5,506
	(9,576,546)	52,866,219
	2,000,000	-
	9,700,000	-
	11,700,000	-
	4,781,035	(3,092,732)
	9,610,301	12,703,033
34	14,391,336	9,610,301

**Sindh Bank Limited**  
**Notes To The Unconsolidated Financial Statements**  
**For The Year Ended December 31, 2019**

**I. STATUS AND NATURE OF BUSINESS**

**I.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 330 (2018: 300) branches including 8 (2018: 8) sub-branches and 14 (2018: 14) Islamic banking branches in Pakistan. The Bank's registered office is located at 3rd floor, Federation House, Abdullah Shah Ghazi Road, Clifton, Karachi, Pakistan.

**I.2** The Government of Sindh, through its Finance Department owns 99.95% ordinary shares of the Bank.

**I.3** VIS Credit Rating Company Limited has revised the Bank's medium to long term entity rating from 'AA' (Double A) to A+ (Single A Plus) and short term rating from 'A-I+' (A-One plus) to A-I (A-one) with stable outlook in its report dated July 05, 2019.

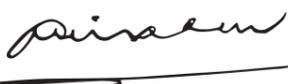
**I.4 Going Concern**

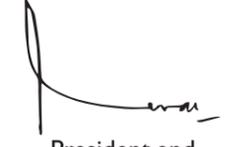
During the year 2019, the Bank suffered losses, arising mainly due to decrease in net interest income, losses on sale of investments and provisioning against non-performing loans. To address any material uncertainty posed by rising NPLs and low operating income vis a vis the bank's operating expenses, the management is working on a Business Viability Plan approved by its Board of Directors. The Plan aims to make the Bank a viable, self-sustaining institution going forward by focussing on the following areas:

- Strengthening Bank's Capital-With the injection of Rs. 11.7 billion by the Government of Sindh, in Bank's Common Equity (Tier I) during the year, the Bank has achieved compliance with regulatory CAR on December 31, 2019. Going forward, the completion of merger of Sindh Leasing Company Limited with and into Sindh Bank will further augment Bank's capital base and adequacy. This is expected to be completed in the first half of 2020.
- Improving Business Volumes and Profitability-This will involve the Bank taking pro-active measures to:
  - increase fee-based income from mainly trade-related business;
  - mobilizing cost effective (CASA) deposits;
  - launching new asset products in the Consumer and SME segments;
  - concerted efforts for recovery and reduction of Non-Performing Loans-Special Assets Management Division (SAM) has been established to pursue recovery and undertake remedial measures for reducing NPLs, including negotiated settlement(s) with major borrowers/group(s); and
  - other cost rationalization measures;
- Strengthening the Bank's Governance, Risk and Control environment.

The management is confident that barring any unforeseen contingencies, the Bank Insha'Allah be able to stage a turn-around. The Government of Sindh, Bank's major shareholder holding 99.95 percent of the Bank's equity is fully committed to supporting the Bank, whenever required.

The annexed notes from I to 45 and Annexure I (pages I to 9) form an integral part of these unconsolidated financial statements.

  
 Chairman

  
 President and  
 Chief Executive Officer

  
 Director

  
 Director

  
 Chief Financial Officer



1.5 The State Bank of Pakistan (SBP) granted license to the Bank to conduct banking business subject to certain conditions which inter alia included that the Bank will 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 2016, the Bank initiated the process of listing of its shares on Pakistan Stock Exchange (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 was put on hold as the Government of Sindh (sole sponsor of Sindh Bank Limited) and the majority shareholders / sponsors of Summit Bank Limited agreed in principle, to consider a merger of the two institutions, with the Bank being the surviving entity. However the matter suffered significant delays for various reasons, with the first exercise being carried out on the basis of due diligence of 2016 audited financials and the latest being based on due diligence of 2017 financial statements, whereafter the Board of Directors and Shareholders of both the Banks approved the merger during August 2018. Approval of Sindh Cabinet, a pre-requisite for sanction by the State Bank of Pakistan, was sought, but was not received. Subsequently, due to financial condition of Summit Bank requiring a much higher capital injection and the Bank's own concerns about meeting the Capital Adequacy Ratio, the Board of Directors of Sindh Bank in their 65th meeting held on April 02, 2019 considered it advisable not to pursue the merger.

Due to the present negative sentiments on the PSX and the negative publicity surrounding the Bank, listing of the Bank will remain on hold until after Regulator's guidance on the matter is sought.

## 2. BASIS OF PRESENTATION

- 2.1 These unconsolidated financial statements have been prepared in conformity with the format of financial statements prescribed by the State Bank of Pakistan (SBP) vide BPRD Circular No. 02, dated 25 January 2018. These unconsolidated financial statements represent separate financial statements of the Bank. The consolidated financial statements of the Group are being issued separately.
- 2.2 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 Act, 2017.
- 2.3 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

- 3.1 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 Act 2017, Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the Companies Act 2017, provisions of and directives issued under the Companies Act 2017 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 of Banking Companies Ordinance 1962, the Companies Act 2017 or the directives issued by SBP and SECP differ with the requirements of IFRS or IFAS, the requirements of Companies Act 2017, the Banking Companies Ordinance, 1962 and the directives issued by the SBP and SECP shall prevail.
- 3.2 The SBP vide BSD Circular No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, Financial Instruments: Recognition and Measurement (IAS 39) and International Accounting Standard

40, Investment Property (IAS 40) for Banking companies till further instructions. Further, according to the notification of the Securities and Exchange Commission of Pakistan (SECP) dated April 28, 2008, the IFRS - 7 "Financial Instruments: Disclosures" has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these unconsolidated financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.

SECP has notified IFAS 3, 'Profit and Loss Sharing on Deposits' issued by the ICAP. IFAS 3 shall be followed with effect from the financial periods beginning on or after 01 January 2014 in respect of accounting for transactions relating to 'Profit and Loss Sharing on Deposits' as defined by the said standard. The standard had resulted in certain new disclosures in the financial statements of the Bank. However SBP through BPRD Circular Letter No. 4 dated 25 February 2015, has deferred the applicability of IFAS 3 till further instructions and prescribed the Banks to prepare their annual and periodical financial statements as per existing prescribed formats issued vide BPRD Circular 02 of 2018, as amended from time to time.

SECP, vide its SRO 56(1) 2016 dated January 28, 2016, has notified that requirements of IFRS 10 and section 228 of Company Act 2017 will not be applicable with respect to investment in mutual funds established under trust structure.

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

The Bank has adopted "IFRS 15 Revenue from Contracts with Customers" and "IFRS 16 Leases" effective 01 January 2019. IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. The Bank has adopted IFRS 15 from 01 January 2019. The timing or amount of income from contracts with customers was not impacted by the adoption of IFRS 15, accordingly, the adoption of this standard has no material impact in these unconsolidated financial statements. The impact of adoption of IFRS 16 on the Bank's unconsolidated financial statements is disclosed in note 5.1.

## 3.4 Standards, interpretations and amendments to published accounting and reporting standards that are relevant but not yet effective:

The following standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard amendments, or interpretation and are not early adopted by the Bank:

Standard or Interpretation or Amendments	Effective date (annual periods beginning on or after)
IAS 1 - Presentation of Financial Statements (Amendments)	January 01, 2020
IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors (Amendments)	January 01, 2020
IFRS 3 - Business Combination - (Amendments)	January 01, 2020
IFRS 9 - Financial Instruments: Classification and Measurement	January 01, 2021

IFRS 9: 'Financial Instruments' addresses recognition, classification, measurement and derecognition of financial assets and financial liabilities. The standard has also introduced a new impairment model for financial assets which requires recognition of impairment charge based on an 'Expected Credit Losses' (ECL) approach rather than the 'incurred credit losses' approach. The ECL has impact on all assets of the Bank which are exposed to credit risk. The Bank is in the process of assessing the full impact of this standard.

The SECP, through SRO 229(I)/2019 dated 14 February, 2019, has notified that IFRS 9, Financial Instruments, is applicable for accounting period ending on or after June 30, 2019. However, as per SBP, BPRD Circular No.04 of 2019 dated 23 October, 2019 of SBP, effective date of IFRS 9 implementation is January 01, 2021.

There are certain new and amended standards and interpretations that are mandatory for the Bank's accounting periods beginning on or after 01 January 2020 but are considered not to be relevant or will not have any significant effect on the Bank's operations and are therefore not detailed in these financial statements.



#### 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 5.4 and 30);
- ii) classification of and provision against advances (notes 5.5 and 30);
- iii) depreciation and amortization / useful lives of operating fixed assets (notes 5.6, 5.7, 11 and 12);
- iv) taxation (note 5.9);
- v) staff retirement and other benefits (note 5.10);
- vi) fair value of derivatives (note 5.18); and
- vii) judgements made by management in identification and reporting segment information (note 40).

#### 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 Change in accounting policies

For the year ended December 31, 2019, IFRS 16- Leases became applicable to the Banks. IFRS 16 replaces existing guidance on accounting for leases, including IAS 17, Leases, IFRIC 4, Determining whether an arrangement contains a Lease, SIC-15, Operating Leases - Incentive, and SIC -27, Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 introduces an on-balance sheet lease accounting model for leases entered by the lessee. A lessee recognizes a right -of-use asset representing its right of using the underlying asset and a corresponding lease liability representing its obligations to make lease payments. Lessor accounting remains similar to the current standard i.e lessors continue to classify leases as either finance or operating leases.

The Bank has adopted IFRS 16 from January 1, 2019 using the modified retrospective restatement approach and had not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard.

On adoption of IFRS 16, the Bank has recognised liabilities in respect of leases which has previously been classified as operating leases under IAS 17. These liabilities were initially measured at the present value of the remaining lease payments, discounted using the Bank's incremental weighted average borrowing rate of 12% per annum at January 01, 2019. The lease liability is subsequently measured at amortised cost using the effective interest rate method.

	<b>December 31, 2019</b>
	<b>(Rupees in '000')</b>
Total lease liability recognised	<u><u>2,299,121</u></u>

On adoption of IFRS 16, the associated right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of prepaid lease payments recognised in the unconsolidated statement of financial position adjusted by the amount of prepaid lease payments recognised in the unconsolidated statement of financial position immediately before the date of initial application.

The right-of-use assets recognised subsequent to the adoption are measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred. The right-of-use assets are depreciated on a straight line basis over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The right-of-use assets are reduced by impairment losses, if any, and adjusted for certain remeasurements of lease liability.

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

	<b>December 31, 2019</b>
	<b>(Rupees in '000')</b>
Land and Building	<u><u>2,192,469</u></u>

The effect of this change in accounting policy is as follows

##### Impact on Unconsolidated Condensed Interim Statement of Financial Position

Increase in fixed assets - right-of-use assets	2,192,469
(Decrease) in other assets - advances, deposits, advance rent and other prepayments	(59,545)
Increase in other assets - advance taxation	64,816
Increase in total assets	<u>2,197,740</u>
Increase in other liabilities - lease liability against right-of-use assets	<u>2,299,121</u>
Decrease in net assets	<u><u>(101,381)</u></u>

	<b>December 31, 2019</b>
	<b>(Rupees in '000')</b>

##### Impact on Unconsolidated Profit and Loss account

Increase in mark-up expense - lease liability against right-of-use assets	(296,171)
(Increase) / decrease in administrative expenses:	
- Depreciation on right-of-use assets	(661,671)
- Rent expense	791,645
Increase in loss before tax	<u>(166,197)</u>
Decrease in tax	64,816
Increase in loss after tax	<u><u>(101,381)</u></u>

Loss per share for the year ended December 31, 2019 is Rs 0.10 per share higher as a result of the adoption of IFRS 16.

While implementing IFRS 16, the Bank has used a single discount rate methodology for a portfolio of leases with similar characteristics. The Bank has opted not to recognise right-of-use assets for leases of low value. The payments associated with such leases are recognised as an expense on a straight line basis over the lease term.



## 5.2 Cash and cash equivalents

Cash and cash equivalents include cash and balances with treasury banks and balances with other banks in current and deposit accounts, excluding any term deposits with original term of greater than three months.

## 5.3 Lending to / borrowing from Financial Institutions

The Bank enters into transactions of borrowings (repurchase) from and lending (reverse repurchase) to financial institutions at contracted rates for a specified period of time. These are reported as under :

### 5.3.1 Repurchase / resale agreements

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

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 accrued over the period of the agreement using the effective interest rate method and recorded as expense.

#### b) Purchase of securities under resale agreement (reverse repo)

Securities purchased under agreements for resale (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 return income over the period of the agreement using the effective interest rate method.

### 5.3.2 Bai Maujjal

In Bai Maujjal, 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 Investments

The bank 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 prices, interest rate movements, dealer's 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, other than that in subsidiary which do not fall under the held-for-trading and held-to-maturity categories.

#### d) Subsidiaries

Subsidiary is an entity over which the Bank has control. Investment in subsidiary is carried at cost less accumulated impairment losses, if any.

### 5.4.1 Initial measurement

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.

### 5.4.2 Subsequent measurement

#### Held-for-trading

Investment classified as held-for-trading are measured on subsequent reporting dates at fair value. Gain and losses on remeasurement are included in the profit and loss accounts.

#### Held-to-maturity

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.

#### Available-for-sale

Quoted securities classified as available-for-sale investments are measured on subsequent reporting dates at fair value. Any surplus / deficit arising thereon is kept in other comprehensive income and taken to the profit and loss account when actually realised upon disposal or when the investment is considered to be impaired.

Breakup 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.

#### Subsidiaries

Investments in subsidiaries are valued at cost less impairment, if any. A reversal of an impairment loss on subsidiaries is recognized in the profit and loss account as it arises provided the increased carrying value does not exceed cost.

### 5.4.3 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 cost, except when uncertain circumstances such as material market volatility, uncertainty and other market impacting external events, in which cases, a higher percentage is also considered by the management for determination of what is presumed as significant decline. 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.

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

## 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 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.

#### Ijarah Financing

Applying 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

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

## 5.6 Operating fixed assets and depreciation

### a) Property and equipment - owned

Property and equipment are 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.

## 5.7 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.

## 5.8 Impairment of 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.

## 5.9 Taxation

Taxation (Income tax) expense relates to current and 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 differences 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 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.

## 5.10 Staff retirement and other benefits

### a) Defined contribution plan

The Bank operates recognised funded contributory provident fund for all its permanent employees to which equal contributions at the rate of 10 percent (2017: 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 recognised funded 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.

## 5.11 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 on-balance sheet transactions and are reported in "other assets" and "other liabilities" simultaneously.

## 5.12 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.

## 5.13 Revenue recognition

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

5.13.1 Mark-up / return / interest on loans and advances and return on investments are recognized on a time proportion basis using the effective interest rate method except that mark-up / return / interest 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 of maturity.

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

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



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

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

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

#### 5.14 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.

#### 5.15 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.

#### 5.16 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.

#### 5.17 Foreign currency translation

Transactions in foreign currencies are translated into Pak Rupees at the exchange rates prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currencies are 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.

#### 5.18 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.

#### 5.19 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.

#### 5.20 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 (Treasury)

Its includes fixed income, equity, foreign exchanges, 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 business.

##### Geographical segments

The Bank operates only in Pakistan.

#### 5.21 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.

#### 5.22 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	2019		2018	
		(Rupees in '000)			
<b>In hand</b>					
Local currency		3,082,460		2,547,097	
Foreign currency		208,051		207,746	
		<b>3,290,511</b>		<b>2,754,843</b>	
<b>With State Bank of Pakistan (SBP) in</b>					
Local currency current accounts	6.1	7,790,641		4,532,517	
Foreign currency current accounts	6.2	14,725		94,098	
<b>Foreign currency deposit accounts</b>					
- Non Remunerative	6.3	77,503		110,466	
- Remunerative	6.4	218,619		305,921	
		<b>8,101,488</b>		<b>5,043,002</b>	
<b>With National Bank of Pakistan in</b>					
Local currency current accounts		1,854,468		1,113,527	
Local currency deposit accounts		188,077		189,094	
		<b>2,042,545</b>		<b>1,302,621</b>	
Prize bonds		118,428		2,230	
	33	<b>13,552,972</b>		<b>9,102,696</b>	

- 6.1 This represents the cash reserve required to be maintained with SBP as per the requirement of Section 22 of the Banking Companies Ordinance, 1962
- 6.2 This represents US Dollar Settlement Account maintained with SBP.
- 6.3 This represents foreign currency (FCY) cash reserve maintained with SBP to comply with statutory reserve requirement applicable to Bank's FCY deposits.
- 6.4 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 period, the SBP has declared profits in the range of 0.70% to 1.50% (2018 : 0.56% to 1.35%) per annum.

7 BALANCES WITH OTHER BANKS	Note	2019		2018	
		(Rupees in '000)			
<b>In Pakistan</b>					
In current accounts		29,732		30,919	
In savings account	7.1	21,563		45,441	
		<b>51,295</b>		<b>76,360</b>	
<b>Outside Pakistan</b>					
In current accounts	7.2	787,069		431,245	
	33	<b>838,364</b>		<b>507,605</b>	

- 7.1 This includes savings account with a commercial bank carrying profit at the rate of 11.25% (2018: 8.00%) per annum.
- 7.2 This includes Rs.413.02 (2018: Rs. 141.07) million held in Automated Investment Plans. This balance is current in nature and in case this balance 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	2019		2018	
		(Rupees in '000)			
Repurchase agreement lendings (Reverse Repo)	8.2 & 8.3	3,645,392		5,383,162	
		<b>3,645,392</b>		<b>5,383,162</b>	

### 8.1 Particulars of lending

	2019		2018	
	(Rupees in '000)			
In local currency		3,645,392		5,383,162
In foreign currencies		-		-
		<b>3,645,392</b>		<b>5,383,162</b>

- 8.2 This represents resale agreement lending to commercial banks and DFIs carrying mark-up in the range of 13.05% to 13.35% (2018 : 10.30% to 12.50%) per annum maturing on January 02, 2020 (2018: January 02, 2019 to January 14, 2019).

### 8.3 Securities held as collateral against Lending to financial institutions

	2019			2018		
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
----- (Rupees in '000) -----						
Market Treasury Bills	3,643,328	-	3,643,328	1,498,743	-	1,498,743
Pakistan Investment Bonds	-	-	-	2,884,673	-	2,884,673
Shares	-	-	-	1,792,348	-	1,792,348
Total	<b>3,643,328</b>	<b>-</b>	<b>3,643,328</b>	<b>6,175,764</b>	<b>-</b>	<b>6,175,764</b>

### 9 INVESTMENTS

#### 9.1 Investments by type

	2019				2018			
	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
----- (Rupees in '000) -----								
<b>Available-for-sale securities</b>								
Federal Government Securities								
Pakistan Investment Bonds	23,640,034	-	(2,603,000)	21,037,034	33,517,406	-	(5,737,539)	27,779,867
Market Treasury Bills	21,921,061	-	(22,903)	21,898,158	4,887,658	-	(391)	4,887,267
Government of Pakistan - Ijarah Sukuk	500,000	-	(5,000)	495,000	920,378	-	(8,866)	911,512
Shares								
Listed	2,589,037	(357,940)	(231,757)	1,999,340	2,748,032	(243,212)	(556,827)	1,947,993
Unlisted	100,000	-	-	100,000	100,000	-	-	100,000
Non-government debt securities								
Term finance certificates listed	-	-	-	-	99,800	-	25	99,825
Sukuk certificates	192,856	-	6,920	199,776	289,285	-	8,813	298,098
Mutual funds	915,049	(20,646)	(63,236)	831,167	715,049	-	(139,010)	576,039
	<b>49,858,037</b>	<b>(378,586)</b>	<b>(2,918,976)</b>	<b>46,560,475</b>	<b>43,277,608</b>	<b>(243,212)</b>	<b>(6,433,795)</b>	<b>36,600,601</b>
<b>Held-to-maturity securities</b>								
Federal Government Securities								
Pakistan Investment Bonds	16,798,258	-	-	16,798,258	16,822,905	-	-	16,822,905
Preference Shares - Unlisted	77,708	-	-	77,708	77,708	-	-	77,708
Non-government debt securities								
Term finance certificates listed	224,235	-	-	224,235	224,235	-	-	224,235
Term finance certificates unlisted	859,183	(126,407)	-	732,776	874,617	-	-	874,617
	<b>17,959,384</b>	<b>(126,407)</b>	<b>-</b>	<b>17,832,977</b>	<b>17,999,465</b>	<b>-</b>	<b>-</b>	<b>17,999,465</b>
<b>Investment in Subsidiary</b>								
Fully paid ordinary shares	750,000	-	-	750,000	750,000	-	-	750,000
Total Investments	<b>68,567,421</b>	<b>(504,993)</b>	<b>(2,918,976)</b>	<b>65,143,452</b>	<b>62,027,073</b>	<b>(243,212)</b>	<b>(6,433,795)</b>	<b>55,350,066</b>



9.2 Investments by segments

	2019				2018			
	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
----- (Rupees in '000) -----								
<b>Federal Government Securities</b>								
Pakistan Investment Bonds	40,438,292	-	(2,603,000)	37,835,292	50,340,311	-	(5,737,539)	44,602,772
Market Treasury Bills	21,921,061	-	(22,903)	21,898,158	4,887,658	-	(391)	4,887,267
Government of Pakistan - Ijarah Sukuk	500,000	-	(5,000)	495,000	920,378	-	(8,866)	911,512
	62,859,353	-	(2,630,903)	60,228,450	56,148,347	-	(5,746,796)	50,401,551
<b>Shares</b>								
Listed companies	2,589,037	(357,940)	(231,757)	1,999,340	2,748,032	(243,212)	(556,827)	1,947,993
Unlisted companies	177,708	-	-	177,708	177,708	-	-	177,708
	2,766,745	(357,940)	(231,757)	2,177,048	2,925,740	(243,212)	(556,827)	2,125,701
<b>Non-government debt securities</b>								
Term finance certificates - listed	224,235	-	-	224,235	324,035	-	25	324,060
Term finance certificates - unlisted	859,183	(126,407)	-	732,776	874,617	-	-	874,617
Sukuk certificates	192,856	-	6,920	199,776	289,285	-	8,813	298,098
	1,276,274	(126,407)	6,920	1,156,787	1,487,937	-	8,838	1,496,775
<b>Mutual Funds</b>								
Open ended	816,049	(20,646)	(76,646)	718,757	616,049	-	(147,920)	468,129
Islamic funds - REIT	99,000	-	13,410	112,410	99,000	-	8,910	107,910
	915,049	(20,646)	(63,236)	831,167	715,049	-	(139,010)	576,039
<b>Investment in Subsidiary</b>								
Sindh Microfinance Bank Ltd	750,000	-	-	750,000	750,000	-	-	750,000
<b>Total Investments</b>	<b>68,567,421</b>	<b>(504,993)</b>	<b>(2,918,976)</b>	<b>65,143,452</b>	<b>62,027,073</b>	<b>(243,212)</b>	<b>(6,433,795)</b>	<b>55,350,066</b>

9.3 Details of investment in Subsidiary

Name of Entity	2019						
	Incorporation date	Incorporation Country	Percentage holding (%)	Total Assets	Total Liabilities	Total Revenue	Total Profit after taxation
----- Amount in '000 -----							
Sindh Microfinance Bank Ltd	27-03-2015	Pakistan	100%	1,907,492	1,017,905	347,011	52,170
----- Total Comprehensive Income -----							
							52,104
Name of Entity	2018						
	Incorporate date	Incorporate Country	Percentage holding (%)	Total Assets	Total Liabilities	Total Revenue	Total Profit after taxation
----- Amount in '000 -----							
Sindh Microfinance Bank Ltd	27-03-2015	Pakistan	100%	1,003,454	165,971	207,310	38,084
----- Total Comprehensive Income -----							
							38,084

9.4 Investments given as collateral

**Federal government securities**  
 Pakistan Investment Bonds  
 Market Treasury Bills

	2019	2018
	(Rupees in '000)	
Pakistan Investment Bonds	2,574,477	25,553,017
Market Treasury Bills	-	-
<b>Total</b>	<b>2,574,477</b>	<b>25,553,017</b>

9.5 Provision for diminution in value of investments

9.5.1 Opening balance

**Charge / reversals**

Charge for the year  
 Reversals for the year  
 Reversal on disposals  
 Transfers - net  
 Closing Balance

	2019	2018
Opening balance	243,212	7,810
Charge for the year	261,781	235,402
Reversals for the year	-	-
Reversal on disposals	-	-
Transfers - net	261,781	235,402
<b>Closing Balance</b>	<b>504,993</b>	<b>243,212</b>

Current year impairment on investments was recorded where a decline of thirty percent or more in market value of investment was reported (refer note 5.4).

9.5.2 Particulars of provision against debt / equity securities (Category of classification)

**Domestic**

Other assets especially mentioned  
 Substandard  
 Doubtful  
 Loss  
**Total**

	2019		2018	
	Non performing investments	Provision	Non performing investments	Provision
----- Rupees in '000 -----				
Other assets especially mentioned	-	-	-	-
Substandard	-	-	-	-
Doubtful	514,344	126,407	-	-
Loss	378,586	378,586	243,212	243,212
<b>Total</b>	<b>892,930</b>	<b>504,993</b>	<b>243,212</b>	<b>243,212</b>

9.6 Quality of Available for Sale Securities

Details regarding quality of Available for Sale (AFS) securities

**Federal Government Securities - Government guaranteed**

Pakistan Investment Bonds  
 Market Treasury Bills  
 Government of Pakistan - Ijarah Sukuk

	2019	2018
Pakistan Investment Bonds	23,640,034	33,517,406
Market Treasury Bills	21,921,061	4,887,658
Government of Pakistan - Ijarah Sukuk	500,000	920,378
<b>Total</b>	<b>46,061,095</b>	<b>39,325,442</b>

**Shares (Equities)**

**Listed Companies**

Refinery  
 Fertilizer  
 Cement  
 Power Generation & Distribution  
 Oil & Gas Marketing Companies  
 Commercial Banks  
 Inv.Banks/Inv.Cos./Securities Cos.

	2019	2018
Refinery	7,682	7,682
Fertilizer	618,582	814,987
Cement	63,745	63,745
Power Generation & Distribution	201,513	260,919
Oil & Gas Marketing Companies	737,303	630,198
Commercial Banks	960,212	970,501
Inv.Banks/Inv.Cos./Securities Cos.	-	-
<b>Total</b>	<b>2,589,037</b>	<b>2,748,032</b>



**Unlisted Companies**

Insurance

**Other investments (Mutual Funds & Sukuk Certificates)**

**Listed**

AAA, AA, A / AM2 /RR1  
 AM2++

**Equity Securities**

**Listed Companies**

Pakistan Refinery Limited  
 Fauji Fertilizer Company Limited  
 Fauji Fertilizer Bin Qasim Limited  
 Fatima Fertilizer Company Limited  
 Thatta Cement Company Limited  
 Nishat Chunian Power Limited  
 Hub Power Company Limited  
 Sui Southern Gas Company Limited  
 Sui Northern Gas Pipelines Limited  
 Summit Bank Limited  
 National Bank of Pakistan  
 MCB Bank Limited  
 Silk Bank Limited

	2019	2018
	(Rupees in '000)	
Insurance	100,000	100,000
Other investments (Mutual Funds & Sukuk Certificates)		
<b>Listed</b>		
AAA, AA, A / AM2 /RR1 AM2++	407,905	604,134
	700,000	500,000
	1,107,905	1,104,134
	49,858,037	43,277,608
<b>Equity Securities</b>		
<b>Listed Companies</b>		
Pakistan Refinery Limited	7,683	7,682
Fauji Fertilizer Company Limited	387,761	387,761
Fauji Fertilizer Bin Qasim Limited	165,819	362,224
Fatima Fertilizer Company Limited	65,002	65,002
Thatta Cement Company Limited	63,745	63,745
Nishat Chunian Power Limited	117,411	176,816
Hub Power Company Limited	84,103	84,103
Sui Southern Gas Company Limited	429,641	357,420
Sui Northern Gas Pipelines Limited	307,662	272,778
Summit Bank Limited	305,509	305,509
National Bank of Pakistan	343,450	421,540
MCB Bank Limited	184,602	157,707
Silk Bank Limited	126,649	85,743
	2,589,037	2,748,032

2019		2018	
Cost	Break-up value	Cost	Break-up value
----- (Rupees in '000) -----			
100,000	30,371	100,000	28,853

**9.7 Particulars relating to Held to Maturity securities**

**Federal Government Securities - Government guaranteed**

Pakistan Investment Bonds

**Preference Shares - Unlisted Company**

Al-Arabia Sugar Mills Ltd

**Non Government Debt Securities**

**Listed**

Un-rated / BBB- (SO) / A-(SO)

**Un-listed**

AA, A-  
 Unrated

	2019	2018
	----- Cost ----- (Rupees in '000)	
Pakistan Investment Bonds	16,798,258	16,822,905
Preference Shares - Unlisted Company Al-Arabia Sugar Mills Ltd	77,708	77,708
<b>Non Government Debt Securities</b>		
<b>Listed</b>		
Un-rated / BBB- (SO) / A-(SO)	224,235	224,235
<b>Un-listed</b>		
AA, A- Unrated	344,839	344,931
	514,344	529,686
	859,183	874,617
	17,959,384	17,999,465

9.7.1 The market value of securities classified as held-to-maturity as at December 31, 2019 amounted to Rs. 17,059.34 (December 31, 2018: Rs. 15,869.70) million.

**10 ADVANCES- NET**

Note	Performing		Non Performing		Total	
	2019	2018	2019	2018	2019	2018
----- Rupees in '000 -----						
<b>Loans, cash credits, agriculture, running finances etc.</b>						
In Pakistan	32,729,716	40,458,170	33,804,371	24,864,619	66,534,087	65,322,789
<b>Commodity finance</b>						
In Pakistan	7,020,595	9,463,078	-	-	7,020,595	9,463,078
<b>Islamic financing and related assets</b>						
Diminishing musharakah financing	1,790,039	2,271,898	-	-	1,790,039	2,271,898
Murabaha Financing	644,525	737,746	-	-	644,525	737,746
Ijarah financing under IFAS 2	61,542	61,323	-	-	61,542	61,323
	42,246,417	52,992,215	33,804,371	24,864,619	76,050,788	77,856,834
<b>Bills discounted and purchased (excluding market treasury bills)</b>						
Payable in Pakistan	369,077	1,302,457	-	-	369,077	1,302,457
Payable outside Pakistan	6,825	9,261	3,405	3,405	10,230	12,666
	375,902	1,311,718	3,405	3,405	379,307	1,315,123
<b>Advances - gross</b>	42,622,319	54,303,933	33,807,776	24,868,024	76,430,095	79,171,957
<b>Provision for non-performing advances</b>						
- Specific provision	-	-	15,297,231	5,538,312	15,297,231	5,538,312
- General provision against consumer and small enterprise advances	1,812	2,014	-	-	1,812	2,014
	1,812	2,014	15,297,231	5,538,312	15,299,043	5,540,326
<b>Advances - Net of Provision</b>	42,620,507	54,301,919	18,510,545	19,329,712	61,131,052	73,631,631

**10.1 Particulars of advances (Gross)**

	2019	2018
	(Rupees in '000)	
In local currency	76,430,095	79,171,957
In foreign currencies	-	-
	76,430,095	79,171,957

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

**10.3 Diminishing musharakah financing**

	2019	2018
	(Rupees in '000)	
Advance against musharakah	-	-
Diminishing musharakah	1,790,039	2,271,898
	1,790,039	2,271,898

**10.4 Murabaha Financing**

	2019	2018
	(Rupees in '000)	
Murabaha receivable - Gross	466,102	600,168
Inventory for Murabaha	15,088	-
Less : Deferred income	(36,577)	(31,372)
	444,613	568,796
Advance against Murabaha financing	199,912	168,950
	644,525	737,746



### 10.5 Ijarah financing under IFAS 2

Net book value of assets  
 Advance against Ijarah financing

Note	2019	2018
	(Rupees in '000)	
10.5.1	61,542	60,239
	-	1,084
	<b>61,542</b>	<b>61,323</b>

#### 10.5.1 Particulars of assets under Ijarah

	2019							Rate of depreciation %
	Cost			Accumulated depreciation			Book value As at December 31	
	As at January 01	Additions/ Settled	As at December 31	As at January 01	Charge/ settled	As at December 31		
(Rupees in '000)								
Vehicle	76,000	(12,907)	63,093	27,088	(12,475)	14,613	48,480	Over the Ijarah period
Plant and machinery	27,605	20,395	48,000	16,278	18,660	34,938	13,062	
<b>Total</b>	<b>103,605</b>	<b>7,488</b>	<b>111,093</b>	<b>43,366</b>	<b>6,185</b>	<b>49,551</b>	<b>61,542</b>	
(Rupees in '000)								
	2018							Rate of depreciation %
	Cost			Accumulated depreciation			Book value As at December 31	
	As at January 01	Additions/ Settled	As at December 31	As at January 01	Charge/ settled	As at December 31		
(Rupees in '000)								
Vehicle	90,156	(14,156)	76,000	23,722	3,366	27,088	48,912	Over the Ijarah period
Plant and machinery	27,605	-	27,605	7,760	8,518	16,278	11,327	
<b>Total</b>	<b>117,761</b>	<b>(14,156)</b>	<b>103,605</b>	<b>31,482</b>	<b>11,884</b>	<b>43,366</b>	<b>60,239</b>	

### 10.5.2 Future Ijarah payments receivable

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

	2019	2018
	(Rupees in '000)	
	25,402	30,729
	36,140	29,510
	<b>61,542</b>	<b>60,239</b>

10.6 Advances include Rs.33,807.78 (2018: Rs. 24,868.02) million which have been placed under non-performing status as detailed below:

Category of Classification	Note	2019		2018	
		Non Performing Loans	Provision	Non Performing Loans	Provision
(Rupees in '000)					
<b>Domestic</b>					
Other Assets Especially Mentioned	10.6.1	580,740	-	216,752	-
Substandard		2,013,140	233,933	7,998,774	510,404
Doubtful		1,507,601	183,888	9,092,101	404,590
Loss		29,706,295	14,879,410	7,560,397	4,623,318
<b>Total</b>		<b>33,807,776</b>	<b>15,297,231</b>	<b>24,868,024</b>	<b>5,538,312</b>

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

10.6.2 The Bank has availed the benefit of forced sale value on plant and 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.15,641.06 (2018: Rs.8,566.40) million. The resultant increase in profit due to FSV benefit taken will not be available for distribution as cash and stock dividend to shareholders.

#### 10.6.3 Particulars of provision against advances

	2019			2018		
	Specific	General	Total	Specific	General	Total
(Rupees in '000)						
Opening balance	5,538,312	2,014	5,540,326	397,624	4,001,201	4,398,825
Exchange adjustments	-	-	-	-	-	-
Charge for the year	9,976,656	-	9,976,656	5,089,279	813	5,090,092
Reversals	(356,792)	(202)	(356,994)	(22,291)	(4,000,000)	(4,022,291)
	9,619,864	(202)	9,619,662	5,066,988	(3,999,187)	1,067,801
Amounts charged off - agriculture loans	139,055	-	139,055	73,700	-	73,700
Net charge / (reversal) during the year	9,758,919	(202)	9,758,717	5,140,688	(3,999,187)	1,141,501
Amounts written off	-	-	-	-	-	-
<b>Closing balance</b>	<b>15,297,231</b>	<b>1,812</b>	<b>15,299,043</b>	<b>5,538,312</b>	<b>2,014</b>	<b>5,540,326</b>

#### 10.6.3.1 Particulars of provision against advances

	2019			2018		
	Specific	General	Total	Specific	General	Total
(Rupees in '000)						
In local currency	15,297,231	1,812	15,299,043	5,538,312	2,014	5,540,326
In foreign currencies	-	-	-	-	-	-
	<b>15,297,231</b>	<b>1,812</b>	<b>15,299,043</b>	<b>5,538,312</b>	<b>2,014</b>	<b>5,540,326</b>

10.6.3.2 General provision against consumer loans represents provision maintained at an amount equal to 1% (2018: 1%) of the fully secured performing portfolio and 4% (2018: 4%) 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 0% (2018: 0%) of the fully secured performing portfolio and 1% of the unsecured performing portfolio as required by the Prudential Regulations issued by SBP.

### 11 FIXED ASSETS

	Note	2019		2018	
		(Rupees in '000)		(Rupees in '000)	
Capital work-in-progress	11.1	21,495	-	10,927	-
Property and equipment	11.2	1,574,036	-	1,602,136	-
Right of use assets	11.5	2,192,469	-	-	-
		<b>3,788,000</b>	<b>-</b>	<b>1,613,063</b>	<b>-</b>
<b>11.1 Capital work-in-progress</b>					
Equipment		362	-	2,334	-
Advances to suppliers		21,133	-	8,593	-
		<b>21,495</b>	<b>-</b>	<b>10,927</b>	<b>-</b>



## 11.2 Property and Equipment

	2019				
	Lease hold improvements	Furniture and fixture	Computer and office equipment	Vehicle	Total
	----- (Rupees in '000) -----				
<b>At January 1, 2019</b>					
Cost / Revalued amount	1,202,191	518,053	1,494,903	310,425	3,525,572
Accumulated depreciation	301,547	282,677	1,160,993	178,219	1,923,436
<b>Net book value</b>	<b>900,644</b>	<b>235,376</b>	<b>333,910</b>	<b>132,206</b>	<b>1,602,136</b>
<b>Year ended December 31, 2019</b>					
Opening net book value	900,644	235,376	333,910	132,206	1,602,136
Additions	74,134	28,859	94,128	92,811	289,932
Movement in surplus on assets revalued during the year	-	-	-	-	-
Acquisitions through business combinations	-	-	-	-	-
Impairment loss recognised in the profit and loss account - net	-	-	-	-	-
Disposals	-	-	(59)	(1,000)	(1,059)
Depreciation charge	(61,707)	(53,138)	(145,870)	(56,258)	(316,973)
Exchange rate adjustments	-	-	-	-	-
Other adjustments / transfers	-	(1)	-	1	-
<b>Closing net book value</b>	<b>913,071</b>	<b>211,096</b>	<b>282,109</b>	<b>167,760</b>	<b>1,574,036</b>
<b>At December 31, 2019</b>					
Cost / Revalued amount	1,276,325	546,912	1,581,670	378,503	3,783,410
Accumulated depreciation	363,254	335,816	1,299,561	210,743	2,209,374
<b>Net book value</b>	<b>913,071</b>	<b>211,096</b>	<b>282,109</b>	<b>167,760</b>	<b>1,574,036</b>
<b>Rate of depreciation (percentage)</b>	<b>5.00%</b>	<b>10.00%</b>	<b>33.33% &amp; 20.0%</b>	<b>20.00%</b>	

	2018				
	Lease hold improvements	Furniture and fixture	Computer and office equipment	Vehicle	Total
	----- (Rupees in '000) -----				
<b>At January 1, 2018</b>					
Cost / Revalued amount	1,126,644	491,462	1,303,527	286,016	3,207,649
Accumulated depreciation	244,253	231,808	1,006,811	155,382	1,638,254
<b>Net book value</b>	<b>882,391</b>	<b>259,654</b>	<b>296,716</b>	<b>130,634</b>	<b>1,569,395</b>
<b>Year ended December 31, 2018</b>					
Opening net book value	882,391	259,654	296,716	130,634	1,569,395
Additions	75,547	26,591	201,465	52,336	355,938
Movement in surplus on assets revalued during the year	-	-	-	-	-
Acquisitions through business combinations	-	-	-	-	-
Impairment loss recognised in the profit and loss account - net	-	-	-	-	-
Disposals	-	-	(43)	(1,438)	(1,481)
Depreciation charge	(57,294)	(50,870)	(164,228)	(49,324)	(321,716)
Exchange rate adjustments	-	-	-	-	-
Other adjustments / transfers	1	1	-	(1)	1
<b>Closing net book value</b>	<b>900,644</b>	<b>235,376</b>	<b>333,910</b>	<b>132,206</b>	<b>1,602,136</b>

	2018				
	Lease hold improvements	Furniture and fixture	Computer and office equipment	Vehicle	Total
	----- (Rupees in '000) -----				
<b>At December 31, 2018</b>					
Cost / Revalued amount	1,202,191	518,053	1,494,903	310,425	3,525,572
Accumulated depreciation	301,547	282,677	1,160,993	178,219	1,923,436
<b>Net book value</b>	<b>900,644</b>	<b>235,376</b>	<b>333,910</b>	<b>132,206</b>	<b>1,602,136</b>
<b>Rate of depreciation (percentage)</b>	<b>5.00%</b>	<b>10.00%</b>	<b>33.33% &amp; 20.0%</b>	<b>20.00%</b>	

11.3 The cost of fully depreciated furniture and fixture, office and computer equipment still in use amounted to Rs.1,037.71 (2018: Rs.818.18) million.

## 11.4 Disposals

Particulars of the Assets	Cost	Accumulated depreciation	Book Value	Sale Price	Mode of Disposal	Particulars of the Purchaser
<b>Computer and office equipment</b>						
Laptop	61,110	61,109	1		As Per HR Policy	Sheikh Bilal Shams
Laptop	61,110	61,109	1		As Per HR Policy	Naveed Elahi Malik
Laptop	61,110	61,109	1		As Per HR Policy	Ishtiaq Parvez But
Laptop	61,110	61,109	1		As Per HR Policy	Parvez Zia
Laptop	40,000	39,999	1	21,000	Insurance Claim	Sindh Insurance Limited
Laptop	77,110	77,109	1	30,000	Insurance Claim	Sindh Insurance Limited
Split Air conditioners	5,689,065	5,646,102	42,963	297,000	Negotiation	Zeeshan
Cisco Switch	137,286	137,283	3	80,219	Insurance Claim	Sindh Insurance Limited
Cisco Router	1,172,942	1,156,678	16,264	639,782	Insurance Claim	Sindh Insurance Limited
	<b>7,360,843</b>	<b>7,301,607</b>	<b>59,236</b>	<b>1,068,005</b>		
<b>Vehicle</b>						
Suzuki Mehran	632,000	631,999	1		As Per HR Policy	Khalid Mehmood
Suzuki Mehran	668,000	667,999	1		As Per HR Policy	Muhammad Amin
Suzuki Mehran	668,000	667,999	1		As Per HR Policy	Muhammad Kaleemullah Khan
Suzuki Alto VXR	673,000	672,999	1		As Per HR Policy	Parvez Zia
Suzuki Alto VXR	707,000	706,999	1		As Per HR Policy	Nazir Hussain Channa
Suzuki Alto VXR	712,000	711,999	1		As Per HR Policy	Khalid Farooq
Suzuki Cultus VXR	870,000	869,999	1		As Per HR Policy	Syed Suhail Fahmi
Suzuki Cultus VXR	905,000	904,999	1		As Per HR Policy	Haq Nawaz
Suzuki Cultus VXR	965,000	964,999	1		As Per HR Policy	Mansoor Hussain
Suzuki Wagon R	974,000	649,333	324,667	324,667	As Per HR Policy	Babar Aman Jumani
Suzuki Cultus VXR	990,000	989,999	1		As Per HR Policy	Atiquzzaman
Suzuki Cultus VXR	990,000	989,999	1		As Per HR Policy	Muhammad Saleem
Suzuki Mehran	678,000	508,499	169,501	500,000	Insurance Claim	Sindh Insurance Limited
Suzuki Cultus VXR	1,039,000	917,782	121,218	121,218	As Per HR Policy	Sheikh Bilal Shams
Suzuki Wagon R	1,047,000	1,046,999	1		As Per HR Policy	Qazi Asif Ahmed
Suzuki Wagon R	1,047,000	1,046,999	1		As Per HR Policy	Touqeer Ahmed Cheema
Suzuki Wagon R	1,047,000	1,046,999	1		As Per HR Policy	Irfan Ali Shah
Suzuki Wagon R	1,054,000	1,053,999	1		As Per HR Policy	Irfan Zafar



Particulars of the Assets	Cost	Accumulated depreciation	Book Value	Sale Price	Mode of Disposal	Particulars of the Purchaser
----- Amount in Rupees -----						
Suzuki Wagon R	1,054,000	1,053,999	-	-	As Per HR Policy	Kaleem Mustafa
Suzuki Wagon R	1,054,000	1,053,999	-	-	As Per HR Policy	Noman Ahmed
Suzuki Wagon R	1,054,000	1,053,999	-	-	As Per HR Policy	Muzaffar Siddiqui
Suzuki Cultus VXR	1,099,000	714,349	384,651	402,967	As Per HR Policy	Muhammad Bux
Toyota Corolla XLI	1,551,500	1,551,499	-	-	As Per HR Policy	Naveed Elahi Malik
Toyota Corolla XLI	1,627,500	1,627,499	-	-	As Per HR Policy	Abdul Rauf Chandio
Toyota Corolla XLI	1,627,500	1,627,499	-	-	As Per HR Policy	Muhammad Kaleem
	<b>24,733,500</b>	<b>23,733,442</b>	<b>1,000,058</b>	<b>1,348,873</b>		
	<b>32,094,343</b>	<b>31,035,049</b>	<b>1,059,294</b>	<b>2,416,878</b>		

### 11.5 RIGHT OF USE ASSETS

#### Year ended December 31

	2019 (Rupees in '000)	2018
Opening net book value	-	-
Additions	2,854,140	-
Disposals	-	-
Depreciation charge	(661,671)	-
Closing net book value	<b>2,192,469</b>	-

#### At December 31

Cost amount	2,854,140	-
Accumulated depreciation	(661,671)	-
Net book value	<b>2,192,469</b>	-

### 12 INTANGIBLE ASSETS

#### Computer Software

	2019	2018
At January 1		
Cost	226,758	209,753
Accumulated amortisation and impairment	176,353	149,202
Net book value	<b>50,405</b>	60,551
Year ended December 31		
Opening net book value	50,405	60,551
Additions:		
- directly purchased	11,270	17,004
Disposals	-	-
Amortisation charge	(21,711)	(27,150)
Other adjustments	-	-
Closing net book value	<b>39,964</b>	50,405
At December 31		
Cost	238,028	226,758
Accumulated amortisation and impairment	198,064	176,353
Net book value	<b>39,964</b>	50,405
Rate of amortisation (percentage)	<b>20%</b>	20%
Useful life	<b>5 years</b>	5 years

12.1 The cost of fully amortised software still in use amounted to Rs.150.47 (2018: Rs.118.08) million.

### 13 DEFERRED TAX ASSETS

#### Deductible Temporary Differences on

- Provision against advances - general
- Tax losses carried forward
- Provision for diminution in the value of investments
- Deficit on revaluation of investments

2019			
At Jan 1 2019	Recognised in P&L A/C	Recognised in OCI	At Dec 31, 2019
----- (Rupees in '000) -----			
1,528,566	3,668,618	-	5,197,184
249,212	1,957,703	1,764	2,208,679
85,124	9,729	-	94,853
2,251,828	-	(1,113,427)	1,138,401
<b>4,114,730</b>	<b>5,636,050</b>	<b>(1,111,663)</b>	<b>8,639,117</b>

#### Taxable Temporary Differences on

- Accelerated tax depreciation - right to use assets
- Accelerated tax depreciation - tangible fixed assets
- Accelerated tax amortization - intangible assets

2018			
At Jan 1 2018	Recognised in P&L A/C	Recognised in OCI	At Dec 31, 2018
----- (Rupees in '000) -----			
-	41,594	-	41,594
(78,116)	12,089	-	(66,027)
(8,326)	250	-	(8,076)
<b>(86,442)</b>	<b>53,933</b>	<b>-</b>	<b>(32,509)</b>
<b>4,028,288</b>	<b>5,689,983</b>	<b>(1,111,663)</b>	<b>8,606,608</b>

#### Deductible Temporary Differences on

- Provision against advances - general
- Tax losses carried forward
- Post retirement employee benefits
- Provision for diminution in the value of investments
- Deficit on revaluation of investments

2018			
At Jan 1 2018	Recognised in P&L A/C	Recognised in OCI	At Dec 31, 2018
----- (Rupees in '000) -----			
1,400,000	128,566	-	1,528,566
-	242,562	-	242,562
-	-	6,650	6,650
2,733	82,391	-	85,124
306,988	-	1,944,840	2,251,828
<b>1,709,721</b>	<b>453,519</b>	<b>1,951,490</b>	<b>4,114,730</b>

#### Taxable Temporary Differences on

- Accelerated tax depreciation - tangible fixed assets
- Accelerated tax amortization - intangible assets

### 14 OTHER ASSETS

- Income/ Mark-up accrued in local currency
- Accrued commission income
- Advances, deposits, advance rent and other prepayments
- Receivable against sale of shares
- Unrealised gain on forward forex revaluation - net
- Insurance premium receivable against agriculture loans
- Stationery and stamps on hand
- Dividends receivable
- Receivable against I Link ATM settlement account
- Advance Taxation - net
- Acceptances
- Insurance claims receivable
- Other receivables

Note	2019 (Rupees in '000)	2018
14.1	<b>3,128,583</b>	3,458,998
	<b>7,234</b>	11,673
	<b>68,392</b>	202,570
	-	460,288
	-	436,069
	<b>30,531</b>	28,993
	<b>3,816</b>	9,157
	-	12,082
	<b>207,120</b>	62,759
	<b>375,199</b>	341,479
	<b>4,297</b>	850,511
	<b>142</b>	-
	<b>27,816</b>	19,472
	<b>3,853,130</b>	5,894,051



	Note	2019		2018	
		(Rupees in '000)			
<b>14.1 Income/ Mark-up accrued in local currency</b>					
On loans and advances		1,701,652	1,643,644		
On investments		1,425,264	1,806,693		
Others		1,667	8,661		
		<b>3,128,583</b>	<b>3,458,998</b>		
<b>15 BILLS PAYABLE</b>					
In Pakistan		495,010	929,426		
Outside Pakistan		-	-		
		<b>495,010</b>	<b>929,426</b>		
<b>16 BORROWINGS</b>					
<b>Secured</b>					
Borrowings from State Bank of Pakistan					
- Under export refinance scheme	16.2	1,476,379	1,270,300		
- Under long term finance facility	16.3	149,698	-		
Repurchase agreement borrowings - Secured					
- State Bank of Pakistan (SBP)	16.4	2,566,207	23,501,398		
- Other commercial banks / DFI's		-	2,000,000		
		<b>2,566,207</b>	<b>25,501,398</b>		
		<b>4,192,284</b>	<b>26,771,698</b>		
<b>16.1 Particulars of borrowings with respect to Currencies</b>					
In local currency		4,192,284	26,771,698		
In foreign currencies		-	-		
		<b>4,192,284</b>	<b>26,771,698</b>		

16.2 These represent borrowings from SBP under export refinance scheme at the rates ranging from 1.00% to 2.00% (2018: 1.00% to 2.00%) per annum having maturity upto six months.

16.3 These represent borrowings from SBP under long term finance facility at the rate of 3.00% (2018: Nil) per annum having maturity upto 5 years.

16.4 These represent repurchase agreement borrowings at the rate of 13.32% (2018:10.23%) per annum maturing on January 03, 2020 (2018: January 04, 2019 ). The carrying value of securities given as collateral against these borrowings is given in note 9.4.

**17 DEPOSITS AND OTHER ACCOUNTS**

	2019			2018		
	In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total
	----- Rupees in '000 -----					
<b>Customers</b>						
Current deposits	43,527,915	218,087	43,746,002	48,402,934	328,897	48,731,831
Savings deposits	54,814,210	817,743	55,631,953	42,011,549	1,215,819	43,227,368
Term deposits	29,436,358	298,529	29,734,887	17,601,781	358,536	17,960,317
Margin and other deposits	380,731	-	380,731	494,804	-	494,804
	<b>128,159,214</b>	<b>1,334,359</b>	<b>129,493,573</b>	<b>108,511,068</b>	<b>1,903,252</b>	<b>110,414,320</b>

**17 DEPOSITS AND OTHER ACCOUNTS**

	2019			2018		
	In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total
	----- Rupees in '000 -----					
<b>Financial Institutions</b>						
Current deposits	44,422	17	44,439	45,197	15	45,212
Savings deposits	2,707,612	-	2,707,612	2,226,976	-	2,226,976
Term deposits	1,714,000	-	1,714,000	805,000	-	805,000
Margin and other deposits	90,038	-	90,038	103,036	-	103,036
	<b>4,556,072</b>	<b>17</b>	<b>4,556,089</b>	<b>3,180,209</b>	<b>15</b>	<b>3,180,224</b>
	<b>132,715,286</b>	<b>1,334,376</b>	<b>134,049,662</b>	<b>111,691,277</b>	<b>1,903,267</b>	<b>113,594,544</b>
				<b>2019</b>	<b>2018</b>	
				(Rupees in '000)		

**17.1 Composition of deposits**

- Individuals	16,249,771	13,030,024
- Government (Federal and Provincial)	82,919,393	72,558,806
- Public Sector Entities	6,228,983	3,849,599
- Banking Companies	4,630	7,135
- Non-Banking Financial Institutions	4,551,459	3,173,089
- Private Sector	24,095,426	20,975,891
	<b>134,049,662</b>	<b>113,594,544</b>

17.2 During the last year, the SBP has set up a fully owned subsidiary – Deposit Protection Corporation (DPC), with an aim to provide protection to small depositors of banks operating in Pakistan. The Corporation has been set up through promulgation of the Deposit Protection Corporation Act, 2016, (the Act) and commenced its business with effect from 01 June 2018. Membership of the Deposit Protection Corporation is compulsory for all banks scheduled under sub-section (2) of section 37 of the State Bank of Pakistan Act, 1956. Under the arrangement, the objective of DPC would be to protect the depositors to the extent of the guaranteed amount, in case a member bank is notified as a failed institution by SBP.

The framework provided by DPC lays down the methodology for arriving at Eligible Deposits, as well as determining the premium amount payable under the regulations. The premium amount so determined are required to be deposited by all banks with DPC on a quarterly basis.

As at 31 December 2019, the deposits eligible to be covered under insurance arrangements amounted to Rs. 20,825.29 (2018: Rs. 18,128.5) million and premium paid amounted to Rs. 29.05 (2018 : Rs. 14.22) million.

**18 OTHER LIABILITIES**

	Note	2019	2018
		(Rupees in '000)	
Mark-up / return / interest payable in local currency		1,601,190	872,595
Mark-up / return / interest payable in foreign currency		5,482	4,398
Accrued expenses		159,431	172,850
Net defined benefit liability		76,020	76,741
Provision for compensated absences		188,606	161,037
Unrealised loss against forward forex revaluation - net		105,781	-
Payable against purchase of operating fixed assets		34,002	69,397
Payable against purchase of shares		-	544,148
Retention money		68,457	73,588
Federal excise duty / sales tax on services payable		3,691	2,825
Lease liability	18.1	2,299,121	-
Withholding tax payable		23,242	26,786
Acceptances		4,297	850,511
Others		215,457	171,993
		<b>4,784,777</b>	<b>3,026,869</b>

18.1 IFRS 16 'Leases', is effective for the period beginning on or after January 01, 2019. Accordingly, operating leases meeting the criteria prescribed within the standard are presented as on-balance sheet items. Also refer note 5.10.



## 19 SHARE CAPITAL

### 19.1 Authorised capital

2019	2018		2019	2018
<b>2,000,000,000</b>	<b>1,200,000,000</b>	Number of shares	<b>20,000,000</b>	<b>12,000,000</b>
		Ordinary shares of Rs.10 each		

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

2019	2018		2019	2018
<b>1,001,013,000</b>	<b>1,001,013,000</b>	Fully paid in cash	<b>10,010,130</b>	<b>10,010,130</b>
<b>970,000,000</b>	<b>-</b>	Ordinary shares of Rs.10 each	<b>9,700,000</b>	<b>-</b>
<b>1,971,013,000</b>	<b>1,001,013,000</b>	Right shares of Rs.10 each issued during the year	<b>19,710,130</b>	<b>10,010,130</b>

19.3 The Government of Sindh, through its Finance Department, owns 99.95% ordinary shares of the Bank.

## 20 SHARES DEPOSIT MONEY

Shares deposit money	<b>11,700,000</b>	-
Right shares issued during the year	<b>(9,700,000)</b>	-
	<b>2,000,000</b>	-

20.1 The Government of Sindh has paid this amount against issue of ordinary shares in due course.

## 21 DEFICIT ON REVALUATION OF ASSETS

### Available-for-sale securities

Federal government securities	<b>(2,630,903)</b>	(5,746,796)
Fully paid ordinary shares - listed	<b>(231,757)</b>	(556,827)
Units of mutual funds (units / certificates)	<b>(63,236)</b>	(139,010)
Sukuk certificates	<b>6,920</b>	8,813
Term finance certificates	<b>-</b>	25
	<b>(2,918,976)</b>	(6,433,795)
Related deferred taxation	<b>1,138,399</b>	2,251,827
	<b>(1,780,577)</b>	(4,181,968)

## 22 CONTINGENCIES AND COMMITMENTS

-Guarantees	22.1	<b>3,979,309</b>	4,669,810
-Commitments	22.2	<b>22,144,949</b>	120,910,034
-Other contingent liabilities		<b>-</b>	-
		<b>26,124,258</b>	125,579,844

### 22.1 Guarantees:

Financial guarantees	<b>1,814,543</b>	2,199,892
Performance guarantees	<b>1,476,888</b>	1,494,341
Other guarantees	<b>687,878</b>	975,577
	<b>3,979,309</b>	4,669,810

### 22.2 Commitments:

#### Documentary credits and short-term trade-related transactions

- letters of credit		<b>610,437</b>	2,505,009
<b>Commitments in respect of:</b>			
- forward foreign exchange contracts	22.2.1	<b>5,035,712</b>	75,890,620
- forward lending	22.2.2	<b>16,498,800</b>	42,514,405
Other commitments		<b>-</b>	-
		<b>22,144,949</b>	120,910,034

#### 22.2.1 Commitments in respect of forward foreign exchange contracts

Purchase	<b>2,470,494</b>	38,100,944
Sale	<b>2,565,218</b>	37,789,676
	<b>5,035,712</b>	75,890,620

#### 22.2.2 Commitments in respect of forward lending

Forward repurchase agreement lending	<b>2,570,889</b>	25,541,849	
Forward resale agreement lending	<b>3,646,700</b>	5,391,248	
Undrawn formal standby facilities, credit lines and other commitments to lend	22.2.2.1	<b>10,281,211</b>	11,581,308
		<b>16,498,800</b>	42,514,405

#### 22.2.2.1 Commitments to extend credit

The Bank enters into 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.

### 22.3 Contingencies

22.3.1 The Income Tax returns of the Bank have been filed up to the tax year 2019 (accounting year ended December 31, 2018) and amendment of deemed assessment were carried out till tax year 2018, whereby certain disallowances to the taxable income were made.

22.3.2 Appeals against amended orders were filed before Commissioner Inland Revenue Authority (CIRA), who deleted all major disallowances and additions in 2014 on which demand of Rs.5.95 million arose.

Subsequently, the Bank has filed an appeal before Appellate Tribunal Inland Revenue (ATIR) in respect of demand of Rs.5.95 million as mentioned above, which are pending. Large Tax Payer Unit (LTU) has also filed appeals in the ATIR against the decision of CIRA.

22.3.3 With respect to Bank's operations in Azad Jammu & Kashmir (AJK), bank has filed income tax returns upto tax year 2019 (accounting year ended December 31, 2018) with the tax authorities of AJK. The Commissioner has issued amended assessment orders for various tax years. The Bank has filed appeals which are pending at CIRA, as the office of CIRA is vacant. Government of Sindh through the Sindh WWF Act, 2014, has introduced levy of SWWF. As per Sindh WWF Act, 2014, banks / Financial institutions are included in definition of " Industrial Establishment" Sindh WWF is imposed at the rate of 2% to the total income. Since the Bank's operations are in three other Provinces and Azad Jammu & Kashmir as well, the Bank along with other banks on filed a suit before Honorable Sindh High Court and challenged the vires of SWWF, which is pending for adjudication.



### 22.3.4 Other Contingent Liabilities

Claims against the Bank not acknowledged as debts

	2019	2018
	(Rupees in '000)	
	1,050,064	45,500

These mainly represent counter claims filed by the ex-employees of the Bank for damages purported to be sustained by them consequent to the termination from the Bank's employment. Based on legal advice, the management is confident that the matters will be decided in Bank's favour and the possibility of any outcome against the Bank is remote and accordingly no provision has been made in these financial statements.

### 23 MARK-UP/RETURN/INTEREST EARNED

On Loans and advances  
 On Investments  
 On Lendings to financial institutions  
 On Balances with banks

Note	2019	2018
	(Rupees in '000)	
	6,458,959	5,322,984
	5,303,011	6,700,761
	296,970	302,826
	56,461	56,350
	12,115,401	12,382,921

### 24 MARK-UP/RETURN/INTEREST EXPENSED

Deposits  
 Borrowings  
 Lease liability against right of use assets  
 Others

	7,588,849	5,313,003
	2,380,595	2,194,768
	296,171	-
	-	-
	10,265,615	7,507,771

### 25 FEE AND COMMISSION INCOME

Branch banking customer fees  
 Consumer finance related fees  
 Card related fees (debit cards)  
 Commission on trade  
 Commission on guarantees  
 Credit related fees  
 Commission on remittances including home remittances  
 Others

	53,864	65,942
	762	667
	130,458	107,822
	48,756	80,312
	42,626	48,657
	19,533	16,957
	7,006	7,425
	704	679
	303,709	328,461

### 26 GAIN / (LOSS) ON SECURITIES

Realised  
 Unrealised - held for trading

26.1	(1,253,105)	(907,095)
	-	-
	(1,253,105)	(907,095)

#### 26.1 Realised (loss) / gain on:

Federal Government Securities  
 Shares of listed companies  
 Others investments

	(914,262)	(545,503)
	(338,843)	(361,592)
	-	-
	(1,253,105)	(907,095)

### 27 OTHER INCOME

Incidental charges  
 Gain on sale of operating fixed assets  
 Rent on property  
 Prequalification application fee for tender  
 Godwon charges  
 Others

	2,464	2,608
	1,358	4,968
	3,513	7,796
	84	105
	161	220
	-	-
	7,580	15,697

### 28 OPERATING EXPENSES

Total compensation expense

Note	2019	2018
	(Rupees in '000)	
28.1	2,360,779	2,105,206

#### Property expense

Rent & taxes  
 Insurance  
 Utilities cost  
 Security  
 Repairs & maintenance  
 Depreciation  
 Depreciation right of use assets

	17,537	706,853
	26,711	25,396
	227,431	210,340
	297,500	273,091
	31,023	10,772
	61,707	57,294
	661,671	-
	1,323,580	1,283,746

#### Information technology expenses

Software maintenance  
 Hardware maintenance  
 Depreciation  
 Amortisation  
 Network charges  
 Others

	58,045	55,029
	53,108	37,891
	15,648	21,419
	21,711	27,150
	11,823	8,449
	17,721	16,514
	178,056	166,452

#### Other operating expenses

Directors' fees and allowances  
 Fees and allowances to Shariah Board  
 Legal & professional charges  
 Outsourced services costs  
 Travelling & conveyance  
 NIFT clearing charges  
 Training & development  
 Postage & courier charges  
 Communication  
 Stationery & printing  
 Marketing, advertisement & publicity  
 Donations  
 Auditor's Remuneration  
 Repairs & maintenance  
 Brokerage and commission  
 Entertainment Expenses  
 Fees and subscription  
 Insurance expenses  
 Premium of deposit protection fund  
 Depreciation  
 Others

	33,350	21,250
	5,368	3,106
	46,297	21,921
	104,772	88,896
	38,670	26,542
	19,338	14,932
	1,271	1,338
	19,985	21,087
	114,064	100,331
	80,357	77,888
	61,341	61,830
28.2	-	2,041
28.3	9,807	10,501
	83,537	51,266
	6,912	11,287
	43,460	38,729
	57,035	34,589
	8,174	7,584
	29,006	14,219
	239,617	243,003
	37,958	31,761
	1,040,319	884,101
	4,902,734	4,439,505

#### 28.1 Total compensation expense

Managerial Remuneration  
 - Fixed  
 - Variable Cash Bonus / Awards  
 Charge for defined benefit plan  
 Contribution to defined contribution plan  
 Rent & house maintenance

Note	2019	2018
	(Rupees in '000)	
	1,393,304	1,251,959
	8,394	11,574
	71,496	57,740
	77,801	65,417
	445,226	399,692



	2019	2018
Note	(Rupees in '000)	
Utilities	87,929	78,598
Medical	87,928	78,576
Conveyance	54,784	54,556
Employee old age benefits contribution	14,280	12,664
Leave Fare Assistance Allowances	30,311	29,648
Leave Encashment	31,495	18,934
Staff Insurances	55,707	44,064
Others	2,124	1,784
	<b>2,360,779</b>	<b>2,105,206</b>

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 employee 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 Chief Executive Officer of the Bank amounted to Rs.Nil (2018: Rs. 9.01) million and Rs. Nil (2018: Rs.2.42) million respectively and is included in salaries, allowances and benefits.

	2019	2018
Note	(Rupees in '000)	
28.2 Details of donations paid during the year		
Contribution to Supreme Court of Pakistan's Fund for Construction of Diamer Bhasha & Mohmand Dams	-	2,041

	2019	2018
28.3 Auditors' remuneration		
Audit fee	8,262	8,343
Fee for other statutory certifications	918	918
Special certifications and sundry advisory services	245	432
Out-of-pocket expenses	382	808
	<b>9,807</b>	<b>10,501</b>

	2019	2018
29 OTHER CHARGES		
Penalties imposed by the State Bank of Pakistan	19,818	87,916
Others	-	-
	<b>19,818</b>	<b>87,916</b>

	2019	2018
30 PROVISIONS & WRITE OFFS - NET		
Provision for diminution in value of investments	9.5.1 261,781	235,402
Provisions against loans & advances	9,758,717	5,141,501
General provision reversed	-	(4,000,000)
Net provision during the year	10.6.3 9,758,717	1,141,501
Fixed assets written off	-	943
Bad debts written off directly	-	-
	<b>10,020,498</b>	<b>1,377,846</b>

### 31 TAXATION

Current  
 Prior years  
 Deferred

	2019	2018
Note	(Rupees in '000)	
	188,667	159,984
	-	91,319
	<b>(5,689,983)</b>	<b>(464,855)</b>
	<b>(5,501,316)</b>	<b>(213,552)</b>

#### 31.1 Relationship between tax expense and accounting profit

Loss before tax

Tax on (loss) / income @ 39% (2018: 35%)  
 Effect of prior year on current taxation  
 Permanent differences - Minimum Tax  
 Effect of permanent differences

	2019	2018
	<b>(13,761,176)</b>	<b>(1,418,732)</b>
	<b>(5,366,858)</b>	<b>(496,556)</b>
	-	91,319
	<b>188,667</b>	<b>159,984</b>
	<b>(323,125)</b>	<b>31,701</b>
	<b>(5,501,316)</b>	<b>(213,552)</b>

### 32 BASIC EARNINGS/ (LOSS) PER SHARE

Loss for the year

Weighted average number of ordinary shares

Basic loss per share

	2019	2018
	<b>(8,259,860)</b>	<b>(1,205,180)</b>
	<b>1,032,903,411</b>	<b>1,001,013,000</b>
	<b>(8.00)</b>	<b>(1.20)</b>

### 33 DILUTED EARNINGS/ (LOSS) PER SHARE

Loss for the year

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

Diluted loss per share

	2019	2018
	<b>(8,259,860)</b>	<b>(1,205,180)</b>
	<b>1,032,903,411</b>	<b>1,001,013,000</b>
	<b>(8.00)</b>	<b>(1.20)</b>

### 34 CASH AND CASH EQUIVALENTS

Cash and Balance with Treasury Banks  
 Balance with other banks

	2019	2018
6	<b>13,552,972</b>	9,102,696
7	<b>838,364</b>	507,605
	<b>14,391,336</b>	<b>9,610,301</b>

### 35 STAFF STRENGTH

Permanent  
 Temporary / on contractual basis  
 Total staff strength

	2019	2018
	<b>1,745</b>	1,628
	<b>160</b>	164
	<b>1,905</b>	<b>1,792</b>

35.1 In addition to the above 472 (2018: 454) staff from outsourcing services companies were assigned to the Bank.

### 36 DEFINED BENEFIT AND CONTRIBUTION PLANS

#### 36.1 Defined benefit plan

The Bank operates a recognised gratuity plan for all its permanent and full time employees in the management cadre 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.



### 36.1.1 Number of Employees under the scheme

The number of employees covered under the following defined benefit schemes are:

	2019	2018
- Provident fund	1,665	1,515
- Gratuity fund	1,665	1,515

### 36.1.2 Principal actuarial assumptions

The latest actuarial valuation was carried out as at December 31, 2019 using the Projected Unit Credit Method. Following are the significant assumptions used in the actuarial valuation:

	2019	2018
- Discount rate	11.75%	13.75%
- Expected rate of increase in salaries	11.75%	13.25%
- Expected return on plan assets	11.75%	13.75%

### 36.1.3 Reconciliation of net defined benefit liability

	2019	2018
Present value of defined benefit liability	413,412	320,832
Fair value of plan assets	(337,392)	(244,091)
Payable to defined benefit plan	76,020	76,741

### 36.1.4 Movement in net defined benefit liability

	2019	2018
Opening balance	76,741	71,446
Charge to profit and loss during the year	71,496	57,740
Remeasurement loss recognized in OCI	4,524	19,001
Bank's contribution	(76,741)	(71,446)
Closing balance	76,020	76,741

### 36.1.5 Charge for defined benefit plan

In profit and loss		
Current service cost	66,220	54,346
Interest cost - net	5,276	3,394
Charge for the year	71,496	57,740

In other comprehensive income		
Remeasurement (gain) / loss on defined benefit obligation	(4,670)	12,257
Remeasurement loss on plan assets	9,194	6,744
	4,524	19,001

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

	2019	2018
Opening balance	320,832	239,044
Current service cost	66,220	54,346
Interest cost	43,273	22,368
Benefits paid	(12,243)	(7,182)

Note	2019	2018
	(Rupees in '000)	

Actuarial loss / (gain) on obligation

- Financial assumptions
- Experience assumptions

-	-
(4,670)	12,257
(4,670)	12,257
413,412	320,832

Closing balance

### 36.1.7 Fair value of plan assets

Fair value of plan assets at the beginning of the year  
 Expected return on plan assets  
 Bank's contributions  
 Benefits paid  
 Actuarial loss on assets - experience assumptions  
 Fair value of plan assets at the end of the year

244,091	167,598
37,997	18,974
76,741	71,446
(12,243)	(7,182)
(9,194)	(6,744)
337,392	244,091

### 36.1.8 Plan assets comprise

Balance held in bank accounts

337,392	244,091
---------	---------

### 36.1.9 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:

	2019	2018
	(Rupees in '000)	
Discount rate (1% variation)	369,039	361,719
Future salary growth (1% variation)	468,016	363,183
Future mortality (1 year variation)	413,449	320,844

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.

36.1.10 The expected gratuity expense for the year commencing January 01, 2020 works out to Rs.76.51 million (2019: Rs. 67.92) million.

### 36.1.11 Maturity analysis

The weighted average duration of the defined benefit obligation works out to be 11.75 years. Expected benefit payments for the next five years are:

	2020	2021	2022	2023	2024
	(Rupees in '000)				
Expected benefit payments	25,276	22,983	24,255	19,265	38,869



### 36.1.12 Risks Associated with Defined Benefit Plans

#### Investment Risks

The risk arises when the actual performance of the investment is lower than expectation. This is managed by formulating the investment plan in consultation with the trustee and the actuary.

#### Longevity Risks

The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.

#### Salary Increase Risk

The risk that the final salary at the time of cessation of service is higher than what was assumed. Since the benefit is calculated on the final Salary, the benefit amount increases similarly. The risk is managed by actuarial valuations and accounting for benefits based on that.

#### Withdrawal Risk

The risk of actual withdrawals varying with the actuarial assumptions can pose a risk to the benefit obligation. The movement of the liability can go either way.

### 36.2 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 salary 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.155.60 (2018: Rs.130.83) million. The number of employees as at December 31, 2019 eligible under the plan were 1,665 (2018: 1,515).

### 37. 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 privilege leave for each completed year of service. Unutilized privilege leave is 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. This is 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 of Rs.188.61 (2018: Rs.161.04) million has been made on the basis of actuarial recommendations.

#### 37.1 Movement of compensated absences

	2019	2018
	(Rupees in '000)	
Opening balance	161,037	144,125
Expense for the year	31,495	18,934
Benefit paid during the year	(3,926)	(2,022)
Closing balance	<u>188,606</u>	<u>161,037</u>

### 38 COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

#### 38.1 Total Compensation Expense

	2019					
	Chairman	Directors Executives (other than CEO)	Non- Executives	Members Shariah Board	President / CEO	Key Management Personnel
	(Rupees in '000)					
Fees and Allowances	6,350	-	27,000	4,817	-	-
Managerial Remuneration						
- Fixed	-	-	-	-	11,252	264,455
- Variable Cash Bonus / Awards	-	-	-	-	-	-
Charge for defined benefit plan	-	-	-	-	1,666	34,791
Contribution to defined contribution plan	-	-	-	-	1,125	22,996
Rent & house maintenance	-	-	-	-	5,064	119,005
Utilities	-	-	-	-	1,125	26,446
Medical	-	-	-	-	1,125	26,446
Conveyance	-	-	-	550	645	56,383
Bonus	-	-	-	-	1,455	40,654
Others	228	-	-	-	938	27,321
Total	<u>6,578</u>	<u>-</u>	<u>27,000</u>	<u>5,367</u>	<u>24,395</u>	<u>618,497</u>
Number of Persons	<u>2</u>	<u>-</u>	<u>8</u>	<u>3</u>	<u>2</u>	<u>115</u>
	2018					
	Chairman	Directors Executives (other than CEO)	Non- Executives	Members Shariah Board	President / CEO	Key Management Personnel
	(Rupees in '000)					
Fees and Allowances	2,850	-	18,400	2,550	-	-
Managerial Remuneration						
- Fixed	-	-	-	-	16,000	225,342
- Variable Cash Bonus / Awards	-	-	-	-	-	-
Charge for defined benefit plan	-	-	-	-	1,488	16,226
Contribution to defined contribution plan	-	-	-	-	1,600	17,720
Rent & house maintenance	-	-	-	-	7,200	101,404
Utilities	-	-	-	-	1,600	22,534
Medical	-	-	-	-	1,600	22,534
Conveyance	-	-	-	556	762	44,060
Bonus	-	-	-	-	2,424	36,003
Others	1,348	-	-	-	1,466	23,485
Total	<u>4,198</u>	<u>-</u>	<u>18,400</u>	<u>3,106</u>	<u>34,140</u>	<u>509,308</u>
Number of Persons	<u>1</u>	<u>-</u>	<u>10</u>	<u>3</u>	<u>1</u>	<u>101</u>

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

38.1.2 Executives mean employees, other than the President & Chief Executive Officer and Directors, whose basic salary exceeds one million and two hundred thousand Rupees in a financial year.



38.1.3 In addition to above, all executives, including the President & Chief Executive Officer of the Bank are also entitled to performance bonus which is disclosed in note 28.1 to these unconsolidated financial statements.

38.2 Meeting Fees paid to Directors for participation in Board and Committee Meetings

Sr. No.	Name of Directors	2019						Total Amount Paid
		For Board Committee						
		For Board Meetings	Audit Committee	Risk Management Committee	Procurement, I.T. & Security Committee	Human Resource & Remuneration Committee	Nomination Committee	
Amount Rs. 000								
1	Afzal Ghani	250	-	-	-	-	-	250
2	Najam Ahmed Shah	2,750	1,000	-	400	1,000	600	5,750
3	Javid Bashir Sheikh	2,250	400	1,000	-	400	-	4,050
4	Tajammal Hussain Bokharee	3,500	600	400	-	1,000	600	6,100
5	Muhammad Bilal Sheikh	2,000	400	-	-	400	600	3,400
6	Anis Ahmed Khan	2,750	-	200	200	1,400	200	4,750
7	Sami Ul Haq	3,250	1,400	200	400	800	-	6,050
8	Masooma Hussain	2,000	-	800	200	-	-	3,000
<b>Total Amount Paid</b>		<b>18,750</b>	<b>3,800</b>	<b>2,600</b>	<b>1,200</b>	<b>5,000</b>	<b>2,000</b>	<b>33,350</b>

Sr. No.	Name of Directors	2018						Total Amount Paid
		For Board Committee						
		For Board Meetings	Audit Committee	Risk Management Committee	Procurement, I.T. & Security Committee	Human Resource & Remuneration Committee	Nomination Committee	
Amount Rs. 000								
1	Afzal Ghani	2,250	-	-	-	600	-	2,850
2	Muhammad Shahid Murtaza	750	-	200	200	-	-	1,150
3	Muhammad Naeem Sahgal	750	200	-	-	200	-	1,150
4	Tajammal Hussain Bokharee	2,500	-	600	200	-	200	3,500
5	Raja Muhammad Abbas	750	200	-	200	-	-	1,150
6	Muhammad Bilal Sheikh	2,500	800	-	-	600	200	4,100
7	Anis A. Khan	1,250	-	200	-	200	-	1,650
8	Sami Ul Haq	1,750	400	-	200	-	-	2,350
9	Asif Janhangir	750	200	-	-	-	200	1,150
10	Noor Alam	750	-	-	-	-	-	750
11	Qaiser Parwaiz	1,250	200	-	-	-	-	1,450
<b>Total Amount Paid</b>		<b>15,250</b>	<b>2,000</b>	<b>1,000</b>	<b>800</b>	<b>1,600</b>	<b>600</b>	<b>21,250</b>

38.3 Remuneration paid to Shariah Board Members

Items	2019			2018		
	Chairman	Member	Resident Member	Chairman	Member	Resident Member
	Amount Rs. 000					
Managerial Remuneration (Fixed)	2,000	1,382	1,436	491	994	1,065
Fuel Allowances	-	275	275	120	218	218
<b>Total Amount</b>	<b>2,000</b>	<b>1,657</b>	<b>1,711</b>	<b>611</b>	<b>1,212</b>	<b>1,283</b>
Total Number of Persons	1	1	1	1	1	1

39 FAIR VALUE MEASUREMENTS

IFRS 13 "Fair Value Measurement" defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of quoted securities other than those classified as held to maturity, is based on quoted market price. Fair value of fixed term loans, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to absence of current and active market for 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 Bank's accounting policy as stated in note 5.4 to these financial statements.

The repricing profile, effective rates and maturity profile are stated in note 43.2.5 to these financial statements.

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

39.1 Fair value of financial assets

IFRS 13 requires the Bank to make fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has following levels:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

39.2 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.

	2019			
	Fair Value			
	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	-	21,037,034	-	21,037,034
Market Treasury Bills	-	21,898,158	-	21,898,158
Shares of listed companies	1,999,340	-	-	1,999,340
Term finance certificates - Listed	-	-	-	-
Units of mutual funds	123,254	707,913	-	831,167
Ijarah Sukuk - GoP	-	495,000	-	495,000
Sukuk bonds	-	199,776	-	199,776
	<b>2,122,594</b>	<b>44,337,881</b>	<b>-</b>	<b>46,460,475</b>
<b>Off balance sheet financial instruments</b>				
Foreign exchange contracts (purchase)	-	2,470,494	-	2,470,494
Foreign exchange contracts (sale)	-	2,565,218	-	2,565,218



	2018			
	Fair Value			
	Level 1	Level 2	Level 3	Total
<b>On balance sheet financial instruments</b>	----- (Rupees in '000) -----			
<b>Financial assets measured at fair value</b>				
<b>Available-for-sale securities</b>				
Pakistan Investment Bonds	-	27,779,867	-	27,779,867
Market Treasury Bills	-	4,887,267	-	4,887,267
Shares of listed companies	1,947,993	-	-	1,947,993
Term finance certificates - Listed	-	99,825	-	99,825
Units of mutual funds	118,067	457,972	-	576,039
Ijarah Sukuk - GoP	-	911,512	-	911,512
Sukuk bonds	-	298,098	-	298,098
	<u>2,066,060</u>	<u>34,434,541</u>	<u>-</u>	<u>36,500,601</u>
<b>Off balance sheet financial instruments</b>				
Foreign exchange contracts (purchase)	-	38,100,944	-	38,100,944
Foreign exchange contracts (sale)	-	37,789,676	-	37,789,676

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

Item	Valuation techniques and input used
<b>Fully paid-up ordinary shares /close end mutual funds</b>	Fair value is determined on the basis of closing quoted market prices available at the Pakistan Stock Exchange.
<b>Open ended mutual funds</b>	Fair value is based on redemption prices as at the close of the business day.
<b>Pakistan Investment Bonds / Market Treasury Bills</b>	Fair values of Pakistan Investment Bonds and Treasury Bills are derived using the PKRV rates (Reuters page).
<b>Government of Pakistan (GoP) - Ijarah Sukuks</b>	Fair values derived using the PKISRV rates announced by the Financial Market Association (FMA) through Reuters.
<b>Term Finance, Bonds and Sukuk certificates</b>	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.

#### 40 SEGMENT INFORMATION

##### 40.1 Segment Details with respect to Business Activities

	2019				
	Trading and sales	Retail banking	Corporate finance	Commercial banking and others	Total
	----- (Rupees 000) -----				
<b>Profit &amp; Loss</b>					
Net mark-up/return/interest	3,254,098	25,006	-	(1,429,318)	1,849,786
Inter segment revenue - net	(5,083,926)	-	-	5,083,926	-
Non mark-up / interest income	(991,396)	205	-	323,279	(667,912)
Total Income	(2,821,224)	25,211	-	3,977,887	1,181,874
Segment direct expenses	(75,983)	(1,810)	-	(3,242,703)	(3,320,496)
Inter segment expense allocation	(164,316)	(9,569)	-	(1,428,171)	(1,602,056)
Total expenses	(240,299)	(11,379)	-	(4,670,874)	(4,922,552)
Provisions	(261,780)	-	-	(9,758,718)	(10,020,498)
Profit / (Loss) before tax	<u>(3,323,303)</u>	<u>13,832</u>	<u>-</u>	<u>(10,451,705)</u>	<u>(13,761,176)</u>
<b>Balance Sheet</b>					
Cash & Bank balances	7,655,084	-	-	6,736,252	14,391,336
Investments	65,143,452	-	-	-	65,143,452
Net inter segment lending	-	-	-	77,263,685	77,263,685
Lendings to financial institutions	3,645,392	-	-	-	3,645,392
Advances - performing	34,685	175,431	-	42,410,391	42,620,507
- non-performing	-	-	-	18,510,545	18,510,545
Others	3,590,828	1,675	-	12,695,199	16,287,702
<b>Total Assets</b>	<u>80,069,441</u>	<u>177,106</u>	<u>-</u>	<u>157,616,072</u>	<u>237,862,619</u>
Borrowings	2,715,905	-	-	1,476,379	4,192,284
Subordinated debt	-	-	-	-	-
Deposits & other accounts	-	-	-	134,049,662	134,049,662
Net inter segment borrowing	77,093,104	170,581	-	-	77,263,685
Others	153,995	6,525	-	5,119,267	5,279,787
Total liabilities	79,963,004	177,106	-	140,645,308	220,785,418
Equity	106,437	-	-	16,970,764	17,077,201
<b>Total Equity &amp; liabilities</b>	<u>80,069,441</u>	<u>177,106</u>	<u>-</u>	<u>157,616,072</u>	<u>237,862,619</u>
<b>Contingencies &amp; Commitments</b>	<u>21,626,593</u>	<u>-</u>	<u>-</u>	<u>4,497,665</u>	<u>26,124,258</u>



	2018				Total
	Trading and sales	Retail banking	Corporate finance	Commercial banking and others	
Amount Rs. 000					
<b>Profit &amp; Loss</b>					
Net mark-up/return/interest	4,828,055	12,759	-	34,336	4,875,150
Inter segment revenue - net	(5,963,064)	-	-	5,963,064	-
Non mark-up / interest income	(752,292)	630	-	363,047	(388,615)
Total Income	(1,887,301)	13,389	-	6,360,447	4,486,535
Segment direct expenses	(61,263)	(1,720)	-	(3,673,272)	(3,736,255)
Inter segment expense allocation	(79,117)	(9,569)	-	(702,480)	(791,166)
Total expenses	(140,380)	(11,289)	-	(4,375,752)	(4,527,421)
Provisions	(235,402)	-	-	(1,142,444)	(1,377,846)
Profit / (Loss) before tax	(2,263,083)	2,100	-	842,251	(1,418,732)
<b>Balance Sheet</b>					
Cash & Bank balances	4,647,822	-	-	4,962,479	9,610,301
Investments	55,350,066	-	-	-	55,350,066
Net inter segment lending	-	-	-	47,318,274	47,318,274
Lendings to financial institutions	5,383,162	-	-	-	5,383,162
Advances - performing	17,570	199,128	-	54,085,221	54,301,919
- non-performing	-	-	-	19,329,712	19,329,712
Others	4,791,331	1,339	-	6,793,137	11,585,807
<b>Total Assets</b>	<b>70,189,951</b>	<b>200,467</b>	<b>-</b>	<b>132,488,823</b>	<b>202,879,241</b>
Borrowings	25,501,398	-	-	1,270,300	26,771,698
Subordinated debt	-	-	-	-	-
Deposits & other accounts	-	-	-	113,594,544	113,594,544
Net inter segment borrowing	47,122,809	195,465	-	-	47,318,274
Others	205,672	5,002	-	3,745,621	3,956,295
Total liabilities	72,829,879	200,467	-	118,610,465	191,640,811
Equity	(2,639,928)	-	-	13,878,358	11,238,430
<b>Total Equity &amp; liabilities</b>	<b>70,189,951</b>	<b>200,467</b>	<b>-</b>	<b>132,488,823</b>	<b>202,879,241</b>
<b>Contingencies &amp; Commitments</b>	<b>106,823,717</b>	<b>-</b>	<b>-</b>	<b>18,756,127</b>	<b>125,579,844</b>

#### 41 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 key management persons 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 99.95% 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 transactions with Government-related entities. Such transactions include lending to, deposits from and provision of other banking services to such 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:

	2019				2018			
	Directors	Key management personnel	Subsidiaries	Other related parties	Directors	Key management personnel	Subsidiaries	Other related parties
Amount Rs. 000								
<b>Investments</b>								
Opening balance	-	-	750,000	-	-	-	750,000	-
Investment made during the year	-	-	-	-	-	-	-	-
Investment redeemed / disposed off during the year	-	-	-	-	-	-	-	-
Closing balance	-	-	750,000	-	-	-	750,000	-
<b>Advances</b>								
Opening balance	-	124,018	76,518	109,375	-	141,504	-	279,511
Addition during the year	-	15,091	-	-	-	9,373	219,537	3,152,969
Repaid during the year	-	17,563	76,518	62,501	-	25,140	143,019	172,501
Transfer in / (out) - net	-	(58,959)	-	-	-	(1,719)	-	(3,150,604)
Closing balance	-	62,587	-	46,874	-	124,018	76,518	109,375
<b>Other Assets</b>								
Interest / mark-up accrued	-	30	-	1,857	-	84	2,002	3,199
Other receivable	-	-	75	435	-	-	540	2,160
	-	30	75	2,292	-	84	2,542	5,359
<b>Deposits and other accounts</b>								
Opening balance	52,636	65,375	31,418	1,231,625	78,102	111,156	4,253	881,146
Received during the year	220,006	428,671	3,649,601	13,320,173	222,411	595,233	1,752,625	8,530,546
Withdrawn during the year	225,413	424,436	3,598,646	11,032,474	223,803	616,937	1,725,460	8,180,073
Transfer in / (out) - net	(25,531)	(2,550)	-	(238)	(24,074)	(24,077)	-	6
Closing balance	21,698	67,060	82,373	3,519,086	52,636	65,375	31,418	1,231,625
<b>Other Liabilities</b>								
Interest / mark-up payable	245	865	481	46,685	284	643	215	8,440
Amount Rs. 000								
<b>Income</b>								
Mark-up / return / interest earned	-	2,147	4,368	10,051	-	5,179	5,199	68,920
Fee and commission income	-	10	302	30	3	15	294	29
Net gain on sale of securities	6	-	15	3,987	-	-	-	63
Other income	-	-	300	3,213	-	-	1,400	6,396
<b>Expense</b>								
Mark-up / return / interest paid	2,336	4,286	3,779	228,420	1,882	3,655	1,571	83,641
Rent paid	-	-	-	-	-	-	-	206
Remuneration paid	-	173,685	-	-	-	177,857	-	-
Contribution to provident fund	-	6,288	-	-	-	5,977	-	-
Provision for gratuity	-	6,287	-	-	-	5,684	-	-
Other staff benefits	-	16,396	-	-	-	26,869	-	-
Directors' meeting fee	33,350	-	-	-	21,250	-	-	-
Commission paid on Advertisement	-	-	-	-	-	-	-	1,124
Other supplies & services	-	-	-	-	-	-	-	2,296
Other expenses	351	-	-	-	1,348	-	-	-
Insurance premium paid	-	-	-	77,897	-	-	-	77,002
<b>Others</b>								
Sale of Government Securities	58,000	-	20,000	3,625,000	-	-	-	628,200
Purchase of Government Securities	-	22,500	-	110,000	-	-	-	-
Expenses recovered under agency arrangement	-	-	-	296	-	-	-	504
Insurance claims settled	-	-	-	5,800	-	-	-	4,916

As at the date of unconsolidated statement of financial position, loans/advances and deposits related to government related entities amounted to Rs.7,020.60 million (note 10.2) and Rs.69,668.54 million (note 17.1). The above includes deposits amounting to Rs.17,997.57 (2018: Rs.13,039.25) million received through the Finance Department, Government of Sindh.



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

**Minimum Capital Requirement (MCR):**

**Paid-up capital (net of losses)**

**Capital Adequacy Ratio (CAR):**

Eligible Common Equity Tier 1 (CET 1) Capital

Eligible Additional Tier 1 (ADT 1) Capital

Total Eligible Tier 1 Capital

Eligible Tier 2 Capital

**Total Eligible Capital (Tier 1 + Tier 2)**

**Risk Weighted Assets (RWAs):**

Credit Risk

Market Risk

Operational Risk

**Total Risk Weighted Assets**

**Common Equity Tier 1 Capital Adequacy ratio**

**Tier 1 Capital Adequacy Ratio**

**Total Capital Adequacy Ratio**

**Notional minimum capital requirements prescribed by SBP**

CET 1 minimum ratio

Tier 1 minimum ratio

Total capital minimum ratio

Total capital minimum ratio plus CCB

**Approach followed for determining Risk Weighted Assets**

Credit Risk

Market Risk

Operational Risk

	2019	2018
	----- Rupees in '000 -----	
<b>Paid-up capital (net of losses)</b>	<b>15,537,580</b>	<b>10,010,130</b>
<b>Capital Adequacy Ratio (CAR):</b>		
Eligible Common Equity Tier 1 (CET 1) Capital	8,808,290	7,094,833
Eligible Additional Tier 1 (ADT 1) Capital	-	-
Total Eligible Tier 1 Capital	8,808,290	7,094,833
Eligible Tier 2 Capital	-	-
<b>Total Eligible Capital (Tier 1 + Tier 2)</b>	<b>8,808,290</b>	<b>7,094,833</b>
<b>Risk Weighted Assets (RWAs):</b>		
Credit Risk	44,033,523	62,646,163
Market Risk	14,302,521	15,579,682
Operational Risk	8,635,395	10,217,612
<b>Total Risk Weighted Assets</b>	<b>66,971,439</b>	<b>88,443,457</b>
<b>Common Equity Tier 1 Capital Adequacy ratio</b>	<b>13.15%</b>	<b>8.02%</b>
<b>Tier 1 Capital Adequacy Ratio</b>	<b>13.15%</b>	<b>8.02%</b>
<b>Total Capital Adequacy Ratio</b>	<b>13.15%</b>	<b>8.02%</b>
<b>Notional minimum capital requirements prescribed by SBP</b>		
CET 1 minimum ratio	6.00%	6.00%
Tier 1 minimum ratio	7.50%	7.50%
Total capital minimum ratio	10.00%	10.00%
Total capital minimum ratio plus CCB	12.50%	11.90%
<b>Approach followed for determining Risk Weighted Assets</b>		
Credit Risk	<b>Comprehensive Maturity Basic Indicator</b>	Comprehensive Maturity Basic Indicator
Market Risk		
Operational Risk		
	2019	2018
	----- Rupees in '000 -----	
<b>Leverage Ratio (LR):</b>		
Eligible Tier-I Capital	8,808,290	7,094,833
Total Exposures	159,896,115	168,791,395
<b>Leverage Ratio (%)</b>	<b>5.51%</b>	<b>4.20%</b>
<b>Liquidity Coverage Ratio (LCR):</b>		
Total High Quality Liquid Assets	44,615,973	37,014,311
Total Net Cash Outflow	17,943,953	23,741,031
<b>Liquidity Coverage Ratio (%)</b>	<b>249%</b>	<b>156%</b>
<b>Net Stable Funding Ratio (NSFR):</b>		
Total Available Stable Funding	104,909,785	99,806,522
Total Required Stable Funding	69,852,945	80,679,221
<b>Net Stable Funding Ratio</b>	<b>150%</b>	<b>124%</b>

42.1 The full disclosures on the CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS as per SBP instructions issued from time to time are placed on the Bank's website. The link to the full disclosure is available at <http://www.sindhbanktd.com/financials/basel-statements>.

**43. RISK MANAGEMENT**

The Bank's risk management framework encompasses the culture, processes and structure and is directed towards the effective management of potential opportunities and threats to the Bank. The prime objective of the Bank's risk management strategy is to abandon the traditional approach of 'managing risk by silos' and to put in place integrated risk and economic capital management capabilities that will enable the Bank to achieve integrated view of risks across its various business operations and to gain strategic advantage from its risk management capabilities.

The Board of Directors (BOD) keeps an oversight on the Bank-wide risk management framework and approves the risk management strategy and policies of the Bank. The Board Risk Management Committee (BRMC), ensures that the Bank maintains a complete and prudent integrated risk management framework at all times and ensures that the risk exposures are maintained within acceptable levels. BRMC is responsible for reviewing the extent of design and adequacy of risk management framework. BRMC oversight ensures that risks are managed within the level of tolerance and risk appetite of the Bank.

**43.1 Credit risk**

Credit risk arises from the potential that an obligor is either unwilling to perform on an obligation or its ability is impaired resulting in economic loss to the Bank. The objective of credit risk management is to keep credit risk exposure within permissible level, relevant to the Bank's risk appetite and capital, to maintain the soundness of assets and to ensure returns commensurate with risk. The Bank takes necessary measures to control such risk by evaluating, measuring and monitoring credit exposures.

The Bank has a comprehensive pre-approval evaluation process of credit risk embedded within Risk Management Division. The risk evaluation function is an integral part of Credit Risk Management Framework and is independent from the risk taking function. The credit evaluation department will independently identify actual and potential risks both on individual and on portfolio basis including adherence to relevant internal policies, procedures and related regulatory guidelines.

In addition to monitoring credit limits specified in the Prudential Regulations of the State Bank of Pakistan, the credit limit structure of the Bank includes internal limits as established by the BOD and senior management. Credit Limits along with credit concentration is monitored on a regular basis and any exceptions are reported to the relevant authorities for their timely action where necessary.

The Bank uses comprehensive Approach for assessing the capital charge for Credit risk.

**43.1.1 Lendings to financial institutions**

Details of Lending to financial institutions and provision held by various sectors are as follows

	Gross Lendings		Non Performing Lendings		Provision held	
	2019	2018	2019	2018	2019	2018
	----- (Rupees 000) -----					
Public/ Government	494,545	-	-	-	-	-
Private	3,150,847	5,383,162	-	-	-	-
<b>Total</b>	<b>3,645,392</b>	<b>5,383,162</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>



#### 43.1.2 Investments

Segmental information by the class / nature of business, distribution and provision held is given below:

	Gross Investment		Non Performing Investment		Provision held	
	2019	2018	2019	2018	2019	2018
----- Amount Rs. 000 -----						
Govt. of Pakistan	62,859,352	56,148,348	-	-	-	-
Banks	1,606,514	1,746,609	297,132	237,919	297,132	237,919
Cement	63,745	63,745	32,189	-	32,189	-
Fertilizer	618,582	814,987	22,684	-	22,684	-
Financial	1,791,873	1,565,049	20,646	-	20,646	-
Petroleum	7,682	7,682	5,935	5,293	5,935	5,293
Power (electricity), Gas & Water	1,027,622	1,073,260	-	-	-	-
Sugar	592,051	607,393	514,344	-	126,407	-
<b>Total</b>	<b>68,567,421</b>	<b>62,027,073</b>	<b>892,930</b>	<b>243,212</b>	<b>504,993</b>	<b>243,212</b>

#### 43.1.2.1 Credit risk by public / private sector

	Gross Investments		Non Performing Investments		Provision held	
	2019	2018	2019	2018	2019	2018
----- Amount Rs. 000 -----						
Public/ Government	65,644,039	56,960,689	45,200	-	-	-
Private	2,923,382	5,066,384	847,730	243,212	504,993	243,212
<b>Total</b>	<b>68,567,421</b>	<b>62,027,073</b>	<b>892,930</b>	<b>243,212</b>	<b>504,993</b>	<b>243,212</b>

#### 43.1.3 Advances

Segmental information by the class / nature of business and by distribution of advances, Non performing advances & provision held is given below:

	Advances (Gross)		Non Performing Advances		Provision held	
	2019	2018	2019	2018	2019	2018
----- Amount Rs. 000 -----						
Pharmaceuticals	35,162	33,349	-	-	-	-
Agriculture business	1,855,168	1,575,722	980,039	412,276	260,891	121,836
Manufacturing of textile	854,135	1,070,967	33,186	-	33,186	-
Cement	64,499	95,962	-	-	-	-
Transport, storage and communication	843,405	1,078,851	-	-	-	-
Wholesale and retail trade	1,580,351	1,458,030	413,795	412,547	173,933	89,127
Mining and quarrying	3,599,771	4,585,143	-	-	-	-
Hotel and restaurants	1,189,431	1,503,547	-	-	-	-
Petroleum	3,759,697	395,623	1,773,683	-	1,105,300	-
Media channels	2,398,139	2,394,137	1,499,380	1,499,525	23,980	-
Manufacture of basic iron and steel	2,037,785	2,451,587	1,756,740	-	1,313,378	-
Sugar	19,553,996	19,350,617	16,136,917	14,716,655	8,509,791	4,563,965
Automobile and transportation equipment	2,452,015	3,089,809	2,432,015	1,765,509	1,670,118	271,802
Chemicals and chemical products	1,519,737	1,862,355	1,098,591	1,098,591	893,311	154,331
Financial	3,364,777	4,030,019	1,183,766	1,183,766	280,940	6,264
Rice & Wheat	492,170	447,106	30,000	-	-	-
Construction, real estate and societies	4,805,314	5,148,634	2,896,716	2,614,346	456,350	234,432
Food	7,370,532	10,262,670	152,736	152,850	102,600	85,265
Insurance	13,475	11,286	-	-	-	-
Power, electricity and gas	11,511,501	11,129,912	2,586,728	813,110	422,469	3,460
Domestic Appliances	2,007,937	1,863,214	-	-	-	-
Education	23,083	58,781	-	-	-	-
Individuals	805,865	719,540	187	-	187	-
Others	4,292,151	4,555,095	833,294	198,847	50,797	7,831
<b>Total</b>	<b>76,430,095</b>	<b>79,171,957</b>	<b>33,807,776</b>	<b>24,868,024</b>	<b>15,297,231</b>	<b>5,538,312</b>

#### 43.1.3.1 Credit risk by public / private sector

	Advances (Gross)		Non Performing Advances		Provision held	
	2019	2018	2019	2018	2019	2018
----- Amount Rs. 000 -----						
Public/ Government	7,020,595	9,463,078	-	-	-	-
Private	69,409,500	69,708,879	33,807,776	24,868,024	15,297,231	5,538,312
<b>Total</b>	<b>76,430,095</b>	<b>79,171,957</b>	<b>33,807,776</b>	<b>24,868,024</b>	<b>15,297,231</b>	<b>5,538,312</b>

#### 43.1.4 Contingencies and Commitments

Segmental information by the class / nature of business and by distribution of Contingencies and Commitments is given below:

	2019	2018
	----- Amount Rs. 000 -----	
Chemical and pharmaceuticals	301,586	101,197
Manufacturing of textile	8,500	53,406
Transport, storage and communication	136,000	100,200
Wholesale and retail trade	345,290	337,359
Mining and quarrying	-	113,970
Petroleum	201,637	1,185,169
Manufacture of basic iron and steel	24,962	84,668
Sugar	230,783	21,223
Automobile and transportation equipment	42,118	118,687
Financial	12,099,004	107,803,717
Construction, real estate and societies	862,716	1,174,589
Food	-	100,930
Power, electricity and gas	1,022,226	1,510,703
Education	310	3,762
Others	567,915	1,288,957
<b>Total</b>	<b>15,843,047</b>	<b>113,998,536</b>

#### 43.1.4.1 Credit risk by public / private sector

Public/ Government	3,261,017	23,706,462
Private	12,582,030	90,292,074
<b>Total</b>	<b>15,843,047</b>	<b>113,998,536</b>

#### 43.1.5 Concentration of Advances

The bank is top 10 exposures (funded and non-funded) aggregated Rs. 28,210.47 (2018: Rs. 29,127.54) million as follows:

Funded	27,703,303	26,952,453
Non Funded	507,162	2,175,091
<b>Total Exposure</b>	<b>28,210,465</b>	<b>29,127,543</b>

#### 43.1.5.1 The sanctioned limits against these top 10 exposures aggregated Rs. 32,183.77 (2018: Rs. 32,448.62) million.

#### 43.1.5.2 Total Funded Facilities Classified

Classified funded facilities of the bank's top 10 exposures are as follows:

	2019		2018	
	Classified	Provision held	Classified	Provision held
----- Amount Rs. 000 -----				
OAEM	-	-	-	-
Substandard	-	-	3,299,738	271,802
Doubtful	-	-	3,207,795	224,999
Loss	8,002,976	3,497,963	1,544,513	1,348,513
<b>Total</b>	<b>8,002,976</b>	<b>3,497,963</b>	<b>8,052,046</b>	<b>1,845,314</b>



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

Name of Province / Region	Disbursements	2019					
		UTILIZATION					
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
----- (Rupees) 000 -----							
Punjab	23,893,780	23,865,800	27,980	-	-	-	-
Sindh	43,670,489	152,292	43,517,699	498	-	-	-
KPK including FATA	6,270	-	-	6,270	-	-	-
Balochistan	404,561	-	-	-	404,561	-	-
Islamabad	1,555,255	-	-	-	-	1,555,255	-
AJK including Gilgit-Baltistan	3,715	-	-	-	-	-	3,715
<b>Total</b>	<b>69,534,070</b>	<b>24,018,092</b>	<b>43,545,679</b>	<b>6,768</b>	<b>404,561</b>	<b>1,555,255</b>	<b>3,715</b>

Name of Province / Region	Disbursements	2018					
		UTILIZATION					
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
----- (Rupees) 000 -----							
Punjab	26,760,930	26,750,315	10,615	-	-	-	-
Sindh	92,624,304	1,317,347	90,438,822	-	868,135	-	-
KPK including FATA	80,686	-	-	80,686	-	-	-
Balochistan	231,616	-	-	-	231,616	-	-
Islamabad	1,979,074	-	-	-	-	1,979,074	-
AJK including Gilgit-Baltistan	8,997	-	-	-	-	-	8,997
<b>Total</b>	<b>121,685,607</b>	<b>28,067,662</b>	<b>90,449,437</b>	<b>80,686</b>	<b>1,099,751</b>	<b>1,979,074</b>	<b>8,997</b>

#### 43.2 Market risk

Market Risk is the risk of loss in earnings and capital due to adverse changes in interest rates, foreign exchange rates, equity prices and market conditions. Market Risk management aims to provide risk management practices that are integrated in key strategic, capital and financial planning process and day-to-day business processes across the Bank. The Bank's market risk management policies set out risk management parameters, governance and control frameworks as well as reporting arrangements.

The Bank has developed a market risk management framework to efficiently and effectively monitor and manage market risk in every transaction of Banking and Trading Book.

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

	2019			2018		
	Banking book	Trading book	Total	Banking book	Trading book	Total
	----- Amount Rs. 000 -----					
Cash and balances with treasury banks	13,552,972	-	13,552,972	9,102,696	-	9,102,696
Balances with other banks	838,364	-	838,364	507,605	-	507,605
Lendings to financial institutions	3,645,392	-	3,645,392	5,383,162	-	5,383,162
Investments	65,143,452	-	65,143,452	55,350,066	-	55,350,066
Advances	61,131,052	-	61,131,052	73,631,631	-	73,631,631
Fixed assets	3,788,000	-	3,788,000	1,613,063	-	1,613,063
Intangible assets	39,964	-	39,964	50,405	-	50,405
Deferred tax assets	8,606,608	-	8,606,608	4,028,288	-	4,028,288
Other assets	3,853,130	-	3,853,130	5,894,051	-	5,894,051
<b>Total</b>	<b>160,598,934</b>	<b>-</b>	<b>160,598,934</b>	<b>155,560,967</b>	<b>-</b>	<b>155,560,967</b>

#### 43.2.2 Foreign exchange risk

The foreign exchange risk is defined as the current or prospective risk to earnings and capital arising from adverse movements in currency exchange rates. It refers to the impact of adverse movement in currency exchange rates on the value of open foreign currency positions. The objectives of the foreign exchange risk management is to minimize the adverse impact of foreign exchange rate movements on the assets and liabilities mismatch (tenor and position) and maximize their earnings. The Bank limits its currency exposure to the extent of statutory net open position prescribed by the SBP except in the cases where exemption is provided by the SBP. Foreign exchange open and mismatch positions are controlled through close monitoring and are marked to market on a daily basis.

	2019			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	----- (Rupees in '000) -----			
Pakistani Rupee	159,323,312	142,181,874	94,724	17,236,162
United States Dollar	929,617	979,925	(94,724)	(145,032)
Great Britain Pound	225,381	277,845	-	(52,464)
Euro	101,192	82,089	-	19,103
Japanese Yen	268	-	-	268
Saudi Riyal	8,370	-	-	8,370
UAE Dirham	9,465	-	-	9,465
Chines Yuan	1,329	-	-	1,329
<b>Total</b>	<b>160,598,934</b>	<b>143,521,733</b>	<b>-</b>	<b>17,077,201</b>

	2018			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	----- (Rupees in '000) -----			
Pakistani Rupee	154,411,493	142,414,870	(311,268)	11,685,355
United States Dollar	874,849	1,597,723	131,895	(590,978)
Great Britain Pound	120,374	244,940	173,747	49,180
Euro	90,969	65,004	5,626	31,591
Japanese Yen	183	-	-	183
Canadian Dollar	57,920	-	-	57,920
Saudi Riyal	659	-	-	659
UAE Dirham	3,306	-	-	3,306
Chines Yuan	1,214	-	-	1,214
<b>Total</b>	<b>155,560,967</b>	<b>144,322,537</b>	<b>-</b>	<b>11,238,430</b>

#### Impact of 1% change in foreign exchange rates on:

	2019		2018	
	Banking book	Trading Book	Banking book	Trading Book
	----- (Rupees in '000) -----			
- Profit and loss account	339	947	7,582	(3,113)
- Other comprehensive income	-	-	-	-



### 43.2.3 Equity position risk

The Bank's equity exposure is managed within the SBP limits for overall investment and per scrip exposure. In addition, there are also internal limits for each scrip.

Impact of 5% change in equity prices on:	2019		2018	
	Banking book	Trading Book	Banking book	Trading Book
----- (Rupees in '000) -----				
- Profit and loss account	-	-	-	-
- Other comprehensive income	(137,001)	-	(121,811)	-

### 43.2.4 Yield / interest rate risk

Interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in interest rates, including changes in the shape of the yield curve. Interest rate risk is inherent in the Bank's business and arises due to the mismatches in the contractual maturities or repricing of on- and off-balance sheet assets and liabilities. The Bank uses maturity Gap limits to monitor asset and liability gaps. Any breach are report to ALCO where it is discussed and appropriate action will be taken.

Impact of 1% change in interest rates on:	2019		2018	
	Banking book	Trading Book	Banking book	Trading Book
----- (Rupees in '000) -----				
- Profit and loss account	-	-	-	-
- Other comprehensive income	(515,487)	-	(341,220)	-

### 43.2.5 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 reprice 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.

Effective Yield / Interest rate	2019										Non-interest bearing financial instruments
	Exposed to Yield / Interest risk										
	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>On-balance sheet financial instruments</b>											
<b>Assets</b>											
Cash and balances with treasury banks	13,552,972	405,450	-	-	-	-	-	-	-	-	13,147,522
Balances with other banks	838,364	21,564	-	-	-	-	-	-	-	-	816,800
Lendings to financial institutions	3,645,392	3,645,392	-	-	-	-	-	-	-	-	-
Investments	65,143,452	7,915,728	299,239	5,246,266	10,088,715	99	5,252,786	5,124,870	21,056,970	6,400,615	3,758,214
Advances	61,131,052	52,784,598	2,365,408	736,828	457,557	715,108	917,010	1,498,047	1,438,942	123,440	74,114
Other assets	3,853,130	-	-	-	-	-	-	-	-	-	3,853,130
<b>Liabilities</b>											
Bills payable	148,164,362	64,772,732	2,664,647	6,003,094	10,546,272	715,207	6,169,796	6,622,917	22,495,862	6,524,055	21,649,780
Borrowings from financial institutions	495,010	-	-	-	-	-	-	-	-	-	495,010
Deposits and other accounts	4,192,284	2,566,207	1,476,379	-	-	149,698	-	-	-	-	4,787,989
Other liabilities	134,049,662	63,013,601	10,486,056	3,489,358	11,804,687	285,464	169,360	539,923	-	-	44,261,213
<b>On-balance sheet gap</b>	<b>4,784,777</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,784,777</b>
<b>Off-balance sheet financial instruments</b>											
Purchase and resale agreements	143,521,733	65,579,808	11,962,435	3,489,358	11,804,687	435,162	169,360	539,923	-	-	49,541,000
Sale and repurchase agreements	4,642,629	(807,076)	(9,297,788)	2,513,736	(1,258,415)	280,045	6,000,436	6,082,994	22,495,862	6,524,055	(27,891,220)
<b>Off-balance sheet gap</b>	<b>4,784,777</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,784,777</b>
<b>Total yield / Interest Risk Sensitivity Gap</b>	<b>2,570,889</b>	<b>2,570,889</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cumulative yield / Interest Risk Sensitivity Gap</b>	<b>3,646,700</b>	<b>3,646,700</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Reconciliation with total assets:</b>	<b>6,217,589</b>	<b>6,217,589</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Assets as per above	5,410,513	(9,297,788)	2,513,736	(1,258,415)	280,045	6,000,436	6,082,994	22,495,862	6,524,055	(27,891,220)	10,860,218
Fixed assets	5,410,513	(3,887,275)	(1,373,539)	(2,631,954)	(2,351,909)	3,648,527	9,731,521	32,227,383	38,751,438	10,860,218	-
Intangible assets	148,164,362	-	-	-	-	-	-	-	-	-	-
Deferred tax asset	3,788,000	-	-	-	-	-	-	-	-	-	-
Assets as per unconsolidated statement of financial position	8,606,608	-	-	-	-	-	-	-	-	-	-
Liabilities as per above	160,598,934	-	-	-	-	-	-	-	-	-	-
<b>Reconciliation with total liabilities:</b>	<b>143,521,733</b>	<b>143,521,733</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Liabilities as per above	143,521,733	-	-	-	-	-	-	-	-	-	-
Deferred tax liability	-	-	-	-	-	-	-	-	-	-	-
Liabilities as per unconsolidated statement of financial position	143,521,733	-	-	-	-	-	-	-	-	-	-

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

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	
		2018									

(Rupees in '000)

On-balance sheet financial instruments																	
Assets	0.96%	7.33%	7.63%	7.96%	7.12%	149,869,211	73,042,100	1,287,557	2,547,302	936,426	1,541,213	1,023,691	15,904,114	26,398,722	8,704,743	18,483,343	
Cash and balances with treasury banks	9,102,696	245,263	42,575	32,474	174,704	-	-	-	-	-	-	-	-	-	-	-	8,607,680
Balances with other banks	507,605	45,441	-	-	-	-	-	-	-	-	-	-	-	-	-	-	462,164
Lending to financial institutions	5,383,162	5,383,162	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investments	55,350,066	4,887,266	756,365	1,651,923	-	-	-	-	-	-	-	-	13,817,142	24,346,662	6,438,968	3,451,740	
Advances	73,631,631	62,480,968	488,617	862,905	761,722	-	-	-	-	-	-	-	2,086,972	2,052,060	2,265,775	67,708	
Other assets	5,894,051	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,894,051
<b>Liabilities</b>																	
Bills payable	979,426	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	979,426
Borrowings from financial institutions	26,771,698	20,675,768	6,095,930	-	-	-	-	-	-	-	-	-	-	-	-	-	49,374,882
Deposits and other accounts	113,594,544	50,394,370	3,193,664	5,233,804	4,343,587	49,602	137,112	867,523	-	-	-	-	-	-	-	-	3,026,869
Other liabilities	3,026,869	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>On-balance sheet gap</b>	144,322,537	71,070,138	9,289,594	5,233,804	4,343,587	49,602	137,112	867,523	-	-	-	-	-	-	-	-	53,331,177
	5,546,674	1,971,962	(8,002,037)	(2,686,502)	(3,407,161)	1,491,611	886,579	15,036,591	26,398,722	8,704,743	(34,847,834)						

Off-balance sheet financial instruments																	
Purchase and resale agreements	25,541,849	25,541,849	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sale and repurchase agreements	5,391,248	5,391,248	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Off-balance sheet gap</b>	30,933,097	30,933,097	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Total yield / Interest Risk Sensitivity Gap																	
Total yield / Interest Risk Sensitivity Gap	32,905,059	(8,002,037)	(2,686,502)	(3,407,161)	1,491,611	886,579	15,036,591	26,398,722	8,704,743	(34,847,834)							
Cumulative yield / Interest Risk Sensitivity Gap	32,905,059	24,903,022	22,216,520	18,809,359	20,300,970	21,187,549	36,224,140	62,622,862	71,327,605	36,479,771							

#### Reconciliation with total assets:

Assets as per above	149,869,211
Fixed assets	1,663,468
Deferred tax asset	4,028,288
Assets as per unconsolidated statement of financial position	155,560,967

#### Reconciliation with total liabilities:

Liabilities as per above	144,322,537
Deferred tax liability	-
Liabilities as per unconsolidated statement of financial position	144,322,537

### 43.3 Liquidity risk

The Bank monitors its liquidity risk through various liquidity ratios and liquidity risk indicators. Any deviations or breaches are reported to the relevant authorities for timely action. Moreover, Asset and Liability Management Committee (ALCO), a senior management committee, also reviews the liquidity position of the Bank on at least monthly basis and takes appropriate measures where required. The Bank uses liquidity gap ladder to assess the liquidity gaps and liquidity needs in different time buckets, under normal and stressed scenarios. Whereas, the Contingency Funding Plan (CFP) of the Bank is also in place. The ALCO reviews the current economic situation, projected cash flows and asset / liability mix and approves strategy for managing appropriate liquidity. Mandatory stress tests of SBP are conducted, on a periodic basis, to test the adequacy of liquidity contingency plan and to identify the extent of liquidity stress that the Bank is able to take in current conditions.

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

Assets	2019												
	Total	Over 1 to 7 days	Over 7 to 14 days	Over 14 Days to 1 month	Over 1 to 2 months	Over 2 to 3 months	Over 3 to 6 months	Over 6 to 9 months	Above 9 months to 1 years	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 years
		(Rupees in '000)											
Cash and balances with treasury banks	13,552,972	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	838,364	-	-	-	-	-	-	-	-	-	-	-	-
Lending to financial institutions	3,645,392	-	-	-	-	-	-	-	-	-	-	-	-
Investments	65,143,452	-	-	7,915,728	2,547,231	1,111,296	5,908,519	9,430,013	1,182,346	99	5,252,786	5,324,647	29,018,018
Advances	61,131,052	15,399,763	23,336	1,278,309	2,547,231	1,816,970	10,923,161	1,061,427	2,033,473	1,977,599	3,155,402	8,325,925	12,101,595
Fixed assets	3,788,000	-	-	70,674	49,178	49,178	149,174	150,813	150,813	598,336	598,336	1,181,143	790,353
Intangible assets	39,964	-	-	1,095	1,095	1,095	3,321	3,357	3,357	13,320	13,320	-	-
Deferred tax assets	8,606,608	-	-	430,330	860,661	1,721,322	1,721,322	1,721,322	1,721,321	-	-	-	-
Other assets	3,853,130	649,392	1,463	1,680,432	621,966	248,874	644,294	-	-	-	-	-	6,709
	160,598,934	34,085,883	538,324	11,376,568	4,080,131	4,948,735	19,349,791	12,366,932	5,091,310	2,539,354	9,019,850	14,831,715	41,916,675

Liabilities	2019													
	Total	Over 1 to 7 days	Over 7 to 14 days	Over 14 Days to 1 month	Over 1 to 2 months	Over 2 to 3 months	Over 3 to 6 months	Over 6 to 9 months	Above 9 months to 1 years	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 years	
		(Rupees in '000)												
Bills payable	495,010	495,010	-	-	-	-	-	-	-	-	-	-	-	
Borrowings from financial institutions	4,192,284	2,566,207	-	-	-	-	-	-	-	149,698	-	-	-	
Deposits and other accounts	134,049,662	101,486,679	3,442,653	676,052	6,985,492	3,500,564	3,489,358	1,265,302	10,996,878	285,464	170,089	1,142,088	54,109	
Deferred tax liability	4,784,777	3,859,968	35,549	136,678	203,616	202,596	109,320	48,944	145,653	7,870	2,890	15,298	-	
Other liabilities	143,521,733	105,841,657	3,156,690	3,579,331	7,189,108	5,179,539	3,598,678	1,314,246	11,142,531	443,032	172,979	1,157,386	54,109	
<b>Gap</b>	17,077,201	(71,755,774)	(2,618,366)	(3,125,665)	(10,684,121)	(3,108,977)	(230,804)	15,751,113	11,052,686	(6,051,221)	2,096,322	8,846,871	13,674,329	41,862,566

Share capital	19,710,130
Reserves	1,451,979
Shares deposit money	2,000,000
Accumulated loss	(1,780,577)
Deficit on revaluation of investments	(4,304,331)
<b>Net assets</b>	17,077,201

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

2018

Assets	Upto 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 Days to 1 months	Over 1 to 2 months	Over 2 to 3 months	Over 3 to 6 months	Over 6 to 9 months	Above 9 months to 1 years	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 years
Cash and balances with treasury banks	356,153	475,049	980,427	1,498,186	464,260	429,190	946,180	1,286,151	2,667,100	-	-	-	-
Balances with other banks	507,605	50,760	177,662	253,803	-	-	-	-	-	-	-	-	-
Lending to financial institutions	5,383,162	4,383,162	1,000,000	-	-	-	-	-	-	-	-	-	-
Investments	55,350,066	4,887,266	-	-	-	1,080,756	987,789	-	1,490,574	-	420,462	14,115,240	32,367,979
Advances	73,631,631	18,114,005	1,401,485	1,997,289	3,015,971	10,248,899	3,794,530	3,794,530	1,709,339	3,109,203	2,464,922	9,626,426	14,355,183
Fixed assets	1,613,063	42,453	-	24,491	13,564	13,564	41,144	41,596	4,235	165,026	165,028	313,884	793,170
Intangible assets	50,405	-	-	1,381	1,381	1,381	4,235	4,235	4,235	16,800	16,803	-	-
Deferred tax assets	4,028,288	-	-	402,829	402,829	805,658	805,658	805,658	805,656	-	-	-	-
Other assets	5,894,051	203	421,967	3,601,866	683,712	377,528	249,128	30,803	11,650	47,246	47,248	-	6,707
<b>Liabilities</b>	<b>155,560,967</b>	<b>18,495,741</b>	<b>10,254,683</b>	<b>3,981,541</b>	<b>4,581,717</b>	<b>12,956,976</b>	<b>6,786,014</b>	<b>5,962,973</b>	<b>6,730,150</b>	<b>3,338,275</b>	<b>3,114,463</b>	<b>24,055,550</b>	<b>47,523,039</b>
Bills payable	185,885	185,885	278,828	278,828	-	-	-	-	-	-	-	-	-
Borrowings from financial institutions	26,771,698	25,501,398	-	-	-	1,270,300	-	-	-	-	-	-	-
Deposits and other accounts	1,918,881	3,413,389	4,926,101	8,745,510	6,754,082	5,815,484	14,609,706	17,591,762	48,280,621	49,602	137,112	1,264,792	87,502
Deferred tax liability	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	3,026,869	2,17,120	65,1798	1,154,212	67,790	32,075	132,405	79,262	9,015	7,863	2,712	27,082	-
<b>Gap</b>	<b>144,322,537</b>	<b>2,321,886</b>	<b>29,746,207</b>	<b>5,856,727</b>	<b>6,821,872</b>	<b>7,117,859</b>	<b>14,742,111</b>	<b>17,671,024</b>	<b>48,289,636</b>	<b>57,465</b>	<b>139,824</b>	<b>1,291,874</b>	<b>87,502</b>
	<b>11,238,430</b>	<b>1,617,3855</b>	<b>(19,491,524)</b>	<b>(1,875,186)</b>	<b>(2,240,155)</b>	<b>5,839,117</b>	<b>(795,6097)</b>	<b>(11,708,051)</b>	<b>(41,559,486)</b>	<b>3,280,810</b>	<b>2,974,639</b>	<b>22,763,676</b>	<b>47,435,537</b>
Share capital	10,010,130	-	-	-	-	-	-	-	-	-	-	-	-
Reserves	1,451,979	-	-	-	-	-	-	-	-	-	-	-	-
Unappropriated profit	3,958,289	-	-	-	-	-	-	-	-	-	-	-	-
Deficit on revaluation of investments	(4,181,968)	-	-	-	-	-	-	-	-	-	-	-	-
<b>Net assets</b>	<b>11,238,430</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Share capital  
Reserves  
Unappropriated profit  
Deficit on revaluation of investments  
**Net assets**



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

2019

Assets	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
Cash and balances with treasury banks	13,552,972	5,855,639	1,237,206	4,779,731	-	-	-	-	-
Balances with other banks	838,364	838,364	-	-	-	-	-	-	-
Lending to financial institutions	3,645,392	3,645,392	-	-	-	-	-	-	-
Investments	65,143,452	7,915,728	1,111,296	5,908,519	10,612,359	199,876	5,124,870	21,789,696	7,150,614
Advances	61,131,052	17,238,270	4,364,201	10,923,161	3,094,901	1,927,599	3,155,402	8,325,925	6,473,711
Operating fixed assets	3,788,000	70,674	98,356	149,174	301,626	598,336	1,181,143	333,817	456,536
Intangible assets	39,964	1,095	2,190	3,321	6,714	13,324	-	-	-
Deferred tax asset	8,606,608	860,660	2,581,983	1,721,322	3,442,643	-	-	-	-
Other assets	3,853,130	2,329,620	872,507	644,294	-	-	-	-	6,709
<b>Liabilities</b>	<b>160,598,934</b>	<b>38,755,442</b>	<b>10,710,929</b>	<b>20,586,997</b>	<b>22,237,974</b>	<b>2,739,131</b>	<b>14,631,938</b>	<b>27,751,395</b>	<b>14,087,570</b>
Bills payable	495,010	495,010	-	-	-	-	-	-	-
Borrowings from financial institutions	4,192,284	2,566,207	1,476,379	-	-	149,698	-	-	-
Deposits and other accounts	134,049,662	19,880,481	20,590,484	13,596,937	78,330,010	170,089	1,142,088	54,109	-
Deferred tax liability	-	-	-	-	-	-	-	-	-
Other liabilities	4,784,777	4,048,274	401,887	107,218	201,341	2,890	15,297	-	-
<b>Gap</b>	<b>143,521,733</b>	<b>26,989,972</b>	<b>22,468,750</b>	<b>13,704,155</b>	<b>78,531,351</b>	<b>443,032</b>	<b>1,157,385</b>	<b>54,109</b>	<b>-</b>
	<b>17,077,201</b>	<b>11,765,470</b>	<b>(11,757,821)</b>	<b>6,882,842</b>	<b>(56,293,377)</b>	<b>2,296,099</b>	<b>13,474,553</b>	<b>27,697,286</b>	<b>14,087,570</b>
Share capital	19,710,130	-	-	-	-	-	-	-	-
Reserves	1,451,979	-	-	-	-	-	-	-	-
Share deposit money	2,000,000	-	-	-	-	-	-	-	-
Accumulated loss	(1,780,577)	-	-	-	-	-	-	-	-
Deficit on revaluation of investments	(4,304,331)	-	-	-	-	-	-	-	-
<b>Net assets</b>	<b>17,077,201</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</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 Bank.



	2018									
	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	9,102,696	910,270	910,270	2,730,809	4,551,347	-	-	-	-	-
Balances with other banks	507,605	507,605	50,760	152,281	253,804	-	-	-	-	-
Lendings to financial institutions	5,383,162	5,383,162	-	-	-	-	-	-	-	-
Investments	55,350,066	5,157,440	270,174	810,572	2,285,957	-	-	-	-	-
Advances	73,631,631	21,555,232	13,264,871	3,751,926	5,503,869	3,109,203	420,462	14,115,240	25,101,302	7,188,969
Operating fixed assets	1,613,063	24,491	27,128	41,144	83,191	165,026	2,464,922	9,626,426	8,496,619	5,858,563
Intangible assets	50,405	1,381	2,762	4,189	8,469	16,800	16,805	313,884	342,849	450,322
Deferred tax asset	402,828	402,829	1,208,486	805,658	1,611,315	-	-	-	-	-
Other assets	5,894,051	4,440,029	1,061,241	249,128	42,453	47,246	47,246	-	6,709	-
	155,560,967	37,925,594	16,795,692	8,545,656	14,340,405	3,338,275	3,114,462	24,055,550	33,947,479	13,497,854
<b>Liabilities</b>										
Bills payable	929,426	185,885	185,885	278,828	278,828	-	-	-	-	-
Borrowings from financial institutions	26,771,698	25,501,398	1,270,300	-	-	-	-	-	-	-
Deposits and other accounts	113,594,544	14,315,929	12,569,567	33,654,226	51,515,815	49,602	137,112	1,264,791	87,502	-
Deferred tax liability	-	-	-	-	-	-	-	-	-	-
Other liabilities	3,026,869	2,668,666	99,865	132,405	88,277	7,863	2,712	27,081	-	-
<b>Gap</b>	11,238,430	42,671,878	14,125,617	34,065,459	51,882,970	57,465	139,824	1,291,872	87,502	-
Share capital	10,010,130									
Reserves	1,451,979									
Unappropriated profit	3,958,289									
Deficit on revaluation of investments	(4,181,968)									
<b>Net assets</b>	11,238,430									

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.

#### 43.4 Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems and external events.

The Bank strives to manage operational risk within acceptable levels through sound operational risk management practices.

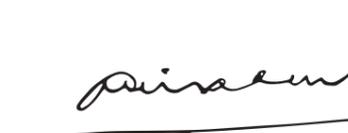
The Bank has set up a separate Operational Risk Management (ORM) Unit. ORM Unit resides within Risk Management Division (RMD). Its responsibility is to implement Operational Risk management tools across the bank for effective measurement and monitoring of operational risk faced by different areas of the Bank.

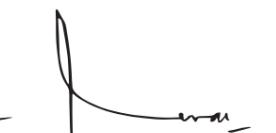
#### 44. GENERAL

44.1 Figures have been rounded off to the nearest thousand rupee.

#### 45. DATE OF AUTHORISATION FOR ISSUE

These unconsolidated financial statements were authorised for issue by the Board of Directors on March 09, 2020.

  
 Chairman

  
 President and  
 Chief Executive Officer

  
 Director

  
 Director

  
 Chief Financial Officer



**SINDH BANK**  
**سندھ بینک**  
 POWER TO THE PEOPLE

**Sa'adat**  
**سعادت**  
 ISLAMIC BANKING

**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 Term Deposit

**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

Utility Bills Payment  
 SMS Banking  
 Debit Card  
 Online Banking  
 RTGS  
 Same Day Clearing  
 (Local & Intercity)  
 Home Remittances



**Annexure I**  
**ISLAMIC BANKING BUSINESS**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**DECEMBER 31, 2019**



**Islamic Banking Business  
 Statement of Financial Position  
 As At December 31, 2019**

**ANNEXURE - I**

**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 (2018: 14 Branches and 13 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	2019 (Rupees in '000)	2018
<b>Assets</b>			
Cash and balances with treasury banks		205,500	265,494
Balances with other banks		71,122	125,535
Due from financial institutions		-	-
Investments	1	807,186	1,317,520
Islamic financing and related assets	2	2,496,106	3,070,967
Fixed assets		234,212	84,178
Intangible assets		502	3,953
Deferred tax assets		-	-
Due from head office	4	41,404	-
Other assets		71,010	90,269
		<u>3,927,042</u>	<u>4,957,916</u>
<b>Liabilities</b>			
Bills payable		12,229	13,697
Due to financial institutions		417,000	1,289,946
Deposits and other accounts	3	3,093,401	3,296,293
Deferred tax liability		5,979	3,100
Due to head office	4	-	1,412
Other liabilities		237,582	55,166
		<u>3,766,191</u>	<u>4,659,614</u>
<b>Net Assets</b>		<u>160,851</u>	<u>298,302</u>
<b>Represented By</b>			
Islamic banking fund		500,000	500,000
Reserves		-	-
Surplus on revaluation of investments		9,351	5,757
Accumulated losses	5	(348,500)	(207,455)
		<u>160,851</u>	<u>298,302</u>

**CONTINGENCIES AND COMMITMENTS**

6

**Islamic Banking Business  
 Profit and Loss Account  
 For The Year Ended December 31, 2019**

**ANNEXURE - I**

Profit / return on financing, investments and placements earned  
 Return on deposits and other dues expensed  
 Net income earned before provisions

Provision against non-performing financing - net  
 Provision for diminution in value of investments

**Net income earned after provisions**

**Other income**

Fee, commission and brokerage income  
 Income from dealing in foreign currencies  
 Dividend income  
 Gain on sale / redemption of securities  
 Other income

**Other expenses**

Administrative expenses  
 Other charges

**Loss before taxation**

Taxation

**Loss after taxation**

Note	2019 (Rupees in '000)	2018
9	<b>395,786</b>	422,350
10	<b>364,981</b>	310,222
	<u><b>30,805</b></u>	<u>112,128</u>
	-	-
	-	-
	<u><b>30,805</b></u>	<u>112,128</u>
	<b>5,680</b>	5,489
	<b>(56)</b>	(88)
	<b>12,060</b>	11,070
	-	-
	<b>1,271</b>	1,281
	<u><b>18,955</b></u>	<u>17,752</u>
	<u><b>49,760</b></u>	<u>129,880</u>
	<b>190,805</b>	178,825
	-	-
	<u><b>190,805</b></u>	<u>178,825</u>
	<u><b>(141,045)</b></u>	<u>(48,945)</u>
	-	-
	<u><b>(141,045)</b></u>	<u>(48,945)</u>



**Islamic Banking Business  
 Cash Flow Statement  
 For The Year Ended December 31, 2019**

**Annexure - I**

	2019	2018
Note	(Rupees in '000)	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Loss before taxation	(141,045)	(48,945)
Less: Dividend income	(12,060)	(11,070)
	(153,105)	(60,015)
<b>Adjustments</b>		
Depreciation	52,660	16,915
Amortisation	3,451	3,474
	56,111	20,389
	(96,994)	(39,626)
<b>(Increase) / decrease in operating assets</b>		
Balances with and due from financial institutions	-	2,989,577
Islamic financing and related assets - net	574,861	(779,645)
Due from head office	(41,404)	-
Other assets	19,259	(27,068)
	552,716	2,182,864
<b>(Decrease) / increase in operating liabilities</b>		
Bills payable	(1,468)	(29,877)
Due to financial institutions	(872,946)	1,289,946
Deposits and other accounts	(202,892)	(3,679,606)
Due to head office	(1,412)	(19,612)
Other liabilities	182,416	(5,144)
	(896,302)	(2,444,293)
	(440,580)	(301,055)
Income tax paid	-	-
<b>Net cash (used in) / flow from operating activities</b>	<b>(440,580)</b>	<b>(301,055)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net investment in securities	516,807	128,977
Dividend received	12,060	11,070
Investment in operating fixed assets	(202,694)	(9,810)
<b>Net cash flow from / (used in) investing activities</b>	<b>326,173</b>	<b>130,237</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
<b>Increase in cash and cash equivalents</b>	<b>(114,407)</b>	<b>(170,818)</b>
Cash and cash equivalents at beginning of the year	391,029	561,847
<b>Cash and cash equivalents at end of the year</b>	<b>276,622</b>	<b>391,029</b>

**Islamic Banking Business  
 Notes To Annexure - I  
 For The Year Ended December 31, 2019**

**I Investments by segments:**

	2019				2018			
	Cost/ Amortis ed cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost/ Amortise d cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
----- Amount Rs. 000 -----								
<b>Federal Government Securities:</b>								
- Ijarah Sukuks								
<b>Islamic Fund:</b>	500,000	-	(5,000)	495,000	920,378	-	(8,866)	911,512
-Listed Companies								
<b>Non Government Debt Securities</b>	99,000	-	13,410	112,410	99,000	-	8,910	107,910
-Unlisted								
<b>Total Investments</b>	<b>192,856</b>	<b>-</b>	<b>6,920</b>	<b>199,776</b>	<b>289,285</b>	<b>-</b>	<b>8,813</b>	<b>298,098</b>
	<b>791,856</b>	<b>-</b>	<b>15,330</b>	<b>807,186</b>	<b>1,308,663</b>	<b>-</b>	<b>8,857</b>	<b>1,317,520</b>

**2 ISLAMIC FINANCING AND RELATED ASSETS**

	Note	2019	2018
		(Rupees in '000)	
Ijarah financing under IFAS 2	2.1	61,542	61,323
Murabaha Financing	2.2	644,525	737,746
Diminishing musharakah financing		1,790,039	2,271,898
		2,496,106	3,070,967
Less: provision against Islamic financings			
- Specific		-	-
- General		-	-
<b>Islamic financing and related assets - net of provision</b>		<b>2,496,106</b>	<b>3,070,967</b>

**2.1 Ijarah financing under IFAS 2**

	Note	2019	2018
		(Rupees in '000)	
Net book value of assets	2.1.1	61,542	60,239
Advance against Ijarah financing		-	1,084
		61,542	61,323



## Islamic Banking Business Notes To Annexure - I For The Year Ended December 31, 2019

### 2.1.1 Particulars of assets under Ijarah

	2019						Book value As at December 31	Rate of depreciation %
	Cost		Accumulated depreciation					
	As at January 01	Additions/ Settled	As at December 31	As at January 01	Charge/ settled	As at December 31		
	(Rupees in '000)							
Vehicle	90,156	(27,063)	63,093	23,722	(9,109)	14,613	48,480	Over the Ijarah period
Plant and machinery	27,605	20,395	48,000	7,760	27,178	34,938	13,062	
<b>Total</b>	<b>117,761</b>	<b>(6,668)</b>	<b>111,093</b>	<b>31,482</b>	<b>18,069</b>	<b>49,551</b>	<b>61,542</b>	

	2018						Book value As at December 31	Rate of depreciation %
	Cost		Accumulated depreciation					
	As at January 01	Additions	As at December 31	As at January 01	Charge	As at December 31		
	(Rupees in '000)							
Vehicle	90,156	(14,156)	76,000	23,722	3,366	27,088	48,912	Over the Ijarah period
Plant and machinery	27,605	-	27,605	7,760	8,518	16,278	11,327	
<b>Total</b>	<b>117,761</b>	<b>(14,156)</b>	<b>103,605</b>	<b>31,482</b>	<b>11,884</b>	<b>43,366</b>	<b>60,239</b>	

### 2.1.2 Future Ijarah payments receivable

	2019	2018
	(Rupees in '000)	
Not later than one year	25,402	30,729
Later than one year and not later than five years	36,140	29,510
Over five years	-	-
<b>Total</b>	<b>61,542</b>	<b>60,239</b>

### 2.2 Murabaha Financing

	2019	2018
	(Rupees in '000)	
Murabaha financing	429,525	568,796
Inventory for Murabaha	15,088	-
Advances for Murabaha	199,912	168,950
<b>Total</b>	<b>644,525</b>	<b>737,746</b>
<b>2.2.1 Murabaha receivable - gross</b>	<b>466,102</b>	<b>600,168</b>
Less: Deferred murabaha income	(36,577)	(31,372)
Murabaha financings	<b>429,525</b>	<b>568,796</b>

### 2.2.2 The movement in Murabaha financing during the year is as follows:

Opening balance	600,168	-
Sales during the year	932,447	600,168
Adjusted during the year	(1,066,513)	-
Closing balance	<b>466,102</b>	<b>600,168</b>

## Islamic Banking Business Notes To Annexure - I For The Year Ended December 31, 2019

### 2.2.3 Deferred murabaha income

	2019	2018
	(Rupees in '000)	
Opening balance	31,372	-
Arising during the year	57,372	31,372
Less: Recognised during the year	(52,167)	-
Closing balance	<b>36,577</b>	<b>31,372</b>

### 2.2.4 Sector wise portfolio

	2019	2018
Chemical and chemical products	179,728	341,540
Construction, real estate and societies	500,550	500,823
Education	16,009	19,194
Food	250,795	334,924
Hotel and restaurants	150,000	330,000
Individuals	876	1,345
Insurance	13,475	11,286
Others	35,761	38,765
Pharmaceuticals	14,184	21,270
Power, electricity and gas	797,618	876,287
Transport, Storage and Communication	137,612	192,710
Wholesale and retail trade	399,498	402,823
<b>Total Gross Financing</b>	<b>2,496,106</b>	<b>3,070,967</b>
GoP Ijarah Sukuk	495,000	911,512
Power, electricity and gas	125,448	187,151
Financial Institutions	186,738	218,857
Total Invested Funds	<b>3,303,292</b>	<b>4,388,487</b>

### 3 Deposits

	2019			2018		
	In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total
	----- Rupees in '000 -----					
<b>Customers</b>						
Current deposits	413,250	2,704	415,954	366,113	3,103	369,216
Savings deposits	808,969	84,567	893,536	1,491,216	144,672	1,635,888
Term deposits	523,193	-	523,193	492,229	-	492,229
Margin and other deposits	20,938	-	20,938	9,262	-	9,262
<b>Total</b>	<b>1,766,350</b>	<b>87,271</b>	<b>1,853,621</b>	<b>2,358,820</b>	<b>147,775</b>	<b>2,506,595</b>
<b>Financial Institutions</b>						
Current deposits	956	-	956	1,491	-	1,491
Savings deposits	1,238,794	-	1,238,794	788,177	-	788,177
Term deposits	-	-	-	-	-	-
Margin and other deposits	30	-	30	30	-	30
<b>Total</b>	<b>1,239,780</b>	<b>-</b>	<b>1,239,780</b>	<b>789,698</b>	<b>-</b>	<b>789,698</b>
<b>Total</b>	<b>3,006,130</b>	<b>87,271</b>	<b>3,093,401</b>	<b>3,148,518</b>	<b>147,775</b>	<b>3,296,293</b>



**Islamic Banking Business  
 Notes To Annexure - I  
 For The Year Ended December 31, 2019**

**3.1 Composition of deposits**

- Individuals
- Government (Federal and Provincial)
- Public Sector Entities
- Banking Companies
- Non-Banking Financial Institutions
- Private Sectors

	2019	2018
	(Rupees in '000)	
	865,248	861,136
	347,168	337,309
	116,062	-
	439	425
	1,239,342	789,273
	525,142	1,308,151
	<b>3,093,401</b>	<b>3,296,293</b>

**3.2** As at 31 December 2019, the deposits eligible to be covered under insurance arrangements amounted to Rs. 958.731 (2018: Rs. 1,163.937) million and premium paid amounted to Rs. 1.862 (2018 : Rs. 0.878) million.

**4 DUE FROM / (TO HEAD OFFICE)**

Interbranch transaction account (daily basis)

	2019	2018
	(Rupees in '000)	
	41,404	(1,412)

**5 ISLAMIC BANKING BUSINESS UNAPPROPRIATED LOSS**

Opening Balance

Add: Islamic Banking profit for the period

Less: Taxation  
 Less: Reserves  
 Less: Transferred / Remitted to Head Office

	2019	2018
	(207,455)	(158,510)
	(141,045)	(48,945)
	-	-
	-	-
	-	-
	<b>(348,500)</b>	<b>(207,455)</b>

**Closing Balance**

**6 CONTINGENCIES AND COMMITMENTS**

- Guarantees
- Letter of Credit
- Commitments

	124,120	121,295
	33,007	1,576
	-	-
	<b>157,127</b>	<b>122,870</b>

**7 CHARITY FUND**

Opening Balance

**Additions during the period**

Received from customers on account of delayed payment  
 Profit on charity saving account  
 Other

	-	45
	7	-
	-	-
	273	35
	<b>280</b>	<b>35</b>

**Payments / utilization during the period**

Education  
 Hospital

	-	-
	-	80
	-	80
	<b>280</b>	<b>-</b>

**Closing Balance**

**Islamic Banking Business  
 Notes To Annexure - I  
 For The Year Ended December 31, 2019**

**8 CASH AND CASH EQUIVALENT**

Cash and balances with treasury banks  
 Balances with other banks

	2019	2018
	(Rupees in '000)	
	205,500	265,494
	71,122	125,535
	<b>276,622</b>	<b>391,029</b>

**9 PROFIT/RETURN EARNED OF FINANCING,  
 INVESTMENTS AND PLACEMENT**

**Profit earned on:**

Financing  
 Investments  
 Placements  
 On deposits with financial institutions

	337,490	221,523
	58,259	94,466
	-	105,460
	37	901
	<b>395,786</b>	<b>422,350</b>

**10 PROFIT ON DEPOSITS AND OTHER DUES EXPENSED**

Deposits and other accounts  
 Due to Financial Institutions  
 Amortisation of lease liability against right-of-use assets

	204,838	282,647
	138,133	27,575
	22,010	-
	<b>364,981</b>	<b>310,222</b>

**11 POOL MANAGEMENT**

11.1 Sindh Bank Limited - SA' ADAT Islamic Banking Division is maintaining the following pools for profit declaration and distribution:

**11.1.1 General Pool, Special Pools and FI Pools**

Priority of utilization of funds in pools will be as follows:

- Depositor Funds
- Equity Funds

Priority of utilization of funds in the FI pool shall be:

- FI Funds
- Equity Funds



## Islamic Banking Business Notes To Annexure - I For The Year Ended December 31, 2019

### 11.1.2 Weightages for distribution of profit in general pool

Profits are calculated on the basis of weightages assigned to different tiers and tenors. These weightages are announced monthly. 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.

Special and Financial Institution Pools.

Profit is calculated and distributed on the basis of pre agreed Profit Sharing Ratio.

### 11.1.3 Identification and allocation of Pool related income and expenditure

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 may similar expenses to be charged to the pool.

### 11.1.4 Parameters associated with risks and rewards

Following are the consideration attached with risks and rewards of pools:

- Period, return, safety, security and liquidity of investment;
- All financing proposal 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.

### 11.1.5 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.

## Islamic Banking Business Notes To Annexure - I For The Year Ended December 31, 2019

	2019	2018
	(Rupees in '000)	
Rubbal Maal	61.25%	60.00%
Mudarib	38.75%	40.00%

### 11.1.6 MUDARIB SHARE (in amount and percentage of distributable income)

Rubbul Maal (%)	61.25%	60.00%
Rubbul Maal (amount)	36,187	31,116
Mudarib (%)	38.75%	40.00%
Mudarib (amount)	22,971	20,744

### 11.1.7 Amount and percentage of mudarib share transferred to depositors through Hiba

Mudarib share	22,971	20,744
Hiba	4,814	3,732
Hiba percentage of mudarib share	22.34%	17.79%

Amount and percentage of Mudarib share transferred to depositors through Hiba for Special Pool during 2019.

	2019	2018
	(Rupees in '000)	
Mudarib share	35,399	48,879
Hiba	8,687	14,628
Hiba percentage of mudarib share	25.40%	30.83%

### 11.1.8 Profit rate earned vs profit rate distributed to the depositors during the year

	2019	2018
Profit rate earned	11.32%	7.49%
Profit rate distributed to depositors	9.68%	6.30%



## Shariah Board Report

For the year ended 31 December, 2019



By the grace of Almighty ALLAH Sindh Bank Islamic Banking has accomplished another year of operation. The Board of Directors (BODs) and management are responsible to provide effective and comprehensive Shariah compliance environment in line with Shariah Governance Framework (SGF) issued by State Bank of Pakistan (SBP) to ensure conformity of Sindh Bank Islamic Banking operations and products with Shariah principles.

### Shariah Board (SB) Meetings

During the year SB of Sindh Bank Limited conducted four meetings. Minutes of the meetings were recorded and submitted to SBP in accordance with the regulatory requirement.

### Shariah Compliance

SB has reviewed and evaluated the basis and Shariah principles used in products & services, agreements & contracts, transactional structures and policies introduced by Sindh Bank Islamic Banking during the year.

Shariah Compliance Department (SCD) has also conducted Shariah reviews under the guidance of the Shariah Board including examination of different transactions on sample basis and obtained all necessary information and explanations which were considered sufficient evidence to form an opinion and provide reasonable assurance whether Sindh Bank Islamic Banking had complied with the respective Shariah rules and guidelines issued by SB and SBP.

In compliance with SBP instruction, SCD also conducted pre-disbursement review of profit & loss distribution to the depositors on monthly basis. Internal Shariah Audit also conducted quarterly post disbursement audits of profit distribution and presented their reports to the SB.

### Training & Capacity Building

Training and development plays a vital role in the capacity building of human resource and helps in optimizing their utilization for flourishing & promotions of Islamic Banking Industry. Sindh Bank Islamic Banking particularly focuses on human resource development by providing in-house and external trainings opportunities.

### Charity

During the year Sindh Bank Islamic Banking recovered charity of PKR. 273,054/-mainly on non-serving period of resigned employees and will be disbursed to the charitable organization as per approval of SB.

### Shariah Board Opinion

In the light of Shariah reviews carried out based on test check basis, internal and external Shariah audit reports and SBP reports, SB is of the opinion that;

1. Sindh Bank – Islamic Banking has complied with Shari'ah rules and principles in the light of Fatawa, rulings and guidelines issued by its Shari'ah Board.
2. Sindh Bank – Islamic Banking has complied with directives, regulations, instructions and guidelines related to Shari'ah compliance issued by SBP from time to time in accordance with the rulings of SBP's Shari'ah Board.

3. Sindh Bank Islamic Banking has a comprehensive mechanism in place to ensure Shari'ah compliance in its overall operations.
4. Sindh Bank Islamic Banking 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 have been credited to charity account and are being properly utilized.
5. Sindh Bank Islamic Banking has complied with the SBP guidelines & instructions on profit & loss distribution and Pool Management. However the pool management system is yet to be automated. The automation of system is in process and will be implemented in next few months.
6. Training and capacity building department is in place to strengthen the level of awareness of staff and management in understanding the importance of products and processes as well as the Shariah Compliance.
7. The Shari'ah Board has been provided adequate resources enabling it to discharge its duties effectively.

### Recommendations from Shariah Board

On the basis of above, SB recommends that;

1. Fully automated Pool management systems should be in place on priority basis.
2. SB opined that new products should be developed and staff is to be further trained in this regard by internal & external trainings.
3. Islamic Financing Facilities be made available to Islamic Banking Staff on priority basis since Islamic HR Policy has been put in place in April 2018.

Shari'ah Board would like to take this opportunity to offer praise to ALLAH Almighty and seek His guidance and tawfeeq for further progress, development and prosperity of Islamic Banking, under the sincere efforts of senior management of Sindh bank and State Bank of Pakistan.

**Mufti Hassan Ashraf Usmani**  
 Resident Shariah Board Member/  
 Head-Shariah Compliance Dep't

**Mufti Zeeshan Abdul Aziz**  
 Member Shariah Board

**Mufti Muhammad Najeeb Khan**  
 Chairman Shariah Board



## بِسْمِ اللّٰهِ الرَّحْمٰنِ الرَّحِیْمِ

### شریعی بورڈ رپورٹ

(برائے مالی سال اختتام پذیر 31 دسمبر، 2019)

اللہ تعالیٰ کے فضل سے سندھ بینک اسلامی بینکنگ کا مزید ایک سالہ آپریشن مکمل ہو گیا ہے۔ اسٹیٹ بینک آف پاکستان (ایس بی پی) کے جاری کردہ شریعی گورننس فریم ورک (ایس جی ایف) کے مطابق بورڈ آف ڈائریکٹرز اور انتظامیہ مؤثر اور جامع شرعی تعمیل کے ماحول کو فراہم کرنے کے لیے ذمہ دار ہیں تاکہ سندھ بینک کے اسلامی بینکنگ آپریشن اور مصنوعات شرعی اصولوں کے مطابق رہیں۔

### شریعی بورڈ کے اجلاس:

دوران سال سندھ بینک لمیٹڈ کے شریعی بورڈ کے چار اجلاس منعقد ہوئے۔ اجلاس کی کارروائی محفوظ کی گئی اور ریگولیٹری ضروریات کے تحت اسٹیٹ بینک آف پاکستان کو جمع کروادی گئی۔

### شرعی تعمیل:

شریعی بورڈ نے سال کے دوران سندھ بینک کے اسلامی بینکنگ کی طرف سے پیش کردہ مصنوعات و خدمات، معاہدوں، ٹرانزیکشنز اور پالیسیوں کی جانچ کی اور ان بنیادوں اور ان میں استعمال کیے گئے شرعی اصولوں کا جائزہ لیا۔

شرعی تعمیل کے شعبے نے شریعی بورڈ کی رہنمائی کے تحت نمونہ جات کی بنیاد پر مختلف ٹرانزیکشنز کی جانچ پڑتال کی اور تمام ضروری معلومات اور وضاحتیں حاصل کیں، جو کہ بطور ثبوت رائے قائم کرنے کے لیے کافی ہیں کہ سندھ بینک اسلامی بینکنگ نے شریعی بورڈ اور اسٹیٹ بینک آف پاکستان کی طرف سے جاری کردہ متعلقہ شرعی قوانین اور ہدایات کے مطابق عمل کیا ہے۔

اسٹیٹ بینک آف پاکستان کی ہدایات کے مطابق، شرعی تعمیل کے شعبے نے ماہانہ طور پر نفع اور نقصان کی تقسیم کا قبل از ترسیل جائزہ لیا۔ اندرونی شریعی آڈٹ نے منافع کی تقسیم کا بعد از ترسیل سہ ماہی جائزہ لیا اور شریعی بورڈ کو اپنی رپورٹ پیش کی۔

### تربیت اور تعمیر صلاحیت:

انسانی وسائل کی صلاحیت کی تعمیر و ترقی اور اسلامی بینکنگ انڈسٹری کو فروغ دینے میں تربیت اہم کردار ادا کرتی ہے۔ سندھ بینک اسلامی بینکنگ خاص طور پر داخلی اور خارجی تربیتی مواقع فراہم کر کے انسانی وسائل کی ترقی پر خاص توجہ مرکوز کرتا ہے۔

### صدقہ:

سال کے دوران سندھ بینک اسلامی بینکنگ نے خصوصاً مستغنی ملازمین کی کام نہ کرنے کی مدت سے -/273,054 روپے خیرات کی مد میں حاصل کیے جو کہ شریعی بورڈ کی منظوری کے بعد خیراتی ادارے کو دے دیئے جائیں گے۔

### شریعی بورڈ کی رائے:

نمونہ جات کی بنیاد پر لیے گئے شرعی جائزے، اندرونی اور بیرونی شریعی آڈٹ کی رپورٹس اور اسٹیٹ بینک آف پاکستان کی رپورٹس کی روشنی میں، شریعی بورڈ کی رائے یہ ہے کہ:

- 1- سندھ بینک اسلامی بینکنگ نے شریعی بورڈ کے جاری کردہ فتاویٰ، احکام اور ہدایات کی روشنی میں شرعی قوانین اور اصولوں کے مطابق کام کیا ہے۔
- 2- سندھ بینک اسلامی بینکنگ نے شرعی تعمیل سے متعلق اسٹیٹ بینک آف پاکستان کی جانب سے وقتاً فوقتاً جاری کردہ ہدایات، احکامات اور قواعد و ضوابط کے مطابق کام کیا ہے جو کہ اسٹیٹ بینک آف پاکستان کے شریعی بورڈ کے فیصلوں کے مطابق ہیں۔
- 3- سندھ بینک اسلامی بینکنگ کے پاس مجموعی آپریشنز کو شرعی اصولوں کے مطابق یقینی بنانے کے لیے ایک جامع طریقہ کار موجود ہے۔
- 4- سندھ بینک اسلامی بینکنگ کے پاس ایسا نظام موجود ہے کہ جس سے یہ یقینی بنایا جاسکے کہ شرعاً ممنوع ذرائع سے حاصل ہونے والی آمدنی صدقات کے اکاؤنٹ میں جمع کرا دی گئی ہے اور مناسب طریقے سے استعمال کی جا رہی ہے۔
- 5- سندھ بینک اسلامی بینکنگ نے نفع اور نقصان کی تقسیم اور پول مینجمنٹ کے حوالے سے اسٹیٹ بینک آف پاکستان کی ہدایات و احکامات کے مطابق عمل کیا ہے۔ تاہم پول مینجمنٹ کا نظام خود کار نہیں ہے۔ نظام کی خود کاری کا عمل جاری ہے اور اگلے چند ماہ میں لاگو کر دیا جائے گا۔
- 6- ملازمین اور انتظامیہ میں شعور کی سطح کو مضبوط بنانے کے لیے تربیت اور صلاحیت کی تعمیر کا شعبہ موجود ہے تاکہ مصنوعات اور طریقہ کار کے ساتھ ساتھ شرعی تعمیل کی اہمیت کو سمجھا جاسکے۔
- 7- اپنے فرائض کو موثر طریقے سے انجام دینے کے لیے شریعی بورڈ کو مناسب وسائل فراہم کیے گئے ہیں۔

### شریعی بورڈ کی سفارشات:

مندرجہ بالا نکات کی بنیاد پر، شریعی بورڈ سفارش کرتا ہے کہ:

- 1- ترجیحی بنیاد پر مکمل طور پر خود کار پول مینجمنٹ کا نظام موجود ہونا چاہیے
- 2- شریعی بورڈ کی رائے یہ ہے کہ نئی مصنوعات تیار کی جائیں اور اس سلسلے میں داخلی اور خارجی تربیت سے عملے کو مزید تربیت دی جائے۔
- 3- اپریل 2018 میں اسلامی انسانی وسائل کی پالیسی نافذ کر دی گئی ہے، لہذا اسلامی مالیاتی سہولیات کو اسلامی بینکنگ اسٹاف کے لیے ترجیحی بنیاد پر دستیاب کیا جائے۔

شریعی بورڈ اس موقع پر اللہ تعالیٰ کا شکر ادا کرتا ہے اور سندھ بینک کی سینئر مینجمنٹ اور اسٹیٹ بینک آف پاکستان کی مخلصانہ کاوشوں کے ذریعے اسلامی بینکنگ کی تعمیر، ترقی اور خوشحالی کے لیے اللہ تعالیٰ کی توفیق اور ہدایت کا طلب گار ہے۔

مفتی محمد نجیب خان

چیئر مین شریعی بورڈ

مفتی ذیشان عبدالعزیز

ممبر شریعی بورڈ

مفتی حسن اشرف عثمانی

ریزیڈنٹ شریعی بورڈ بورڈ ممبر

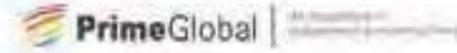
ہیڈ۔ شریعی کمپلائنس ڈپارٹمنٹ



**Naveed Zafar Ashfaq Jaffery & Co.**  
Chartered Accountants



**ANNUAL  
REPORT  
2019**



## INDEPENDENT AUDITORS' REPORT

To the members of Sindh Bank Limited

Report on the Audit of the Consolidated Financial Statements

### Opinion

We have audited the annexed consolidated financial statements of Sindh Bank Limited (the "Group", which consists of Sindh Bank Ltd and Sindh Microfinance Bank Ltd.), which comprise the consolidated statement of financial position as at December 31, 2019, the consolidated profit and loss account, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements including a summary of significant accounting policies and other explanatory information. The financial Statements of Sindh Microfinance Bank Ltd. (the subsidiary) were audited by another firm of Chartered Accountants who expressed an un-modified opinion dated February 28, 2020, and whose report has been furnished to us. Our opinion, in so far as it relates to the amounts included for the subsidiary, is based on the report of its auditors.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2019 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards statement as applicable in Pakistan.

### Basis for Opinion

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

### Key Audit Matters

Not applicable, being non-listed company.

### Information Other than the Unconsolidated and Consolidated Financial Statements and Auditors' Reports Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the unconsolidated and consolidated financial statements and auditors' reports thereon.

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

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

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

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

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

### Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

### Other Matters

Without qualifying Auditors' Report, we draw attention to Note 1.4 to the Financial Statements on the 'Going Concern' and concur with the management and Government of Sindh to make the Bank as a sustainable entity.

The engagement partner on the audit resulting in this independent auditors' report is Shah Naveed Saeed.

*Naveed Zafar Ashfaq Jaffery*

Place: Islamabad  
Date: 11 March, 2020

Naveed Zafar Ashfaq Jaffery & Co.  
Chartered Accountants



IN MEMORY OF SHAHED MOHTARMA BENSADR BHUTTO  
**SINDH BANK**  
**سندھ بینک**  
 POWER TO THE PEOPLE

**HOME REMITTANCE**  
 FASTEST AND RELIABLE WAY TO RECEIVE MONEY

**Sindh Bank offers unmatched outreach with its online branches in Pakistan to receive money from anywhere across the globe.**

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**CONSOLIDATED  
 FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED  
 DECEMBER 31, 2019**



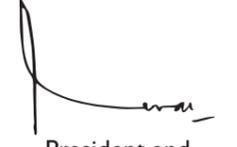
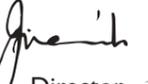
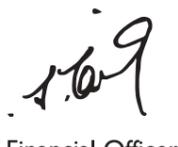
**Sindh Bank Limited**  
**Consolidated Statement of Financial Position**  
**As At December 31, 2019**

	Note	2019 (Rupees in '000)	2018
<b>ASSETS</b>			
Cash and balances with treasury banks	6	13,566,622	9,122,815
Balances with other banks	7	1,080,537	725,400
Lendings to financial institutions	8	3,645,392	5,383,162
Investments - net	9	65,012,547	54,700,066
Advances - net	10	61,981,026	74,138,210
Fixed assets	11	3,837,529	1,624,874
Intangible assets	12	43,213	52,940
Deferred tax assets - net	13	8,613,301	4,027,784
Other assets	14	3,885,945	5,927,974
		<b>161,666,112</b>	<b>155,703,225</b>
<b>LIABILITIES</b>			
Bills payable	15	495,010	929,426
Borrowings	16	4,992,284	26,771,698
Deposits and other accounts	17	134,085,796	113,640,900
Liabilities against assets subject to finance lease		-	-
Subordinated debt		-	-
Deferred tax liabilities		-	-
Other liabilities	18	4,876,235	3,035,284
		<b>144,449,325</b>	<b>144,377,308</b>
<b>NET ASSETS</b>		<b>17,216,787</b>	<b>11,325,917</b>
<b>REPRESENTED BY</b>			
Share capital - net	19	19,710,130	10,010,130
Reserves		1,486,892	1,473,850
Shares deposit money	20	2,000,000	-
Deficit on revaluation of assets	21	(1,780,577)	(4,181,968)
Accumulated (Loss) / Unappropriated profit		(4,199,658)	4,023,905
		<b>17,216,787</b>	<b>11,325,917</b>

**CONTINGENCIES AND COMMITMENTS**

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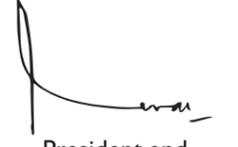
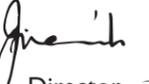
The annexed notes from 1 to 45 and form an integral part of these consolidated financial statements.

  
 Chairman  
  
 President and Chief Executive Officer  
  
 Director  
  
 Director  
  
 Chief Financial Officer

**Sindh Bank Limited**  
**Consolidated Profit and Loss Account**  
**For The Year Ended December 31, 2019**

	Note	2019 (Rupees in '000)	2018
Mark-up / Return / Interest Earned	23	12,453,826	12,583,461
Mark-up / Return / Interest Expensed	24	10,328,086	7,506,016
Net Mark-up / return / Interest Income		<b>2,125,740</b>	<b>5,077,445</b>
<b>Non mark-up / interest Income</b>			
Fee and Commission Income	25	303,709	328,167
Dividend Income		115,212	86,957
Foreign Exchange Income		158,692	87,365
Income / (loss) from derivatives		-	-
Gain / (Loss) on securities	26	(1,253,105)	(907,095)
Other Income	27	7,580	14,297
Total non-markup/interest Income		<b>(667,912)</b>	<b>(390,309)</b>
Total Income		<b>1,457,828</b>	<b>4,687,136</b>
<b>Non mark-up / interest Expenses</b>			
Operating expenses	28	5,096,610	4,582,749
Other charges	29	19,818	88,713
Total non-markup/interest expenses		<b>5,116,428</b>	<b>4,671,462</b>
(Loss) / Profit Before Provisions		<b>(3,658,600)</b>	<b>15,674</b>
Provisions and write offs - net	30	10,033,923	1,382,443
Extra ordinary / unusual items		-	-
<b>Loss before Taxation</b>		<b>(13,692,523)</b>	<b>(1,366,769)</b>
Taxation	31	(5,484,828)	(199,673)
<b>Loss after Taxation</b>		<b>(8,207,695)</b>	<b>(1,167,096)</b>
-----Rupees-----			
Basic Loss per share	32	<b>(7.95)</b>	<b>(1.17)</b>
Diluted Loss per share	33	<b>(7.95)</b>	<b>(1.17)</b>

The annexed notes from 1 to 45 and form an integral part of these consolidated financial statements.

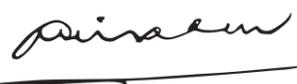
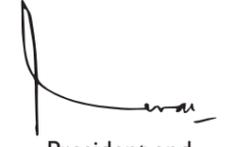
  
 Chairman  
  
 President and Chief Executive Officer  
  
 Director  
  
 Director  
  
 Chief Financial Officer



**Sindh Bank Limited**  
**Consolidated Statement of Comprehensive Income**  
**For The Year Ended December 31, 2019**

	2019	2018
	(Rupees in '000)	
Loss after taxation for the year	(8,207,695)	(1,167,096)
<b>Other comprehensive income</b>		
<b>Items that will not be reclassified to profit and loss account in subsequent periods:</b>		
Remeasurement gain / (loss) on defined benefit obligations - net of tax	(2,826)	(12,351)
	<u>(8,210,521)</u>	<u>(1,179,447)</u>
<b>Items that may be reclassified to profit and loss account in subsequent periods:</b>		
Movement in surplus / (deficit) on revaluation of investments - net of tax	2,401,391	(3,611,847)
<b>Total comprehensive (loss) / income</b>	<u>(5,809,130)</u>	<u>(4,791,294)</u>

The annexed notes from 1 to 45 and form an integral part of these consolidated financial statements.

  
 Chairman  
  
 President and Chief Executive Officer  
  
 Director  
  
 Director  
  
 Chief Financial Officer

**Sindh Bank Limited**  
**Consolidated Statement of Changes in Equity**  
**For The Year Ended December 31, 2019**

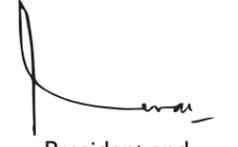
	Share Capital	Share Deposit Money	Capital Reserve		Depositors' protection fund reserve **	Surplus / (Deficit) on revaluation of assets	Unappropriated Profit / (Loss) ***	Total
			Share Premium	Statutory Reserve *				
	(Rupees in '000)							
Balance as at January 01, 2018	10,010,130	-	51	1,461,808	2,470	(570,121)	5,212,873	16,117,211
Loss for the year ended December 31, 2018	-	-	-	-	-	-	(1,167,096)	(1,167,096)
Other comprehensive income / (loss) - net of tax	-	-	-	-	-	(3,611,847)	(12,351)	(3,624,198)
Transfer to statutory reserve	-	-	-	7,617	-	-	(7,617)	-
Transfer to depositors' protection fund - 5% of the profit after tax for the year	-	-	-	-	1,904	-	(1,904)	-
<b>Balance as at December 31, 2018</b>	<u>10,010,130</u>	<u>-</u>	<u>51</u>	<u>1,469,425</u>	<u>4,374</u>	<u>(4,181,968)</u>	<u>4,023,905</u>	<u>11,325,917</u>
Loss for the year ended December 31, 2019	-	-	-	-	-	-	(8,207,695)	(8,207,695)
Other comprehensive income / (loss) - net of tax	-	-	-	-	-	2,401,391	(2,826)	2,398,565
Transfer to statutory reserve	-	-	-	10,434	-	-	(10,434)	-
Transfer to depositors' protection fund - 5% of the profit after tax for the year	-	-	-	-	2,608	-	(2,608)	-
Issue of Shares during the year	9,700,000	-	-	-	-	-	-	9,700,000
Shares deposit money	-	2,000,000	-	-	-	-	-	2,000,000
<b>Balance as at December 31, 2019</b>	<u>19,710,130</u>	<u>2,000,000</u>	<u>51</u>	<u>1,479,859</u>	<u>6,982</u>	<u>(1,780,577)</u>	<u>(4,199,658)</u>	<u>17,216,787</u>

\* 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 10.6.2 of these consolidated financial statements, unappropriated profit includes an amount of Rs.9,541.05 million net of tax as at December 31, 2019 (December 31, 2018: Rs. 5,568.16 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 45 and form an integral part of these consolidated financial statements.

  
 Chairman  
  
 President and Chief Executive Officer  
  
 Director  
  
 Director  
  
 Chief Financial Officer



**Sindh Bank Limited**  
**Consolidated Cash Flow Statement**  
**For The Year Ended December 31, 2019**

**CASH FLOW FROM OPERATING ACTIVITIES**

(Loss) / Profit before taxation  
Less: Dividend income

**Adjustments:**

Depreciation  
Amortisation  
Provision against non-performing loans and advances - net  
Reversal of general provision  
Provision for diminution in the value of investments - net  
Written-off operating fixed assets  
Charge for defined benefit plan  
Gain on sale of operating fixed assets

**(Increase) / decrease in operating assets**

Lendings to financial institutions  
Advances - net  
Other assets - net

**Increase / (decrease) in operating liabilities**

Bills payable  
Borrowings  
Deposits and other accounts  
Other liabilities (excluding current taxation)

Contribution to gratuity fund  
Income tax paid

**Net cash flow from operating activities**

**CASH FLOW FROM INVESTING ACTIVITIES**

Net investment in available-for-sale securities  
Net investment in held-to-maturity securities  
Dividend received  
Investments in operating fixed assets  
Sale proceeds of operating fixed assets disposed off  
**Net cash (used in) / from investing activities**

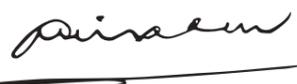
**CASH FLOW FROM FINANCING ACTIVITIES**

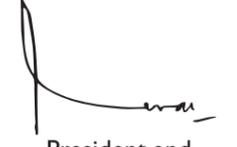
Shares deposit money  
Issue of share capital  
**Net cash from financing activities**

Increase in cash and cash equivalents  
**Cash and cash equivalents at the beginning of the year**  
**Cash and cash equivalents at the end of the year**

Note	2019 (Rupees in '000)	2018
	(13,692,523)	(1,366,769)
	(115,212)	(86,957)
	(13,807,735)	(1,453,726)
28	998,123	324,101
28	22,467	27,741
30	9,770,049	5,144,815
	-	(4,000,000)
30	261,781	235,402
	-	-
36.1.5	74,748	62,987
27	(1,358)	(4,968)
	11,125,810	1,790,078
	(2,681,925)	336,352
	1,737,770	(51,835)
	2,387,135	(10,231,295)
	2,062,751	(969,223)
	6,187,656	(11,252,353)
	(434,416)	24,003
	(21,779,414)	(24,199,476)
	20,444,896	(20,563,190)
	1,838,346	329,921
	69,412	(44,408,742)
	3,575,143	(55,324,743)
36.1.4	(76,741)	(71,446)
	(245,149)	(637,126)
	3,253,253	(56,033,315)
	(6,580,429)	53,230,820
	(479,014)	186,928
	127,294	101,410
	(3,224,577)	(366,754)
	2,417	5,506
	(10,154,309)	53,157,910
	2,000,000	-
	9,700,000	-
	11,700,000	-
	4,798,944	(2,875,405)
	9,848,215	12,723,620
34	14,647,159	9,848,215

The annexed notes from I to 45 and form an integral part of these consolidated financial statements.

  
Chairman

  
President and  
Chief Executive Officer

  
Director

  
Director

  
Chief Financial Officer

**Sindh Bank Limited**  
**Notes to the Consolidated Financial Statements**  
**For The Year Ended December 31, 2019**

**I. STATUS AND NATURE OF BUSINESS**

The "Group" consists of:

**I.1 Holding Company**

**I.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 330 (2018: 330) branches including 8 (2018: 8) sub-branches and 14 (2018: 14) Islamic banking branches in Pakistan. The Bank's registered office is located at 3rd floor, Federation House, Abdullah Shah Ghazi Road, Clifton, Karachi, Pakistan.

**I.1.2** The Government of Sindh, through its Finance Department owns 99.95% ordinary shares of the Bank.

**I.1.3** VIS Credit Rating Company Limited has revised the Bank's medium to long term entity rating from 'AA' (Double A) to A+ (Single A Plus) and short term rating from 'A-I+' (A-One plus) to A-I (A-one) with stable outlook in its report dated July 05, 2019.

**I.2 Subsidiary company**

**I.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 30, 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 17 (2018: 13) branches and 58 (2018: 40) services centers. The Bank holds 99.99% shares of the Microfinance Bank and remaining shares are held by the nominees of the Bank.

**I.3 Going Concern**

**I.3.1** During the year 2019, the Group suffered losses, arising mainly due to decrease in net interest income, losses on sale of investments and provisioning against non-performing loans. To address any material uncertainty posed by rising NPLs and low operating income vis a vis the group's operating expenses, the management is working on a Business Viability Plan approved by its Board of Directors. The Plan aims to make the Group a viable, self-sustaining institution going forward by focussing on the following areas:

- Strengthening Bank's Capital-With the injection of Rs. 11.7 billion by the Government of Sindh, in Bank's Common Equity (Tier I) during the year, the Bank has achieved compliance with regulatory CAR on December 31, 2019. Going forward, the completion of merger of Sindh Leasing Company Limited with and into Sindh Bank will further augment Bank's capital base and adequacy. This is expected to be completed in the first half of 2020.
- Improving Business Volumes and Profitability-This will involve the Bank taking pro-active measures to:
  - i. increase fee-based income from mainly trade-related business;
  - ii. mobilizing cost effective (CASA) deposits;
  - iii. launching new asset products in the Consumer and SME segments;
  - iv. concerted efforts for recovery and reduction of Non-Performing Loans-Special Assets Management Division (SAM) has been established to pursue recovery and undertake remedial measures for reducing NPLs, including negotiated settlement(s) with major borrowers/group(s); and
  - v. other cost rationalization measures;
- Strengthening the Group's Governance, Risk and Control environment.



The management is confident that barring any unforeseen contingencies, the Bank Insha'Allah be able to stage a turn-around. The Government of Sindh, Bank's major shareholder holding 99.95 percent of the Bank's equity is fully committed to supporting the Group, whenever required.

**1.3.2** The State Bank of Pakistan (SBP) granted license to the Bank to conduct banking business subject to certain conditions which inter alia included that the Bank will 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 2016, the Bank initiated the process of listing of its shares on Pakistan Stock Exchange (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 was put on hold as the Government of Sindh (sole sponsor of Sindh Bank Limited) and the majority shareholders / sponsors of Summit Bank Limited agreed in principle, to consider a merger of the two institutions, with the Bank being the surviving entity. However the matter suffered significant delays for various reasons, with the first exercise being carried out on the basis of due diligence of 2016 audited financials and the latest being based on due diligence of 2017 financial statements, where after the Board of Directors and Shareholders of both the Banks approved the merger during August 2018. Approval of Sindh Cabinet, a pre-requisite for sanction by the State Bank of Pakistan, was sought, but was not received. Subsequently, due to financial condition of Summit Bank requiring a much higher capital injection and the Group's own concerns about meeting the Capital Adequacy Ratio, the Board of Directors of Sindh Bank in their 65th meeting held on April 02, 2019 considered it advisable not to pursue the merger.

Due to the present negative sentiments on the PSX and the negative publicity surrounding the Bank, listing of the Bank will remain on hold pending Regulator's guidance on the matter.

## 2. BASIS OF PRESENTATION

**2.1** These consolidated financial statements have been prepared in conformity with the format of financial statements prescribed by the State Bank of Pakistan (SBP) vide BPRD Circular No. 02, dated 25 January 2018. These consolidated financial statements represent separate financial statements of the Group.

**2.2** 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 Act, 2017.

## 3. STATEMENT OF COMPLIANCE

**3.1** 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 as are notified under the Companies Act 2017, Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the Companies Act 2017, provisions of and directives issued under the Companies Act 2017 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 of Banking Companies Ordinance 1962, the Companies Act 2017 or the directives issued by SBP and SECP differ with the requirements of IFRS or IFAS, the requirements of Companies Act 2017, the Banking Companies Ordinance, 1962 and the directives issued by the SBP and SECP shall prevail.

**3.2** The SBP vide BSD Circular No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, Financial Instruments: Recognition and Measurement (IAS 39) and International Accounting Standard 40, Investment Property (IAS 40) for Banking companies till further instructions. Further, according to the notification of the Securities and Exchange Commission of Pakistan (SECP) dated April 28, 2008, the IFRS - 7 "Financial Instruments:

Disclosures" has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.

SECP has notified IFAS 3, 'Profit and Loss Sharing on Deposits' issued by the ICAP. IFAS 3 shall be followed with effect from the financial periods beginning on or after 01 January 2014 in respect of accounting for transactions relating to 'Profit and Loss Sharing on Deposits' as defined by the said standard. The standard had resulted in certain new disclosures in the financial statements of the Group. However SBP through BPRD Circular Letter No. 4 dated 25 February 2015, has deferred the applicability of IFAS 3 till further instructions and prescribed the Group to prepare their annual and periodical financial statements as per existing prescribed formats issued vide BPRD Circular 02 of 2018, as amended from time to time.

SECP, vide its SRO 56(I) 2016 dated January 28, 2016, has notified that requirements of IFRS 10 and section 228 of Company Act 2017 will not be applicable with respect to investment in mutual funds established trust structure.

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

The Group have adopted "IFRS 15 Revenue from Contracts with Customers "and" IFRS 16 Leases" effective 01 January 2019. IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. The Group have adopted IFRS 15 from 01 January 2019. The timing or amount of income from contracts with customers was not impacted by the adoption of IFRS 15, accordingly, the adoption of this standard has no material impact in these consolidated financial statements. The impact of adoption of IFRS 16 on the Group's consolidated financial statements is disclosed in note 5.1.

### 3.4 Standards, interpretations and amendments to published accounting and reporting standards that are relevant but not yet effective:

The following standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard / amendment, or interpretation and are not early adopted by the Group:

Standard or Interpretation or Amendments	Effective date (annual periods beginning on or after)
IAS 1 - Presentation of Financial Statements (Amendments)	January 01, 2020
IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors (Amendments)	January 01, 2020
IFRS 3 - Business Combination - (Amendments)	January 01, 2020
IFRS 9 - Financial Instruments: Classification and Measurement	January 01, 2021

IFRS 9: 'Financial Instruments' addresses recognition, classification, measurement and derecognition of financial assets and financial liabilities. The standard has also introduced a new impairment model for financial assets which requires recognition of impairment charge based on an 'Expected Credit Losses' (ECL) approach rather than the 'incurred credit losses' approach. The ECL has impact on all assets of the Group which are exposed to credit risk. The Group is in the process of assessing the full impact of this standard.

The SECP, through SRO 229(I)/2019 dated 14 February, 2019, has notified that IFRS 9, Financial Instruments, is applicable for accounting period ending on or after June 30, 2019. However, as per SBP, BPRD Circular No.04 of 2019 dated 23 October, 2019 of SBP, effective date of IFRS 9 implementation is January 01, 2021.

There are certain new and amended standards and interpretations that are mandatory for the Group's accounting periods beginning on or after 01 January 2020 but are considered not to be relevant or will not have any significant effect on the Group's operations and are therefore not detailed in these financial statements.



#### 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 and certain employee benefits and investments which are measured on present value basis.

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the Group operates. The 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:

- classification and impairment against investments (notes 5.4 and 30);
- classification and provision against advances (notes 5.5 and 30);
- depreciation and amortization / useful lives of operating fixed assets (notes 5.6, 5.7, 11 and 12);
- taxation (note 5.9);
- staff retirement and other benefits (note 5.10);
- fair value of derivatives (note 5.18); and
- judgements made by management in identification and reporting segment information (note 40).

#### 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

##### 5.1 Change in accounting policies

For the year ended December 31, 2019, IFRS 16- Leases became applicable to the Group. IFRS 16 replaces existing guidance on accounting for leases, including IAS 17, Leases, IFRIC 4, Determining whether an arrangement contains a Lease, SIC-15, Operating Leases - Incentive, and SIC -27, Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 introduces an on-balance sheet lease accounting model for leases entered by the lessee. A lessee recognizes a right -of-use asset representing its right of using the underlying asset and a corresponding lease liability representing its obligations to make lease payments. Lessor accounting remains similar to the current standard i.e lessors continue to classify leases as either finance or operating leases.

The Group has adopted IFRS 16 from January 1, 2019 using the modified retrospective restatement approach and has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard.

On adoption of IFRS 16, the Group has recognised liabilities in respect of leases which had previously been classified as operating leases under IAS 17. These liabilities were initially measured at the present value of the remaining lease payments, discounted using the Group's incremental weighted average borrowing rate of 12% per annum at January 01, 2019. The lease liability is subsequently measured at amortised cost using the effective interest rate method.

December 31,  
 2019  
 (Rs. in 000)  
**2,328,843**

##### Total lease liability recognised

On adoption of IFRS 16, the associated right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of prepaid lease payments recognised in the consolidated statement of financial position adjusted by the amount of prepaid lease payments recognised in the consolidated statement of financial position immediately before the date of initial application.

The right-of-use assets recognised subsequent to the adoption are measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred. The right-of-use assets are depreciated on a straight line basis over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The right-of-use assets are reduced by impairment losses, if any, and adjusted for certain remeasurements of lease liability.

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

Land and Building

December 31,  
 2019  
 (Rs. in 000)  
**2,228,609**

The effect of this change in accounting policy is as follows

##### Impact on consolidated Condensed Interim Statement of Financial Position

Increase in fixed assets - right-of-use assets	2,228,609
(Decrease) in other assets - advances, deposits, advance rent and other prepayments	(67,545)
Increase in other assets - advance taxation	65,034
Increase in total assets	2,226,098
Increase in other liabilities - lease liability against right-of-use assets	2,328,843
(Decrease) / increase in net assets	(102,745)

##### Impact on consolidated Profit and Loss account

Increase in mark-up expense - lease liability against right-of-use assets	(300,635)
(Increase) / decrease in administrative expenses:	
- Depreciation on right-of-use assets	(677,877)
- Rent expense	810,733
Decrease in profit before tax	(167,779)
Decrease in tax	65,034
Decrease in profit after tax	(102,745)

Loss per share for the year ended December 31, 2019 is Rs 0.10 per share higher as a result of the adoption of IFRS 16.

While implementing IFRS 16, the Group have used a single discount rate methodology for a portfolio of leases with similar characteristics. The Group has opted not to recognise right-of-use assets for leases of low value. The payments associated with such leases are recognised as an expense on a straight line basis over the lease term.

##### 5.2 Cash and cash equivalents

Cash and cash equivalents include cash and balances with treasury banks and balances with other banks in current and deposit accounts, excluding any term deposits with original term of greater than three months.

##### 5.3 Lending to / borrowing from Financial Institutions

The Group enters into transactions of borrowings (repurchase) from and lending (reverse repurchase) to financial institutions at contracted rates for a specified period of time. These are reported as under :



### 5.3.1 Repurchase / resale agreements

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

Securities sold subject for 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 accrued over the period of the agreement using the effective interest rate method and recorded as expense.

#### b) Purchase of securities under resale agreement (reverse repo)

Securities purchased under agreements for resale (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 return income over the period of the agreement using the effective interest rate method.

### 5.3.2 Bai Maujjal

In Bai Maujjal, 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 recognised over the credit period and recorded as income.

### 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 prices, interest rate movements, dealer's 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, other than that in subsidiary which do not fall under the held-for-trading and held-to-maturity categories.

### 5.4.1 Initial measurement

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.

### 5.4.2 Subsequent measurement

#### Held-for-trading

Investment classified as held-for-trading are measured on subsequent reporting dates at fair value. Gain and losses on remeasurement are included in the profit and loss accounts.

#### Held-to-maturity

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.

#### Available-for-sale

Quoted securities classified as available-for-sale investments are measured on subsequent reporting dates at fair value. Any surplus / deficit arising thereon is kept other comprehensive income and taken to the profit and loss account when actually realised upon disposal or when the investment is considered to be impaired.

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.

### 5.4.3 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 cost, except when uncertain circumstances such as material market volatility, uncertainty and other market impacting external events, in which cases, a higher percentage is also considered by the management for determination of what is presumed as significant decline. 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.

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

### 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.

#### Ijarah Financing

Applying 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

In Musharakah based financing, the Group enters into Musharakah for financing an agreed share of fixed assets with its customer and enters into periodic profit payment agreement for the utilization of the Groups Musharakah share by the customer. Specific and general provisions are made in accordance with the requirement 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 are 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 to these consolidated 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 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.

### 5.7 Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Amortisation 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 amortisation method are reviewed and adjusted, if appropriate, at each date of consolidated statement of financial position.

### 5.8 Impairment of 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.

### 5.9 Taxation

Taxation (Income tax) expense relates to current and 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 differences 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

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.

### 5.10 Staff retirement and other benefits

#### a) Defined contribution plan

The Group operates recognised funded contributory provident fund for all its permanent employees to which equal contributions at the rate of 10 percent (2017: 10 percent) 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 plan

The Group operates recognised funded 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 Group 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.

### 5.11 Acceptances

Acceptances comprise of undertakings made by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be simultaneously settled with reimbursement from the customers. Acceptances are accounted for as on-balance sheet transactions and are reported in "other assets" and "other liabilities" simultaneously.

### 5.12 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.

### 5.13 Revenue recognition

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

**5.13.1** Mark-up / return / interest on loans and advances and return on investments are recognized on a time proportion basis using the effective interest rate method except that mark-up / return / interest 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 of maturity.

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

**5.13.3** Fees, brokerage and commission on letters of credit / guarantees and other is accrued and is recognized on time proportion basis.

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

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



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

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

**5.14 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.

**5.15 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.

**5.16 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 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.

**5.17 Foreign currency translation**

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

**5.18 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 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 consolidated profit and loss account.

**5.19 Offsetting**

Financial assets and financial liabilities are set off and the net amount is reported in the consolidated financial statements only when the Group have 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.

**5.20 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.

**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 (Treasury)**

Its includes fixed income, equity, foreign exchanges, 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 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 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 consolidated profit and loss account is stated net of expected recoveries.

**6 CASH AND BALANCES WITH TREASURY BANKS**

**In hand**

Local currency  
 Foreign currency

**With State Bank of Pakistan (SBP) in**

Local currency current accounts  
 Foreign currency current accounts  
**Foreign currency deposit accounts**  
 - Non Remunerative  
 - Remunerative

**With National Bank of Pakistan in**

Local currency current accounts  
 Local currency deposit accounts

Prize bonds

Note	2019 (Rupees in '000)	2018
	<b>3,083,197</b>	2,547,631
	<b>208,051</b>	207,746
	<b>3,291,248</b>	2,755,377
	<b>7,801,629</b>	4,545,398
6.1	<b>14,725</b>	94,098
6.2	<b>77,503</b>	110,466
6.3	<b>218,619</b>	305,921
6.4	<b>8,112,476</b>	5,055,883
	<b>1,854,468</b>	1,120,231
	<b>190,002</b>	189,094
	<b>2,044,470</b>	1,309,325
	<b>118,428</b>	2,230
34	<b>13,566,622</b>	9,122,815



- 6.1 This represents the cash reserve required to be maintained with SBP as per the requirement of Section 22 of the Banking Companies Ordinance, 1962.
- 6.2 This represents US Dollar Settlement Account maintained with SBP.
- 6.3 This represents foreign currency (FCY) cash reserve maintained with SBP to comply with statutory reserve requirement applicable to Group's FCY deposits.
- 6.4 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 period, the SBP has declared profits in the range of 0.70% to 1.50% (2018 : 0.56% to 1.35%) per annum.

7	BALANCES WITH OTHER BANKS	Note	2019		2018	
			(Rupees in '000)			
	<b>In Pakistan</b>					
	In current accounts		29,732		30,919	
	In savings account	7.1	263,736		263,236	
			<b>293,468</b>		<b>294,155</b>	
	<b>Outside Pakistan</b>					
	In current accounts	7.2	787,069		431,245	
			<b>1,080,537</b>		<b>725,400</b>	

- 7.1 This includes savings account with commercial banks and microfinance banks carrying mark-up ranging from 10.00% to 13.75% (2018: 8.00%) per annum.
- 7.2 This includes Rs.413.018 (2018: Rs.141.07) million held in Automated Investment Plans. This balance is current in nature and in case this balance goes above a specified amount, the Group is entitled to earn interest from the correspondent banks at the agreed rates.

8	LENDINGS TO FINANCIAL INSTITUTIONS	Note	2019		2018	
			(Rupees in '000)			
	Repurchase agreement lendings (Reverse Repo)	8.2 & 8.3	3,645,392		5,383,162	
			<b>3,645,392</b>		<b>5,383,162</b>	
8.1	<b>Particulars of lending</b>					
	In local currency		3,645,392		5,383,162	
	In foreign currencies		-		-	
			<b>3,645,392</b>		<b>5,383,162</b>	

- 8.2 This represents resale agreement lending to commercial banks and DFIs carrying mark-up in the range of 13.05% to 13.35% (2018 : 10.30% to 12.50%) per annum maturing on January 02, 2020 (2018: January 02, 2019 to January 14, 2019).

8.3 Securities held as collateral against Lending to financial institutions

	2019			2018		
	Held by Bank	Further given as collateral	Tota	Held by Bank	Further given as collateral	Total
	(Rupees in '000)					
Market Treasury Bills	3,643,328	-	3,643,328	1,498,743	-	1,498,743
Pakistan Investment Bonds	-	-	-	2,884,673	-	2,884,673
Shares	-	-	-	1,792,348	-	1,792,348
<b>Total</b>	<b>3,643,328</b>	<b>-</b>	<b>3,643,328</b>	<b>6,175,764</b>	<b>-</b>	<b>6,175,764</b>

9. INVESTMENTS

9.1 Investments by types

	2019				2018			
	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
(Rupees in '000)								
<b>Available-for-sale securities</b>								
Federal Government Securities								
Pakistan Investment Bonds	23,640,034	-	(2,603,000)	21,037,034	33,517,406	-	(5,737,539)	27,779,867
Market Treasury Bills	21,921,061	-	(22,903)	21,898,158	4,887,658	-	(391)	4,887,267
Government of Pakistan - Ijarah Sukuk	500,000	-	(5,000)	495,000	920,378	-	(8,866)	911,512
Shares								
Listed	2,589,037	(357,940)	(231,757)	1,999,340	2,748,032	(243,212)	(556,827)	1,947,993
Unlisted	100,000	-	-	100,000	100,000	-	-	100,000
Non-government debt securities								
Term finance certificates listed	-	-	-	-	99,800	-	25	99,825
Sukuk certificates	192,856	-	6,920	199,776	289,285	-	8,813	298,098
Mutual funds	915,049	(20,646)	(63,236)	831,167	715,049	-	(139,010)	576,039
	<b>49,858,037</b>	<b>(378,586)</b>	<b>(2,918,976)</b>	<b>46,560,475</b>	<b>43,277,608</b>	<b>(243,212)</b>	<b>(6,433,795)</b>	<b>36,600,601</b>
<b>Held-to-maturity securities</b>								
Federal Government Securities								
Pakistan Investment Bonds	16,798,258	-	-	16,798,258	16,822,905	-	-	16,822,905
Market Treasury Bills	19,095	-	-	19,095	-	-	-	-
Preference Shares - Unlisted	77,708	-	-	77,708	77,708	-	-	77,708
Term Deposits Accounts	600,000	-	-	600,000	100,000	-	-	100,000
Non-government debt securities								
Term finance certificates listed	224,235	-	-	224,235	224,235	-	-	224,235
Term finance certificates unlisted	859,183	(126,407)	-	732,776	874,617	-	-	874,617
	<b>18,578,479</b>	<b>(126,407)</b>	<b>-</b>	<b>18,452,072</b>	<b>18,099,465</b>	<b>-</b>	<b>-</b>	<b>18,099,465</b>
<b>Total Investments</b>	<b>68,436,516</b>	<b>(504,993)</b>	<b>(2,918,976)</b>	<b>65,012,547</b>	<b>61,377,073</b>	<b>(243,212)</b>	<b>(6,433,795)</b>	<b>54,700,066</b>

9.2 Investments by segments

	2019				2018			
	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
(Rupees in '000)								
<b>Federal Government Securities</b>								
Pakistan Investment Bonds	40,438,292	-	(2,603,000)	37,835,292	50,340,311	-	(5,737,539)	44,602,772
Market Treasury Bills	21,940,156	-	(22,903)	21,917,253	4,887,658	-	(391)	4,887,267
Government of Pakistan - Ijarah Sukuk	500,000	-	(5,000)	495,000	920,378	-	(8,866)	911,512
	<b>62,878,448</b>	<b>-</b>	<b>(2,630,903)</b>	<b>60,247,545</b>	<b>56,148,347</b>	<b>-</b>	<b>(5,746,796)</b>	<b>50,401,551</b>
<b>Shares</b>								
Listed companies	2,589,037	(357,940)	(231,757)	1,999,340	2,748,032	(243,212)	(556,827)	1,947,993
Unlisted companies	177,708	-	-	177,708	177,708	-	-	177,708
	<b>2,766,745</b>	<b>(357,940)</b>	<b>(231,757)</b>	<b>2,177,048</b>	<b>2,925,740</b>	<b>(243,212)</b>	<b>(556,827)</b>	<b>2,125,701</b>
<b>Non-government debt securities</b>								
Term finance certificates - listed	224,235	-	-	224,235	324,035	-	25	324,060
Term finance certificates - unlisted	859,183	(126,407)	-	732,776	874,617	-	-	874,617
Sukuk certificates	192,856	-	6,920	199,776	289,285	-	8,813	298,098
	<b>1,276,274</b>	<b>(126,407)</b>	<b>6,920</b>	<b>1,156,787</b>	<b>1,487,937</b>	<b>-</b>	<b>8,838</b>	<b>1,496,775</b>
<b>Mutual Funds</b>								
Open ended	816,049	(20,646)	(76,646)	718,757	616,049	-	(147,920)	468,129
Islamic funds - REIT	99,000	-	13,410	112,410	99,000	-	8,910	107,910
	<b>915,049</b>	<b>(20,646)</b>	<b>(63,236)</b>	<b>831,167</b>	<b>715,049</b>	<b>-</b>	<b>(139,010)</b>	<b>576,039</b>
<b>Others</b>								
Term deposits accounts	600,000	-	-	600,000	100,000	-	-	100,000
<b>Total Investments</b>	<b>68,436,516</b>	<b>(504,993)</b>	<b>(2,918,976)</b>	<b>65,012,547</b>	<b>61,377,073</b>	<b>(243,212)</b>	<b>(6,433,795)</b>	<b>54,700,066</b>



9.3 Investments given as collateral	Note	2019	2018
		(Rupees in '000)	
<b>Federal government securities</b>			
Pakistan Investment Bonds		2,574,477	25,553,017
Market Treasury Bills		-	-
		<u>2,574,477</u>	<u>25,553,017</u>
<b>9.4 Provision for diminution in value of investments</b>			
<b>9.4.1 Opening balance</b>		243,212	7,810
<b>Charge / reversals</b>			
Charge for the year		261,781	235,402
Reversals for the year		-	-
Reversal on disposals		-	-
Transfers - net		261,781	235,402
Amounts written off		-	-
Closing Balance		<u>504,993</u>	<u>243,212</u>

Current year impairment on investments was recorded where a decline of thirty percent or more in market value of investment was reported (refer note 5.4).

**9.4.2 Particulars of provision against debt / equity securities**

Category of classification	2019		2018	
	Non performing investments	Provision	Non performing investments	Provision
<b>Domestic</b>	----- (Rupees in '000) -----			
Other assets especially mentioned	-	-	-	-
Substandard	-	-	-	-
Doubtful	514,344	126,407	-	-
Loss	378,586	378,586	243,212	243,212
Total	<u>892,930</u>	<u>504,993</u>	<u>243,212</u>	<u>243,212</u>

**9.5 Quality of Available for Sale Securities**

Details regarding quality of Available for Sale (AFS) securities

Federal Government Securities - Government guaranteed	Note	2019	2018
		----- Cost ----- (Rupees in '000)	
Pakistan Investment Bonds		23,640,034	33,517,406
Market Treasury Bills	9.2	21,921,061	4,887,658
Government of Pakistan - Ijarah Sukuk	9.2	500,000	920,378
		<u>46,061,095</u>	<u>39,325,442</u>

**Shares - Listed Companies**

Refinery  
 Fertilizer  
 Cement  
 Power Generation & Distribution  
 Oil & Gas Marketing Companies  
 Commercial Banks  
 Inv.Banks/Inv.Cos./Securities Cos.

**Unlisted Companies**

Insurance  
**Other investments (Mutual Funds & Sukuk Certificates)**  
 AAA, AA, A / AM2 /RR1  
 AM2++

**Equity Securities - Listed Companies**

Pakistan Refinery Limited  
 Fauji Fertilizer Company Limited  
 Fauji Fertilizer Bin Qasim Limited  
 Fatima Fertilizer Company Limited  
 Thatta Cement Company Limited  
 Nishat Chunian Power Limited  
 Hub Power Company Limited  
 Sui Southern Gas Company Limited  
 Sui Northern Gas Pipelines Limited  
 Summit Bank Limited  
 National Bank of Pakistan  
 MCB Bank Limited  
 Silk Bank Limited

Note	2019	2018
	----- Cost ----- (Rupees in '000)	
	7,682	7,682
	618,582	814,987
	63,745	63,745
	201,513	260,919
	737,303	630,198
	960,212	970,501
	-	-
	<u>2,589,037</u>	<u>2,748,032</u>
	100,000	100,000
	407,905	604,134
	700,000	500,000
	<u>1,107,905</u>	<u>1,104,134</u>
	<u>49,858,037</u>	<u>43,277,608</u>
	7,682	7,682
	387,761	387,761
	165,819	362,224
	65,002	65,002
	63,745	63,745
	117,411	176,816
	84,103	84,103
	429,641	357,420
	307,662	272,778
	305,509	305,509
	343,450	421,540
	184,602	157,707
	126,649	85,743
	<u>2,589,036</u>	<u>2,748,032</u>



	2019		2018	
	Cost	Break-up value	Cost	Break-up value
----- (Rupees in '000) -----				
<b>Unlisted Companies</b>				
TPL Life Insurance Limited	100,000	30,371	100,000	28,853
----- (Rupees in '000) -----				
		2019	2018	
----- Cost -----				
----- (Rupees in '000) -----				
<b>9.6 Particulars relating to Held to Maturity securities</b>				
<b>Federal Government Securities - Government guaranteed</b>				
Pakistan Investment Bonds		16,798,258	16,822,905	
Market Treasury Bills		19,095	-	
<b>Preference Shares - Unlisted Company</b>				
Al-Arabia Sugar Mills Ltd		77,708	77,708	
<b>Non Government Debt Securities</b>				
<b>Listed</b>				
Un-rated / BBB- (SO) / A-(SO)		224,235	224,235	
<b>Un-listed</b>				
AA, A-		344,839	344,931	
Unrated		514,344	529,686	
		859,183	874,617	
<b>Term deposit accounts</b>				
Microfinance Banks		600,000	100,000	
		18,578,479	18,099,465	

9.6.1 The market value of securities classified as held-to-maturity as at December 31, 2019 amounted to Rs. 17,659.34 million (December 31, 2018: Rs. 15,869.70 million).

## 10 ADVANCES- NET

	Note	Performing		Non Performing		Total	
		2019	2018	2019	2018	2019	2018
----- (Rupees '000) -----							
<b>Loans, cash credits, agriculture, running finances etc.</b>							
In Pakistan		33,577,570	40,968,909	33,820,880	24,867,024	67,398,450	65,835,933
<b>Commodity finance</b>							
In Pakistan	10.2	7,020,595	9,463,078	-	-	7,020,595	9,463,078
<b>Islamic financing and related assets</b>							
Diminishing musharakah financing	10.3	1,790,039	2,271,898	-	-	1,790,039	2,271,898
Murabaha Financing	10.4	644,525	737,746	-	-	644,525	737,746
Ijarah financing under IFAS 2	10.5	61,542	61,323	-	-	61,542	61,323
		43,094,271	53,502,954	33,820,880	24,867,024	76,915,151	78,369,978
<b>Bills discounted and purchased (excluding market treasury bills)</b>							
Payable in Pakistan		369,077	1,302,457	-	-	369,077	1,302,457
Payable outside Pakistan		6,825	9,261	3,405	3,405	10,230	12,666
		375,902	1,311,718	3,405	3,405	379,307	1,315,123
<b>Advances - gross</b>	10.1	43,470,173	54,814,672	33,824,285	24,870,429	77,294,458	79,685,101
<b>Provision for non-performing advances</b>							
- Specific provision		-	-	15,303,290	5,539,001	15,303,290	5,539,001
- General provision against consumer and small enterprise advances		10,142	7,890	-	-	10,142	7,890
- General provision		-	-	-	-	-	-
		10,142	7,890	15,303,290	5,539,001	15,313,432	5,546,891
<b>Advances - Net of Provision</b>		43,460,031	54,806,782	18,520,995	19,331,428	61,981,026	74,138,210

2019      2018  
 (Rupees in '000)

### 10.1 Particulars of advances (Gross)

In local currency	77,294,458	79,685,101
In foreign currencies	-	-
	<u>77,294,458</u>	<u>79,685,101</u>

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

2019      2018  
 (Rupees in '000)

### 10.3 Diminishing musharakah financing

Advance against musharakah	-	-
Diminishing musharakah	1,790,039	2,271,898
	<u>1,790,039</u>	<u>2,271,898</u>



	Note	2019		2018	
		(Rupees in '000)		(Rupees in '000)	
<b>10.4 Murabaha Financing</b>					
Murabaha receivable - Gross		466,102	600,168		
Inventory for Murabaha		15,088	-		
Less : Deferred income		(36,577)	(31,372)		
		<u>444,613</u>	<u>568,796</u>		
Advance against Murabaha financing		<u>199,912</u>	<u>168,950</u>		
		<u>644,525</u>	<u>737,746</u>		
<b>10.5 Ijarah financing under IFAS 2</b>					
Net book value of assets	10.5.1	61,542	60,239		
Advance against Ijarah financing		-	1,084		
		<u>61,542</u>	<u>61,323</u>		

**10.5.1 Particulars of assets under Ijarah**

	2019							
	Cost			Accumulated depreciation			Book value As at December 31	Rate of depreciation %
	As at January 01	Additions/ Settled	As at December 31	As at January 01	Charge/ settled	As at December 31		
	(Rupees in '000)							
Vehicle	76,000	(12,906)	63,094	27,088	(12,474)	14,614	48,480	Over the Ijarah period
Plant and machinery	27,605	20,395	48,000	16,278	18,660	34,938	13,062	
<b>Total</b>	<b>103,605</b>	<b>7,489</b>	<b>111,094</b>	<b>43,366</b>	<b>6,186</b>	<b>49,552</b>	<b>61,542</b>	
	(Rupees in '000)							
	2018							
	Cost			Accumulated depreciation			Book value As at December 31	Rate of depreciation %
	As at January 01	Additions	As at December 31	As at January 01	Charge/ settled	As at December 31		
	(Rupees in '000)							
Vehicle	90,156	(14,156)	76,000	23,722	3,366	27,088	48,912	Over the Ijarah period
Plant and machinery	27,605	-	27,605	7,760	8,518	16,278	11,327	
<b>Total</b>	<b>117,761</b>	<b>(14,156)</b>	<b>103,605</b>	<b>31,482</b>	<b>11,884</b>	<b>43,366</b>	<b>60,239</b>	

**10.5.2 Future Ijarah payments receivable**

	2019	2018
	(Rupees in '000)	
Not later than one year	32,032	30,729
Later than one year and not later than five years	29,510	29,510
	<u>61,542</u>	<u>60,239</u>

**10.6** Advances include Rs.33,824.28 (2018: Rs. 24,870.42) million which have been placed under non-performing status as detailed below:

Category of Classification	Note	2019		2018	
		Non performing loans	Provision	Non performing loans	Provision
		(Rupees in '000)			
<b>Domestic</b>					
Other Assets Especially Mentioned	10.6.1	584,145	-	217,105	-
Substandard		2,017,633	235,056	8,000,207	510,763
Doubtful		1,514,953	187,564	9,092,679	404,879
Loss		29,707,554	14,880,670	7,560,438	4,623,359
<b>Total</b>		<u>33,824,285</u>	<u>15,303,290</u>	<u>24,870,429</u>	<u>5,539,001</u>

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

**10.6.2** The Group has availed the benefit of forced sale value (FSV) on plant and 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 the State Bank of Pakistan. Had the benefit not been taken by the Group, specific provision against non-performing advances would have been higher by Rs.15,641.06 (2018: Rs.8,566.40) million. The resultant increase in profit due to FSV benefit taken will not be available for distribution as cash and stock dividend to shareholders.

**10.6.3 Particulars of provision against advances**

	2019			2018		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
Opening balance	5,539,001	7,890	5,546,891	397,624	4,004,621	4,402,245
Exchange adjustments	-	-	-	-	-	-
Charge for the year	9,985,535	2,454	9,987,989	5,089,800	3,269	5,093,069
Reversals	(356,792)	(202)	(356,994)	(22,291)	(4,000,000)	(4,022,291)
	<u>9,628,743</u>	<u>2,252</u>	<u>9,630,995</u>	<u>5,067,509</u>	<u>(3,996,731)</u>	<u>1,070,778</u>
Amounts charged off - agriculture loans	139,054	-	139,054	73,700	-	73,700
Net charge / (reversal) during the year	<u>9,767,797</u>	<u>2,252</u>	<u>9,770,049</u>	<u>5,141,209</u>	<u>(3,996,731)</u>	<u>1,144,478</u>
Amounts written off	(3,508)	-	(3,508)	168	-	168
<b>Closing balance</b>	<u>15,303,290</u>	<u>10,142</u>	<u>15,313,432</u>	<u>5,539,001</u>	<u>7,890</u>	<u>5,546,891</u>

**10.6.3.1 Particulars of provision against advances**

	2019			2018		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
In local currency	15,303,290	10,142	15,313,432	5,539,001	7,890	5,546,891
In foreign currencies	-	-	-	-	-	-
	<u>15,303,290</u>	<u>10,142</u>	<u>15,313,432</u>	<u>5,539,001</u>	<u>7,890</u>	<u>5,546,891</u>

**10.6.3.2** General provision against consumer loans represents provision maintained at an amount equal to 1% (2018: 1%) of the fully secured performing portfolio and 4% (2018: 4%) 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 0% (2018: 0%) of the fully secured performing portfolio and 1% of the unsecured performing portfolio as required by the Prudential Regulations issued by SBP.



II FIXED ASSETS	Note	2019		2018	
		(Rupees in '000)		(Rupees in '000)	
Capital work-in-progress	11.1	21,495	10,927		
Property and equipment	11.2	1,587,425	1,613,947		
Right of use assets	11.5	2,228,609	-		
		<b>3,837,529</b>	<b>1,624,874</b>		
<b>11.1 Capital work-in-progress</b>					
Equipment		362	2,334		
Advances to suppliers		21,133	8,593		
		<b>21,495</b>	<b>10,927</b>		

**11.2 Property and Equipment**

	2019				
	Lease hold improvements	Furniture and fixture	Computer and office equipment	Vehicle	Total
	(Rupees in '000)				
<b>At January 1, 2019</b>					
Cost / Revalued amount	1,204,164	519,189	1,506,083	312,883	3,542,319
Accumulated depreciation	301,676	282,892	1,163,819	179,985	1,928,372
<b>Net book value</b>	<b>902,488</b>	<b>236,297</b>	<b>342,264</b>	<b>132,898</b>	<b>1,613,947</b>
<b>Year ended December 31, 2019</b>					
Opening net book value	902,488	236,297	342,264	132,898	1,613,947
Additions	74,761	29,048	98,163	92,811	294,783
Movement in surplus on assets revalued during the year	-	-	-	-	-
Acquisitions through business combinations	-	-	-	-	-
Impairment loss recognised in the profit and loss account - net	-	-	-	-	-
Disposals	-	-	(59)	(1,000)	(1,059)
Depreciation charge	(61,819)	(53,256)	(148,421)	(56,750)	(320,246)
Exchange rate adjustments	-	-	-	-	-
Other adjustments / transfers	-	(1)	-	1	-
<b>Closing net book value</b>	<b>915,430</b>	<b>212,088</b>	<b>291,947</b>	<b>167,960</b>	<b>1,587,425</b>
<b>At December 31, 2019</b>					
Cost / Revalued amount	1,278,925	548,236	1,596,885	380,960	3,805,006
Accumulated depreciation	363,495	336,148	1,304,938	213,000	2,217,581
<b>Net book value</b>	<b>915,430</b>	<b>212,088</b>	<b>291,947</b>	<b>167,960</b>	<b>1,587,425</b>
<b>Rate of depreciation (percentage)</b>	<b>5.00%</b>	<b>10.00%</b>	<b>33.33% &amp; 20.0%</b>	<b>20.00%</b>	

	2018				
	Lease hold improvements	Furniture and fixture	Computer and office equipment	Vehicle	Total
	(Rupees in '000)				
<b>At January 1, 2018</b>					
Cost / Revalued amount	1,128,158	492,188	1,309,335	288,474	3,218,155
Accumulated depreciation	244,296	231,895	1,007,957	156,655	1,640,803
<b>Net book value</b>	<b>883,862</b>	<b>260,293</b>	<b>301,378</b>	<b>131,819</b>	<b>1,577,352</b>
<b>Year ended December 31, 2018</b>					
Opening net book value	883,862	260,293	301,378	131,819	1,577,352
Additions	76,006	27,000	206,838	52,333	362,177
Movement in surplus on assets revalued during the year	-	-	-	-	-
Acquisitions through business combinations	-	-	-	-	-
Impairment loss recognised in the profit and loss account - net	-	-	-	-	-
Disposals	-	-	(43)	(1,438)	(1,481)
Depreciation charge	(57,380)	(50,997)	(165,909)	(49,815)	(324,101)
Exchange rate adjustments	-	-	-	-	-
Other adjustments / transfers	1	1	-	(1)	1
<b>Closing net book value</b>	<b>902,488</b>	<b>236,297</b>	<b>342,264</b>	<b>132,898</b>	<b>1,613,947</b>
<b>At December 31, 2018</b>					
Cost / Revalued amount	1,204,164	519,189	1,506,083	312,883	3,542,319
Accumulated depreciation	301,676	282,892	1,163,819	179,985	1,928,372
<b>Net book value</b>	<b>902,488</b>	<b>236,297</b>	<b>342,264</b>	<b>132,898</b>	<b>1,613,947</b>
<b>Rate of depreciation (percentage)</b>	<b>5.00%</b>	<b>10.00%</b>	<b>33.33% &amp; 20.0%</b>	<b>20.00%</b>	

**11.3** The cost of fully depreciated furniture and fixture, office and computer equipment still in use amounted to Rs.1,037.71 (2018: Rs.818.18) million.

**11.4 Disposal**

Particular of the Assets	Cost	Accumulated depreciation	Book Value	Sale Price	Mode of Disposal	Particular of the Purchaser
<b>Computer and office equipment</b>						
Laptop	61,110	61,109	1	1	As Per HR Policy	Sheikh Bilal Shams
Laptop	61,110	61,109	1	1	As Per HR Policy	Naveed Elahi Malik
Laptop	61,110	61,109	1	1	As Per HR Policy	Ishtiaq Parvez But
Laptop	61,110	61,109	1	1	As Per HR Policy	Parvez Zia
Laptop	40,000	39,999	1	21,000	Insurance Claim	Sindh Insurance Limited
Laptop	77,110	77,109	1	30,000	Insurance Claim	Sindh Insurance Limited
Split Air conditioners	5,689,065	5,646,102	42,963	297,000	Negotiation	Zeeshan
Cisco Switch	137,286	137,283	3	80,219	Insurance Claim	Sindh Insurance Limited
Cisco Router	1,172,942	1,156,678	16,264	639,782	Insurance Claim	Sindh Insurance Limited
	<b>7,360,843</b>	<b>7,301,607</b>	<b>59,236</b>	<b>1,068,005</b>		



#### 11.4 Disposal

Particular of the Assets	Cost	Accumulated depreciation	Book Value	Sale Price	Mode of Disposal	Particular of the Purchaser
------(Rupees)-----						
<b>Vehicle</b>						
Suzuki Mehran	632,000	631,999	-	-	As Per HR Policy	Khalid Mehmood
Suzuki Mehran	668,000	667,999	-	-	As Per HR Policy	Muhammad Amin
Suzuki Mehran	668,000	667,999	-	-	As Per HR Policy	Muhammad Kaleemullah Khan
Suzuki Alto VXR	673,000	672,999	-	-	As Per HR Policy	Parvez Zia
Suzuki Alto VXR	707,000	706,999	-	-	As Per HR Policy	Nazir Hussain Channa
Suzuki Alto VXR	712,000	711,999	-	-	As Per HR Policy	Khalid Farooq
Suzuki Cultus VXR	870,000	869,999	-	-	As Per HR Policy	Syed Suhail Fahmi
Suzuki Cultus VXR	905,000	904,999	-	-	As Per HR Policy	Haq Nawaz
Suzuki Cultus VXR	965,000	964,999	-	-	As Per HR Policy	Mansoor Hussain
Suzuki Wagon R	974,000	649,333	324,667	324,667	As Per HR Policy	Babar Aman Jumani
Suzuki Cultus VXR	990,000	989,999	-	-	As Per HR Policy	Atiquzzaman
Suzuki Cultus VXR	990,000	989,999	-	-	As Per HR Policy	Muhammad Saleem
Suzuki Mehran	678,000	508,499	169,501	500,000	Insurance Claim	Sindh Insurance Limited
Suzuki Cultus VXR	1,039,000	917,782	121,218	121,218	As Per HR Policy	Sheikh Bilal Shams
Suzuki Wagon R	1,047,000	1,046,999	-	-	As Per HR Policy	Qazi Asif Ahmed
Suzuki Wagon R	1,047,000	1,046,999	-	-	As Per HR Policy	Touqeer Ahmed Cheema
Suzuki Wagon R	1,047,000	1,046,999	-	-	As Per HR Policy	Irfan Ali Shah
Suzuki Wagon R	1,054,000	1,053,999	-	-	As Per HR Policy	Irfan Zafar
Suzuki Wagon R	1,054,000	1,053,999	-	-	As Per HR Policy	Kaleem Mustafa
Suzuki Wagon R	1,054,000	1,053,999	-	-	As Per HR Policy	Noman Ahmed
Suzuki Wagon R	1,054,000	1,053,999	-	-	As Per HR Policy	Muzaffar Siddiqui
Suzuki Cultus VXR	1,099,000	714,349	384,651	402,967	As Per HR Policy	Muhammad Bux
Toyota Corolla XLI	1,551,500	1,551,499	-	-	As Per HR Policy	Naveed Elahi Malik
Toyota Corolla XLI	1,627,500	1,627,499	-	-	As Per HR Policy	Abdul Rauf Chandio
Toyota Corolla XLI	1,627,500	1,627,499	-	-	As Per HR Policy	Muhammad Kaleem
	<b>24,733,500</b>	<b>23,733,442</b>	<b>1,000,058</b>	<b>1,348,873</b>		
	<b>32,094,343</b>	<b>31,035,049</b>	<b>1,059,294</b>	<b>2,416,878</b>		

#### 11.5 RIGHT OF USE ASSETS

##### Year ended December 31

	2019	2018
Opening net book value	-	-
Additions	2,906,486	-
Disposals	-	-
Depreciation charge	(677,877)	-
Closing net book value	<b>2,228,609</b>	-
<b>At December 31</b>		
Cost amount	2,906,486	-
Accumulated depreciation	(677,877)	-
Net book value	<b>2,228,609</b>	-

#### 12 INTANGIBLE ASSETS - Computer Software

##### At January 1

	2019	2018
Cost	230,539	209,753
Accumulated amortisation and impairment	177,599	149,202
Net book value	<b>52,940</b>	60,551

##### Year ended December 31

	2019	2018
Opening net book value	52,940	60,551
Additions:		
- directly purchased	12,740	19,539
Disposals	-	-
Amortisation charge	(22,467)	(27,150)
Other adjustments	-	-
Closing net book value	<b>43,213</b>	52,940

##### At December 31,

	2019	2018
Cost	243,278	230,539
Accumulated amortisation and impairment	200,065	177,599
Net book value	<b>43,213</b>	52,940
Rate of amortisation (percentage)	20%	20%
Useful life	5 year	5 year

12.1 The cost of fully amortised software still in use amounted to Rs.150.47 (2018: Rs.118.08) million.

#### 13 DEFERRED TAX ASSETS

	2019			
	At Jan 1, 2019	Recognised in P&L A/C	Recognised in OCI	At Dec 31, 2019
----- (Rupees in '000) -----				
<b>Deductible Temporary Differences on</b>				
- Provision against advances - general	1,528,566	3,662,395	-	5,190,961
- Tax losses carried forward	249,212	1,957,703	5,196	2,212,111
- Provision for diminution in the value of investments	85,124	9,729	-	94,853
- Deficit on revaluation of investments	2,251,828	-	(1,113,429)	1,138,399
	<b>4,114,730</b>	<b>5,629,827</b>	<b>(1,108,233)</b>	<b>8,636,324</b>
<b>Taxable Temporary Differences on</b>				
- Accelerated tax depreciation - right to use assets	-	52,075	-	52,075
- Accelerated tax depreciation - tangible fixed assets	(78,620)	11,598	-	(67,022)
- Accelerated tax amortization - intangible assets	(8,326)	250	-	(8,076)
	<b>(86,946)</b>	<b>63,923</b>	<b>-</b>	<b>(23,023)</b>
	<b>4,027,784</b>	<b>5,693,750</b>	<b>(1,108,233)</b>	<b>8,613,301</b>



	2018			
	At Jan 1, 2018	Recognised in P&L A/C	Recognised in OCI	At Dec 31, 2018
----- (Rupees in '000) -----				
Deductible Temporary Differences on				
- Provision against advances - general	1,400,000	128,566	-	1,528,566
- Tax losses carried forward	-	242,562	-	242,562
- Post retirement employee benefit	-	-	6,650	6,650
- Provision for diminution in the value of investments	2,733	82,391	-	85,124
- Deficit on revaluation of investments	306,988	-	1,944,840	2,251,828
	1,709,721	453,519	1,951,490	4,114,730
Taxable Temporary Differences on				
- Accelerated tax depreciation - tangible fixed assets	(88,988)	10,368	-	(78,620)
- Accelerated tax amortization - intangible assets	(9,194)	868	-	(8,326)
	(98,182)	11,236	-	(86,946)
	1,611,539	464,755	1,951,490	4,027,784

#### 14 OTHER ASSETS

	Note	2019 (Rupees in '000)	2018
Income/ Mark-up accrued in local currency	14.1	3,155,483	3,473,661
Accrued commission income		7,234	11,673
Advances, deposits, advance rent and other prepayments		70,993	218,793
Receivable against sale of shares		-	460,288
Unrealised gain on forward forex revaluation - net		-	436,069
Insurance premium receivable against agriculture loans		30,531	28,993
Stationery and stamps on hand		3,816	9,157
Dividend receivable		-	12,082
Receivable against I Link ATM settlement account		207,120	62,759
Advance Taxation - net		378,512	345,708
Acceptances		4,297	850,511
Insurance claims receivable		142	-
Other receivables		27,817	18,280
		<b>3,885,945</b>	<b>5,927,974</b>

##### 14.1 Income/ Mark-up accrued in local currency

- On loans and advances	1,718,779	1,654,318
- On investments	1,425,264	1,806,694
- Others	11,440	12,649
	<b>3,155,483</b>	<b>3,473,661</b>

#### 15 BILLS PAYABLE

In Pakistan	495,010	929,426
Outside Pakistan	-	-
	<b>495,010</b>	<b>929,426</b>

#### 16 BORROWINGS

##### Secured

	Note	2019 (Rupees in '000)	2018
Borrowings from State Bank of Pakistan			
- Under export refinance scheme	16.2	1,476,379	1,270,300
- Under long term finance facility	16.3	149,698	-

##### Repurchase agreement borrowings - Secured

- State Bank of Pakistan (SBP)	16.4	2,566,207	23,501,398
- Other commercial banks / DFI's		-	2,000,000
		<b>2,566,207</b>	<b>25,501,398</b>

##### Unsecured

- State Bank of Pakistan (SBP)	16.5	750,000	-
- Other microfinance bank	16.6	50,000	-
		<b>4,992,284</b>	<b>26,771,698</b>

##### 16.1 Particulars of borrowings with respect to Currencies

In local currency	4,992,284	26,771,698
In foreign currencies	-	-
	<b>4,992,284</b>	<b>26,771,698</b>

16.2 These represent borrowings from SBP under export refinance scheme at the rates ranging from 1.00% to 2.00% (2018: 1.00% to 2.00%) per annum having maturity upto six months.

16.3 These represent borrowings from SBP under long term finance facility at the rate of 3.00% (2018: Nil) per annum having maturity upto 5 years.

16.4 These represent repurchase agreement borrowings at the rate of 13.32% (2018: 10.23%) per annum maturing on January 03, 2020 (2018: January 04, 2019). The carrying value of securities given as collateral against these borrowings is given in note 9.3.

16.5 This represent borrowings from SBP under LOC fund of Microfinance Bank Ltd at the rate of Kibor + 1% (2018: Nil) per annum having maturity upto 5 years.

16.6 This represent borrowings from Microfinance bank at the rate of 14.60% (2018: Nil) per annum having maturity upto January 06, 2020.

#### 17 DEPOSITS AND OTHER ACCOUNTS

	2019			2018		
	In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total
----- Rupees in '000 -----						
<b>Customers</b>						
Current deposits	43,538,743	218,087	43,756,830	48,416,669	328,897	48,745,566
Savings deposits	54,929,829	817,743	55,747,572	42,074,632	1,215,819	43,290,451
Term deposits	29,436,358	298,529	29,734,887	17,601,781	358,536	17,960,317
Margin and other deposits	380,731	-	380,731	494,808	-	494,808
	<b>128,285,661</b>	<b>1,334,359</b>	<b>129,620,020</b>	<b>108,587,890</b>	<b>1,903,252</b>	<b>110,491,142</b>
<b>Financial Institutions</b>						
Current deposits	44,422	17	44,439	44,884	15	44,899
Savings deposits	2,617,299	-	2,617,299	2,196,827	-	2,196,827
Term deposits	1,714,000	-	1,714,000	805,000	-	805,000
Margin and other deposits	90,038	-	90,038	103,032	-	103,032
	<b>4,465,759</b>	<b>17</b>	<b>4,465,776</b>	<b>3,149,743</b>	<b>15</b>	<b>3,149,758</b>
	<b>132,751,420</b>	<b>1,334,376</b>	<b>134,085,796</b>	<b>111,737,633</b>	<b>1,903,267</b>	<b>113,640,900</b>



### 17.1 Composition of deposits

	2019	2018
	(Rupees in '000)	
- Individuals	16,276,218	13,026,048
- Government (Federal and Provincial)	82,919,393	72,558,806
- Public Sector Entities	6,228,983	3,849,599
- Banking Companies	4,630	7,135
- Non-Banking Financial Institutions	4,561,146	3,223,421
- Private Sectors	24,095,426	20,975,891
	<u>134,085,796</u>	<u>113,640,900</u>

17.2 During the current year, the SBP has set up a fully owned subsidiary – Deposit Protection Corporation (DPC), with an aim to provide protection to small depositors of banks operating in Pakistan. The Corporation has been set up through promulgation of the Deposit Protection Corporation Act, 2016, (the Act) and commenced its business with effect from 01 June 2018. Membership of the Deposit Protection Corporation is compulsory for all banks scheduled under sub-section (2) of section 37 of the State Bank of Pakistan Act, 1956. Under the arrangement, the objective of DPC would be to protect the depositors to the extent of the guaranteed amount, in case a member bank is notified as a failed institution by SBP.

The framework provided by DPC lays down the methodology for arriving at Eligible Deposits, as well as determining the premium amount payable under the regulations. The premium amount so determined are required to be deposited by all banks with DPC on a quarterly basis.

As at 31 December 2019, the deposits eligible to be covered under insurance arrangements amounted to Rs. 20,825.29 (2018: Rs. 18,128.5) million and premium paid amounting to Rs. 29.05 (2018 :Rs. 14.22) million.

### 18 OTHER LIABILITIES

	2019	2018
	(Rupees in '000)	
Mark-up / return / interest payable in local currency	1,649,102	872,676
Mark-up / return / interest payable in foreign currency	5,482	4,398
Accrued expenses	159,931	173,328
Net defined benefit liability	84,612	81,988
Unrealised loss against forward forex revaluation - net	105,781	-
Provision for compensated absences	188,606	161,037
Payable to employees' provident fund	602	512
Payable against purchase of operating fixed assets	34,002	69,397
Payable against purchase of shares	-	544,148
Retention money	68,457	73,588
Federal excise duty / sales tax on services payable	3,691	2,825
Lease liability	2,328,843	-
Withholding tax payable	23,761	27,251
Acceptances	4,297	850,511
Others	219,068	173,625
	<u>4,876,235</u>	<u>3,035,284</u>

18.1 IFRS 16 'Leases', is effective for the period beginning on or after January 01, 2019. Accordingly, operating leases meeting the criteria prescribed within the standard are presented as on-balance sheet items. Also refer note 5.10.

### 19 SHARE CAPITAL

#### 19.1 Authorised capital

	2019	2018
	Number of shares	
2,000,000,000	<u>1,200,000,000</u>	<u>1,200,000,000</u>
Ordinary shares of Rs.10 each	<u>20,000,000</u>	<u>12,000,000</u>

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

	2019	2018
	(Rupees in '000)	
	2019	2018
	Number of shares	
1,001,013,000	1,001,013,000	1,001,013,000
970,000,000	-	-
<u>1,971,013,000</u>	<u>1,001,013,000</u>	<u>1,001,013,000</u>
Fully paid in cash	10,010,130	10,010,130
Ordinary shares of Rs.10 each	9,700,000	-
Right shares of Rs.10 each issued during the year	<u>19,710,130</u>	<u>10,010,130</u>

19.3 The Government of Sindh, through its Finance Department, owns 99.95% ordinary shares of the Bank.

### 20 SHARES DEPOSIT MONEY

Shares deposit money	11,700,000	-
Right shares issued during the year	<u>(9,700,000)</u>	<u>-</u>
	<u>2,000,000</u>	<u>-</u>

20.1 The Government of Sindh has paid this amount against issue of ordinary shares in due course.

### 21 DEFICIT ON REVALUATION OF ASSETS - NET OF DEFERRED TAX

<b>Available-for-sale securities</b>		
Federal government securities	(2,630,903)	(5,746,796)
Fully paid ordinary shares - listed	(231,757)	(556,827)
Units of mutual funds (units / certificates)	(63,236)	(139,010)
Sukuk certificates	6,920	8,813
Term finance certificates	-	25
	<u>(2,918,976)</u>	<u>(6,433,795)</u>
Related deferred taxation	1,138,399	2,251,827
	<u>(1,780,577)</u>	<u>(4,181,968)</u>

### 22 CONTINGENCIES AND COMMITMENTS

-Guarantees	22.1	3,979,309	4,669,810
-Commitments	22.2	22,144,949	120,910,034
-Other contingent liabilities		-	-
		<u>26,124,258</u>	<u>125,579,844</u>

#### 22.1 Guarantees:

Financial guarantees	1,814,543	2,199,892
Performance guarantees	1,476,888	1,494,341
Other guarantees	687,878	975,577
	<u>3,979,309</u>	<u>4,669,810</u>

#### 22.2 Commitments:

<b>Documentary credits and short-term trade-related transactions</b>			
- letters of credit		610,437	2,505,009
<b>Commitments in respect of:</b>			
- forward foreign exchange contracts	22.2.1	5,035,712	75,890,620
- forward lending	22.2.2	16,498,800	42,514,405
Other commitments		-	-
		<u>22,144,949</u>	<u>120,910,034</u>

#### 22.2.1 Commitments in respect of forward foreign exchange contracts

Purchase	2,470,494	38,100,944
Sale	2,565,218	37,789,676
	<u>5,035,712</u>	<u>75,890,620</u>



	2019	2018
Note	(Rupees in '000)	
<b>22.2.2 Commitments in respect of forward lending</b>		
Forward repurchase agreement lending	2,570,889	25,541,849
Forward resale agreement lending	3,646,700	5,391,248
Undrawn formal standby facilities, credit lines and other commitments to lend	10,281,211	11,581,308
	<b>16,498,800</b>	<b>42,514,405</b>

**22.2.2.1 Commitments to extend credit**

The Group 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.

**22.3 Contingencies**

**22.3.1** The Income Tax returns of the Bank have been filed up to the tax year 2019 (accounting year ended December 31, 2018) and amendment of deemed assessment were carried out till tax year 2018, whereby certain disallowances to the taxable income were made.

**22.3.2** Appeals against amended orders were filed before Commissioner Inland Revenue Authority (CIRA), who deleted all major disallowances and additions in 2014 on which demand of Rs.5.95 million arose.

Subsequently, the Bank has filed an appeal before Appellate Tribunal Inland Revenue (ATIR) in respect of demand of Rs.5.95 million as mentioned above, which are pending. Large Tax Payer Unit (LTU) has also filed appeals in the ATIR against the decision of CIRA.

**22.3.3** With respect to Bank's operations in Azad Jammu & Kashmir (AJK), bank has filed income tax returns upto tax year 2019 (accounting year ended December 31, 2018) with the tax authorities of AJK. The Commissioner has issued amended assessment orders for various tax years. The Bank has filed appeals which are pending at CIRA, as the office of CIRA is vacant. Government of Sindh through the Sindh WWF Act, 2014, has introduced levy of SWWF. As per Sindh WWF Act, 2014, banks / Financial institutions are included in definition of "Industrial Establishment". Sindh WWF is imposed at the rate of 2% to the total income. Since the Bank's operations are in three other Provinces and Azad Jammu & Kashmir as well, the Bank along with other banks has filed a suit before Honorable Sindh High Court and challenged the vires of SWWF, which is pending for adjudication.

**22.3.4 Other Contingent Liabilities**

Claims against the Bank not acknowledged as debts

Note	2019	2018
	(Rupees in '000)	
	<b>1,050,064</b>	45,500

These mainly represent counter claims filed by the ex-employees of the Bank for damages purported to be sustained by them consequent to the termination from the Bank's employment. Based on legal advice, the management is confident that the matters will be decided in Bank's favour and the possibility of any outcome against the Bank is remote and accordingly no provision has been made in these financial statements.

	2019	2018
23 MARK-UP/RETURN/INTEREST EARNED	(Rupees in '000)	
On Loans and advances	6,719,069	5,492,566
On Investments	5,326,571	6,700,761
On Lendings to financial institutions	296,970	302,826
On Balances with banks	111,216	87,308
	<b>12,453,826</b>	<b>12,583,461</b>

**24 MARK-UP/RETURN/INTEREST EXPENSED**

Deposits  
 Borrowings  
 Lease liability against right of use assets  
 Others

Note	2019	2018
	(Rupees in '000)	
	7,590,318	5,311,248
	2,437,133	2,194,768
	300,635	-
	-	-
	<b>10,328,086</b>	<b>7,506,016</b>

**25 FEE AND COMMISSION INCOME**

Branch banking customer fees  
 Consumer finance related fees  
 Card related fees (debit cards)  
 Commission on trade  
 Commission on guarantees  
 Credit related fees  
 Commission on remittances including home remittances  
 Others

	53,864	65,648
	762	667
	130,458	107,822
	48,756	80,312
	42,626	48,657
	19,533	16,957
	7,006	7,425
	704	679
	<b>303,709</b>	<b>328,167</b>

**26 GAIN / (LOSS) ON SECURITIES**

Realised  
 Unrealised - held for trading

26.1	(1,253,105)	(907,095)
	-	-
	<b>(1,253,105)</b>	<b>(907,095)</b>

**26.1 Realised (loss) / gain on:**

Federal Government Securities  
 Shares of listed companies  
 Units of mutual funds  
 Others investments

(914,262)	(545,503)
(338,843)	(361,592)
-	-
-	-
<b>(1,253,105)</b>	<b>(907,095)</b>

**27 OTHER INCOME**

Incidental charges  
 Gain on sale of operating fixed assets  
 Rent on property  
 Prequalification application fee for tender  
 Godwon charges  
 Others

	2,464	2,608
	1,358	4,968
	3,513	6,396
	84	105
	161	220
	-	-
	<b>7,580</b>	<b>14,297</b>

**28 OPERATING EXPENSES**

Total compensation expense

28.1	2,501,690	2,203,147
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**Property expense**

Rent & taxes  
 Insurance  
 Utilities cost  
 Security  
 Repairs & maintenance  
 Depreciation  
 Depreciation right of use assets

17,537	719,964
26,711	28,014
230,142	212,851
297,500	273,091
33,175	10,772
61,819	57,380
677,877	-
<b>1,344,761</b>	<b>1,302,072</b>



### Information technology expenses

Note	2019 (Rupees in '000)	2018
Software maintenance	58,045	55,029
Hardware maintenance	57,406	42,672
Depreciation	18,200	23,099
Amortisation	22,467	27,741
Network charges	11,823	8,449
Others	17,720	16,514
	<b>185,661</b>	<b>173,504</b>

### Other operating expenses

Note	2019	2018
Directors' fees and allowances	33,734	21,514
Fees and allowances to Shariah Board	5,368	3,106
Legal & professional charges	46,382	22,120
Outsourced services costs	105,846	90,495
Travelling & conveyance	42,607	29,380
NIFT clearing charges	19,338	14,932
Depreciation	240,227	243,622
Training & development	2,083	2,069
Postage & courier charges	19,985	21,087
Communication	117,127	103,483
Stationery & printing	82,443	79,930
Marketing, advertisement & publicity	61,747	62,224
Donations	-	2,041
Auditor's Remuneration	10,546	11,310
Repairs & maintenance	83,575	54,079
Brokerage and commission	6,912	11,287
Entertainment Expenses	43,460	39,318
Premium of deposit protection fund	29,006	-
Fees and subscription	61,745	50,711
Insurance expenses	11,477	7,584
Others	40,890	33,734
	<b>1,064,498</b>	<b>904,026</b>
<b>28.1 Total compensation expense</b>	<b>5,096,610</b>	<b>4,582,749</b>

Managerial Remuneration		
- Fixed	1,526,195	1,339,893
- Variable Cash Bonus / Awards etc.	8,394	11,574
Charge for defined benefit plan	74,748	62,987
Contribution to defined contribution Plan	81,676	68,341
Rent & house maintenance	445,226	400,889
Utilities	87,929	78,598
Medical	87,928	78,576
Conveyance	54,784	55,195
Employee old age benefits contribution	14,280	12,664
Leave Fare Assistance Allowances	30,311	29,648
Leave Encashment	31,495	18,934
Staff Insurances	55,707	44,064
Others staff	3,017	1,784
	<b>2,501,690</b>	<b>2,203,147</b>

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 employee 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 Chief Executive Officer of the Group amounted to Rs.Nil (2018: Rs. 9.01) million and Rs. Nil (2018: Rs.2.42) million respectively and is included in salaries, allowances and benefits.

### 28.2 Details of donations paid during the year

Note	2019 (Rupees in '000)	2018
Contribution to Supreme Court of Pakistan's Fund for Construction of Diamer Bhasha & Mohmand Dams	-	2,041

### 28.3 Auditors' remuneration

Audit fee	8,737	8,708
Fee for other statutory certifications	1,151	918
Special certifications and sundry advisory services	245	828
Out-of-pocket expenses	413	856
	<b>10,546</b>	<b>11,310</b>

### 29 OTHER CHARGES

Penalties imposed by the State Bank of Pakistan	19,818	88,713
Others	-	-
	<b>19,818</b>	<b>88,713</b>

### 30 PROVISIONS & WRITE OFFS - NET

Provisions for diminution in value of investments	9.4.1	261,781	235,402
Provisions against loans & advances		9,770,049	5,144,815
General provision - reversed		-	(4,000,000)
Net provision during the year	10.6.3	9,770,049	1,144,815
Fixed assets written off		-	943
Bad debts written off directly		2,093	1,283
		<b>10,033,923</b>	<b>1,382,443</b>

### 31 TAXATION

Current	212,345	173,763
Prior years	(3,423)	91,319
Deferred	(5,693,750)	(464,755)
	<b>(5,484,828)</b>	<b>(199,673)</b>

### 31.1 Relationship between tax expense and accounting profit

Loss before tax	(13,692,523)	(1,366,769)
Tax on (loss) / income at applicable rates	(5,460,629)	(482,777)
Effect of prior year on current taxation	(3,423)	91,319
Permanent differences - Minimum Tax	188,667	159,984
Effect of permanent differences	(209,443)	31,801
	<b>(5,484,828)</b>	<b>(199,673)</b>



	Note	2019 (Rupees in '000)	2018
<b>32 BASIC EARNINGS/ (LOSS) PER SHARE</b>			
Loss for the year		<u>(8,207,695)</u>	<u>(1,167,096)</u>
Weighted average number of ordinary shares		<u>1,032,903,411</u>	<u>1,001,013,000</u>
Basic loss per share (Rupees)		<u>(7.95)</u>	<u>(1.17)</u>

	Note	2019 (Rupees in '000)	2018
<b>33 DILUTED EARNINGS/ (LOSS) PER SHARE</b>			
Loss for the year		<u>(8,207,695)</u>	<u>(1,167,096)</u>
Weighted average number of ordinary shares (adjusted for the effects of all dilutive potential ordinary shares)		<u>1,032,903,411</u>	<u>1,001,013,000</u>
Diluted loss per share (Rupees)		<u>(7.95)</u>	<u>(1.17)</u>

	Note	2019 (Rupees in '000)	2018
<b>34 CASH AND CASH EQUIVALENTS</b>			
Cash and Balance with Treasury Banks	6	<u>13,566,622</u>	<u>9,122,815</u>
Balance with other banks	7	<u>1,080,537</u>	<u>725,400</u>
		<u>14,647,159</u>	<u>9,848,215</u>

	Note	2019 (Number)	2018
<b>35 STAFF STRENGTH</b>			
Permanent		<u>2,083</u>	<u>1,831</u>
Temporary / on contractual basis		<u>201</u>	<u>164</u>
Total staff strength		<u>2,284</u>	<u>1,995</u>

35.1 In addition to the above 472 (2018: 519) staff from outsourcing service companies were assigned to the Bank.

### 36 DEFINED BENEFIT AND CONTRIBUTION PLANS

#### 36.1 Defined benefit plan

The Group operates a recognised gratuity plan for all its permanent and full time employees in the management cadre 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 Group.

#### 36.1.1 Number of Employees under the scheme

The number of employees covered under the following defined benefit schemes are:

- Provident fund
- Gratuity fund

	2019 (Number)	2018
- Provident fund	1,776	1,605
- Gratuity fund	1,939	1,665

#### 36.1.2 Principal actuarial assumptions

The latest actuarial valuation was carried out as at December 31, 2019 using the Projected Unit Credit Method. Following are the significant assumptions used in the actuarial valuation:

	2019 (Percentage)	2018
- Discount rate	11.25% - 11.75%	13.25% - 13.75%
- Expected rate of increase in salaries	10.25% - 11.75%	12.25% - 13.25%
- Expected return on plan assets	11.75%	13.75%

#### 36.1.3 Reconciliation of net defined benefit liability

	Note	2019 (Rupees in '000)	2018
Present value of defined benefit liability	36.1.6	<u>422,004</u>	<u>326,079</u>
Fair value of plan assets	36.1.7	<u>(337,392)</u>	<u>(244,091)</u>
Payable to defined benefit plan	36.1.4	<u>84,612</u>	<u>81,988</u>

#### 36.1.4 Movement in net defined benefit liability

	Note	2019	2018
Opening balance		<u>81,988</u>	<u>71,446</u>
Charge to profit and loss during the year	36.1.5	<u>74,748</u>	<u>62,987</u>
Remeasurement loss recognized in OCI	36.1.5	<u>4,617</u>	<u>19,001</u>
Bank's contribution		<u>(76,741)</u>	<u>(71,446)</u>
Closing balance		<u>84,612</u>	<u>81,988</u>

#### 36.1.5 Charge for defined benefit plan

	2019	2018
<b>In profit and loss</b>		
Current service cost	<u>68,777</u>	<u>59,593</u>
Interest cost - net	<u>5,971</u>	<u>3,394</u>
Charge for the year	<u>74,748</u>	<u>62,987</u>

#### In other comprehensive income

	2019	2018
Remeasurement loss on defined benefit obligation	<u>(4,577)</u>	<u>12,257</u>
Remeasurement loss on plan assets	<u>9,194</u>	<u>6,744</u>
	<u>4,617</u>	<u>19,001</u>



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

Note	2019 (Rupees in '000)	2018
Opening balance	326,079	239,044
Current service cost	68,777	59,593
Interest cost	43,968	22,368
Benefits paid	(12,243)	(7,182)
Actuarial loss / (gain) on obligation		
- Financial assumptions	-	-
- Experience assumptions	(4,577)	12,257
	(4,577)	12,257
Closing balance	422,004	326,079

### 36.1.7 Fair value of plan assets

Fair value of plan assets at the beginning of the year	244,091	167,598
Expected return on plan assets	37,997	18,974
Bank's contributions	76,741	71,446
Benefits paid	(12,243)	(7,182)
Actuarial loss on assets - experience assumptions	(9,194)	(6,744)
Fair value of plan assets at the end of the year	337,392	244,091

### 36.1.8 Plan assets comprise

Balance held in bank accounts	337,392	244,091
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### 36.1.9 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:

	2019 (Rupees in '000)	2018
Discount rate (1% variation)	377,071	361,719
Future salary growth (1% variation)	477,264	363,183
Future mortality (1 year variation)	413,449	320,844

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.

36.1.10 The expected gratuity expense for the year commencing January 01, 2020 works out to Rs.76.51 million (2019: Rs. 67.92) million.

### 36.1.11 Maturity analysis

The weighted average duration of the defined benefit obligation works out to be 12.30 years. Expected benefit payments for the next five years are:

	2020	2021	2022	2023	2024
Expected benefit payments	25,982	23,989	26,496	21,531	42,077

### 36.1.12 Risks Associated with Defined Benefit Plans

#### Investment Risks

The risk arises when the actual performance of the investment is lower than expectation. This is managed by formulating the investment plan in consultation with the trustee and the actuary.

#### Longevity Risks

The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.

#### Salary Increase Risk

The risk that the final salary at the time of cessation of service is higher than what we assumed. Since the benefit is calculated on the final Salary, the benefit amount increases similarly. The risk is managed by actuarial valuations and accounting for benefits based on that.

#### Withdrawal Risk

The risk of actual withdrawals varying with the actuarial assumptions can pose a risk to the benefit obligation. The movement of the liability can go either way.

### 36.2 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 salary 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.155.68 (2018: Rs.130.83) million. The number of employees as at December 31, 2019 eligible under the plan were 1,665 (2018: 1,515).

### 37. COMPENSATED ABSENCES

The Group 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 privilege leave for each completed year of service. Unutilized privilege leave is accumulated upto a maximum of 60 days which would be encashed at the time of retirement from the regular service of the Group or severance of service except in case of dismissal. This is encashable on the basis of last drawn gross salary. The Group 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 of Rs.188.13 (2018: Rs.164.39) million has been made on the basis of actuarial recommendations.

Note	2019 (Rupees in '000)	2018
37.1 Movement of compensated absences		
Opening balance	161,037	144,125
Expense for the year	31,495	18,934
Benefit paid during the year	(3,926)	(2,022)
Closing balance	188,606	161,037



### 38 COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

#### 38.1 Total Compensation Expense

	2019					
	Directors					
	Chairman	Executives (other than CEO)	Non-Executives	Members Shariah Board	President / CEO	Key Management Personnel
	(Rupees in '000')					
Fees and Allowances	6,350	-	27,345	4,818	-	-
Managerial Remuneration						
- Fixed	-	-	-	-	20,222	276,620
- Variable Cash Bonus / Awards	-	-	-	-	-	-
Charge for defined benefit plan	-	-	-	-	1,666	34,791
Contribution to defined contribution plan	-	-	-	-	2,022	24,213
Rent & house maintenance	-	-	-	-	9,101	124,479
Utilities	-	-	-	-	2,022	27,663
Medical	-	-	-	-	2,022	27,663
Conveyance	-	-	-	550	645	56,383
Festival Bonus	-	-	-	-	2,825	41,563
Others	228	-	39	-	938	27,321
<b>Total</b>	<b>6,578</b>	<b>-</b>	<b>27,384</b>	<b>5,368</b>	<b>41,463</b>	<b>640,696</b>
Number of Persons	<b>2</b>	<b>-</b>	<b>12</b>	<b>3</b>	<b>3</b>	<b>123</b>

	2018					
	Directors					
	Chairman	Executives (other than CEO)	Non-Executives	Members Shariah Board	President / CEO	Key Management Personnel
	(Rupees in '000')					
Fees and Allowances	2,850	-	18,664	2,550	-	-
Managerial Remuneration						
- Fixed	-	-	-	-	22,988	230,019
- Variable Cash Bonus / Awards	-	-	-	-	-	-
Charge for defined benefit plan	-	-	-	-	1,488	16,226
Contribution to defined contribution plan	-	-	-	-	2,299	18,207
Rent & house maintenance	-	-	-	-	10,344	103,509
Utilities	-	-	-	-	2,299	23,002
Medical	-	-	-	-	2,299	23,002
Conveyance	-	-	-	556	762	44,060
Festival Bonus	-	-	-	-	3,507	36,364
Others	1,348	-	-	-	2,354	24,863
<b>Total</b>	<b>4,198</b>	<b>-</b>	<b>18,664</b>	<b>3,106</b>	<b>48,340</b>	<b>519,252</b>
Number of Persons	<b>1</b>	<b>-</b>	<b>14</b>	<b>3</b>	<b>2</b>	<b>104</b>

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

38.1.2 Executives mean employees, other than the President & Chief Executive Officer and Directors, whose basic salary exceeds one million two hundred thousand Rupees in a financial year.

38.1.3 In addition to above, all executives, including the President & Chief Executive Officer of the Group are also entitled to performance bonus which is disclosed in note 28.1 to these consolidated financial statements.

#### 38.2 Meeting Fees paid to Directors for participation in Board and Committee Meetings

Sr. No.	Name of Directors	2019						Total Amount Paid
		For Board Committee						
		For Board Meetings	Audit Committee	Risk Management Committee	Procurement, I.T. & Security Committee	Human Resource & Remuneration Committee	Nomination Committee	
Amount Rs. 000								
1	Afzal Ghani	250	-	-	-	-	-	250
2	Najam Ahmed Shah	2,750	1,000	-	400	1,000	600	5,750
3	Javaid Bashir Sheikh	2,250	400	1,000	-	400	-	4,050
4	Tajammal Hussain Bokharee	3,500	600	400	-	1,000	600	6,100
5	Muhammad Bilal Sheikh	2,000	400	-	-	400	600	3,400
6	Anis Ahmed Khan	2,750	-	200	200	1,400	200	4,750
7	Sami Ul Haq	3,250	1,400	200	400	800	-	6,050
8	Masooma Hussain	2,000	-	800	200	-	-	3,000
9	Farooq Ahmed	90	-	-	-	-	-	90
10	Liaquat Ali	75	-	-	-	-	-	75
11	Noor Muhammad	90	-	-	-	-	-	90
12	Naila Masood	90	-	-	-	-	-	90
	<b>Total Amount Paid</b>	<b>19,095</b>	<b>3,800</b>	<b>2,600</b>	<b>1,200</b>	<b>5,000</b>	<b>2,000</b>	<b>33,695</b>

Sr. No.	Name of Directors	2018						Total Amount Paid
		For Board Committee						
		For Board Meetings	Audit Committee	Risk Management Committee	Procurement, I.T. & Security Committee	Human Resource & Remuneration Committee	Nomination Committee	
Amount Rs. 000								
1	Afzal Ghani	2,250	-	-	-	600	-	2,850
2	Muhammad Shahid Murtaza	750	-	200	200	-	-	1,150
3	Muhammad Naeem Sahgal	750	200	-	-	200	-	1,150
4	Tajammal Hussain Bokharee	2,500	-	600	200	-	200	3,500
5	Raja Muhammad Abbas	750	200	-	200	-	-	1,150
6	Muhammad Bilal Sheikh	2,500	800	-	-	600	200	4,100
7	Anis A. Khan	1,250	-	200	-	200	-	1,650
8	Sami Ul Haq	1,750	400	-	200	-	-	2,350
9	Asif Janhangir	750	200	-	-	-	200	1,150
10	Noor Alam	750	-	-	-	-	-	750
11	Qaiser Parwaiz	1,250	200	-	-	-	-	1,450
12	Farooq Ahmed	60	-	-	-	-	-	60
13	Liaquat Ali	60	-	-	-	-	-	60
14	Noor Muhammad	72	-	-	-	-	-	72
15	Naila Masood	60	-	-	-	-	-	60
	<b>Total Amount Paid</b>	<b>15,502</b>	<b>2,000</b>	<b>1,000</b>	<b>800</b>	<b>1,600</b>	<b>600</b>	<b>21,502</b>

#### 38.3 Remuneration paid to Shariah Board Members

Items	2019			2018		
	Chairman	Member	Resident Member	Chairman	Member	Resident Member
	Amount Rs. 000					
Managerial Remuneration (Fixed)	2,000	1,382	1,436	491	994	1,065
Fuel Allowances	-	275	275	120	218	218
<b>Total Amount</b>	<b>2,000</b>	<b>1,657</b>	<b>1,711</b>	<b>611</b>	<b>1,212</b>	<b>1,283</b>
<b>Total Number of Persons</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>



**39 FAIR VALUE MEASUREMENTS**

IFRS 13 "Fair Value Measurement" defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of quoted securities other than those classified as held to maturity, is based on quoted market price. Fair value of fixed term loans, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to absence of current and active market for 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 5.18 to these financial statements.

The repricing profile, effective rates and maturity profile are stated in note 43.2.5 to these financial statements.

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

**39.1 Fair value of financial assets**

IFRS 13 requires the Group to make fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has following levels:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

**39.2** 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.

	2019			
	Fair Value			
	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	-	21,037,034	-	21,037,034
Market Treasury Bills	-	21,898,158	-	21,898,158
Shares of listed companies	1,999,340	-	-	1,999,340
Term finance certificates - Listed	-	-	-	-
Units of mutual funds	123,254	707,913	-	831,167
Ijarah Sukuk - GoP	-	495,000	-	495,000
Sukuk bonds	-	199,776	-	199,776
	<u>2,122,594</u>	<u>44,337,881</u>	<u>-</u>	<u>46,460,475</u>
<b>Off balance sheet financial instruments</b>				
Foreign exchange contracts (purchase)	-	2,470,494	-	2,470,494
Foreign exchange contracts (sale)	-	2,565,218	-	2,565,218

	2018			
	Fair Value			
	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	-	27,779,867	-	27,779,867
Market Treasury Bills	-	4,887,267	-	4,887,267
Shares of listed companies	1,947,993	-	-	1,947,993
Term finance certificates - Listed	-	99,825	-	99,825
Units of mutual funds	118,067	457,972	-	576,039
Ijarah Sukuk - GoP	-	911,512	-	911,512
Sukuk bonds	-	298,098	-	298,098
	<u>2,066,060</u>	<u>34,434,541</u>	<u>-</u>	<u>36,500,601</u>
<b>Off balance sheet financial instruments</b>				
Foreign exchange contracts (purchase)	-	38,100,944	-	38,100,944
Foreign exchange contracts (sale)	-	37,789,676	-	37,789,676

The valuation techniques used for the above assets are 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 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.



## 40 SEGMENT INFORMATION

### 40.1 Segment Details with respect to Business Activities

	2019				
	Trading and sales	Retail banking	Corporate finance	Commercial banking and others	Total
	Amount Rs. 000				
<b>Profit &amp; Loss</b>					
Net mark-up/return/interest	3,254,098	300,960	-	(1,429,318)	2,125,740
Inter segment revenue - net	(5,083,926)	-	-	5,083,926	-
Non mark-up / interest income	(991,396)	205	-	323,279	(667,912)
Total Income	(2,821,224)	301,165	-	3,977,887	1,457,828
Segment direct expenses	(75,983)	(9,220)	-	(3,242,703)	(3,327,906)
Inter segment expense allocation	(164,317)	(196,034)	-	(1,428,171)	(1,788,522)
Total expenses	(240,300)	(205,254)	-	(4,670,874)	(5,116,428)
Provisions	(261,780)	(13,425)	-	(9,758,718)	(10,033,923)
(Loss) / Profit before tax	(3,323,304)	82,486	-	(10,451,705)	(13,692,523)
<b>Balance Sheet</b>					
Cash & Bank balances	7,655,084	255,823	-	6,736,252	14,647,159
Investments	65,143,452	(130,905)	-	-	65,012,547
Net inter segment lending	-	-	-	77,263,685	77,263,685
Lendings to financial institutions	3,645,392	-	-	-	3,645,392
Advances - performing	34,685	1,012,302	-	42,413,044	43,460,031
- non-performing	-	13,104	-	18,507,891	18,520,995
Others	3,590,828	93,961	-	12,695,199	16,379,988
<b>Total Assets</b>	<b>80,069,441</b>	<b>1,244,285</b>	<b>-</b>	<b>157,616,071</b>	<b>238,929,797</b>
Borrowings	2,715,905	800,000	-	1,476,379	4,992,284
Subordinated debt	-	-	-	-	-
Deposits & other accounts	-	36,134	-	134,049,662	134,085,796
Net inter segment borrowing	77,093,104	170,581	-	-	77,263,685
Others	153,995	97,983	-	5,119,267	5,371,245
<b>Total liabilities</b>	<b>79,963,004</b>	<b>1,104,698</b>	<b>-</b>	<b>140,645,308</b>	<b>221,713,010</b>
Equity	106,437	139,587	-	16,970,763	17,216,787
<b>Total Equity &amp; liabilities</b>	<b>80,069,441</b>	<b>1,244,285</b>	<b>-</b>	<b>157,616,071</b>	<b>238,929,797</b>
Contingencies & Commitments	21,626,593	-	-	4,497,665	26,124,258

	2018				
	Trading and sales	Retail banking	Corporate finance	Commercial banking and others	Total
	(Rupees in '000)				
<b>Profit &amp; Loss</b>					
Net mark-up/return/profit	4,828,055	213,360	-	34,336	5,075,751
Inter segment revenue - net	(5,963,064)	-	-	5,963,064	-
Non mark-up / interest income	(752,292)	630	-	363,047	(388,615)
Total Income	(1,887,301)	213,990	-	6,360,447	4,687,136
Segment direct expenses	(61,263)	(145,761)	-	(3,673,272)	(3,880,296)
Inter segment expense allocation	(79,117)	(9,569)	-	(702,480)	(791,166)
Total expenses	(140,380)	(155,330)	-	(4,375,752)	(4,671,462)
Provisions	(235,402)	(4,597)	-	(1,142,444)	(1,382,443)
(Loss) / Profit before tax	(2,263,083)	54,063	-	842,251	(1,366,769)
<b>Balance Sheet</b>					
Cash & Bank balances	4,647,822	237,914	-	4,962,479	9,848,215
Investments	54,700,066	-	-	-	54,700,066
Net inter segment lending	650,000	(650,000)	-	47,318,274	47,318,274
Lendings to financial institutions	5,383,162	-	-	-	5,383,162
Advances - performing	17,570	703,302	-	54,085,910	54,806,782
- non-performing	-	2,405	-	19,329,023	19,331,428
Others	4,791,331	49,104	6,793,137	11,633,572	23,367,144
<b>Total Assets</b>	<b>70,189,951</b>	<b>342,725</b>	<b>-</b>	<b>132,488,823</b>	<b>203,021,499</b>
Borrowings	25,501,398	-	-	1,270,300	26,771,698
Subordinated debt	-	-	-	-	-
Deposits & other accounts	-	46,356	-	113,594,544	113,640,900
Net inter segment borrowing	47,122,809	195,465	-	-	47,318,274
Others	205,672	13,417	-	3,745,621	3,964,710
<b>Total liabilities</b>	<b>72,829,879</b>	<b>255,238</b>	<b>-</b>	<b>118,610,465</b>	<b>191,695,582</b>
Equity	(2,639,928)	87,487	-	13,878,358	11,325,917
<b>Total Equity &amp; liabilities</b>	<b>70,189,951</b>	<b>342,725</b>	<b>-</b>	<b>132,488,823</b>	<b>203,021,499</b>
Contingencies & Commitments	106,823,717	-	-	18,756,127	125,579,844

## 41 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 on an arm's length basis. Transaction with executives key management persons 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 99.95% 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 transactions with Government-related entities. Such transactions include lending to, deposits from and provision of other banking services to such 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:



	2019			2018		
	Directors	Key management personnel	Other related parties	Directors	Key management personnel	Other related parties
Amount Rs. 000						
<b>Investments</b>						
Opening balance	-	-	-	-	-	-
Investment made during the year	-	-	-	-	-	-
Investment redeemed / disposed off during the year	-	-	-	-	-	-
Closing balance	-	-	-	-	-	-
<b>Advances</b>						
Opening balance	-	124,018	109,375	-	141,504	279,511
Addition during the year	-	33,398	-	-	9,373	3,152,969
Repaid during the year	-	17,563	62,501	-	25,140	172,501
Transfer in / (out) - net	-	(58,959)	-	-	(1,719)	(3,150,604)
Closing balance	-	80,894	46,874	-	124,018	109,375
<b>Other Assets</b>						
Interest / mark-up accrued	-	-	435	-	84	3,199
Other receivable	-	30	2,292	-	-	2,160
	-	30	2,727	-	84	5,359
<b>Deposits and other accounts</b>						
Opening balance	52,636	65,375	1,231,625	78,102	111,156	881,146
Received during the year	220,006	429,637	13,320,173	222,411	595,233	8,530,546
Withdrawn during the year	225,413	424,436	11,032,474	223,803	616,937	8,180,073
Transfer in / (out) - net	(25,531)	(2,550)	(238)	(24,074)	(24,077)	6
Closing balance	21,698	68,026	3,519,086	52,636	65,375	1,231,625
<b>Other Liabilities</b>						
Premium payable	-	-	15	-	-	1,355
Interest / mark-up payable	245	865	46,685	284	643	8,440

41 RELATED PARTY TRANSACTIONS

	2019			2018		
	Directors	Key management personnel	Other related parties	Directors	Key management personnel	Other related parties
Amount Rs. 000						
<b>Income:</b>						
Mark-up / return / interest earned	-	2,328	10,051	-	5,179	68,920
Fee and commission income	-	10	30	3	15	29
Net gain on sale of securities	6	-	3,987	-	-	63
Other income	-	-	3,213	-	-	7,796
<b>Expense:</b>						
Mark-up / return / interest paid	2,336	4,286	228,420	1,882	3,655	83,641
Rent paid	-	-	-	-	-	206
Remuneration paid	-	212,951	-	-	187,800	-
Contribution to provident fund	-	10,163	-	-	5,977	-
Provision for gratuity	-	9,539	-	-	14,771	-
Other staff benefits	-	16,396	-	-	26,869	-
Directors' meeting fee	33,734	-	-	21,514	-	-
Commission paid on Advertisement	-	-	-	-	-	1,124
Other supplies & services	-	-	-	-	-	2,296
Other expenses	351	-	-	1,348	-	-
Insurance premium paid	-	-	81,379	-	-	79,128
<b>Others:</b>						
Sale of Government Securities	58,000	-	3,625,000	-	-	628,200
Purchase of Government Securities	-	22,500	110,000	-	-	-
Expenses recovered under agency arrangement	-	-	296	-	-	504
Contribution to provident fund	-	-	-	-	-	2,924
Provision for gratuity	-	-	-	-	-	5,247
Insurance claims settled	-	-	5,800	-	-	4,916

As at the date of consolidated statement of financial position, loans/advances and deposits related to government related entities amounted to Rs.7,020.60 million (note 10.2) and Rs.69,668.54 million. The above includes deposits amounting to Rs.17,997.57 (2018: Rs.13,039.25) million received through the Finance Department, Government of Sindh.

42 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

Minimum Capital Requirement (MCR):

Paid-up capital (net of losses)

2019 2018  
 (Rupees in '000)

15,510,472 10,010,130

Capital Adequacy Ratio (CAR):

Eligible Common Equity Tier 1 (CET 1) Capital

Eligible Additional Tier 1 (ADT 1) Capital

Total Eligible Tier 1 Capital

Eligible Tier 2 Capital

Total Eligible Capital (Tier 1 + Tier 2)

9,494,152 7,632,037

- -

9,494,152 7,632,037

- -

9,494,152 7,632,037



**Risk Weighted Assets (RWAs):**

	2019	2018
	(Rupees in '000)	
Credit Risk	44,530,403	62,832,149
Market Risk	14,322,638	15,590,337
Operational Risk	9,007,923	10,455,685
<b>Total Risk Weighted Assets</b>	<b>67,860,964</b>	<b>88,878,171</b>

**Common Equity Tier I Capital Adequacy ratio**

	2019	2018
	13.99%	8.59%

**Tier I Capital Adequacy Ratio**

	2019	2018
	13.99%	8.59%

**Total Capital Adequacy Ratio**

	2019	2018
	13.99%	8.59%

**Notional minimum capital requirements prescribed by SBP**

	2019	2018
CET I minimum ratio	6.00%	6.00%
Tier I minimum ratio	7.50%	7.50%
Total capital minimum ratio	10.00%	10.00%
Total capital minimum ratio plus CCB	12.50%	11.90%

**Approach followed for determining Risk Weighted Assets**

	Comprehensive Maturity Basic Indicator	Comprehensive Maturity Basic Indicator
Credit Risk		
Market Risk		
Operational Risk		

**Leverage Ratio (LR):**

	2019	2018
	(Rupees in '000)	
Eligible Tier-I Capital	9,494,152	7,632,037
Total Exposures	167,315,997	167,912,118
<b>Leverage Ratio (%)</b>	<b>5.67%</b>	<b>4.55%</b>

**Liquidity Coverage Ratio (LCR):**

	2019	2018
Total High Quality Liquid Assets	44,615,973	37,014,311
Total Net Cash Outflow	17,943,953	23,741,031
<b>Liquidity Coverage Ratio (%)</b>	<b>249%</b>	<b>156%</b>

**Net Stable Funding Ratio (NSFR):**

	2019	2018
Total Available Stable Funding	104,909,785	99,894,009
Total Required Stable Funding	69,852,945	80,679,221
<b>Net Stable Funding Ratio</b>	<b>150%</b>	<b>124%</b>

42.1 The full disclosures on the CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS as per SBP instructions issued from time to time shall be placed on the website. The link to the full disclosures shall be short and clear and be provided within this note such as, The link to the full disclosure is available at <http://www.sindhbanktd.com/financials/basel-statements>.

**43. RISK MANAGEMENT**

The Group's risk management framework encompasses the culture, processes and structure and is directed towards the effective management of potential opportunities and threats to the Group. The prime objective of the Group's risk management strategy is to abandon the traditional approach of 'managing risk by silos' and to put in place integrated risk and economic capital management capabilities that will enable the Group to achieve integrated view of risks across its various business operations and to gain strategic advantage from its risk management capabilities.

The Board of Directors (BOD) keeps an oversight on the Group-wide risk management framework and approves the risk management strategy and policies of the Group. The Board Risk Management Committee (BRMC), ensures that the Group maintains a complete and prudent integrated risk management framework at all times and ensures that the risk exposures are maintained within acceptable levels. BRMC is responsible for reviewing the extent of design and adequacy of risk management framework. BRMC oversight ensures that risks are managed within the level of tolerance and risk appetite of the Group.

**43.1 Credit risk**

Credit risk arises from the potential that an obligor is either unwilling to perform on an obligation or its ability is impaired resulting in economic loss to the Group. The objective of credit risk management is to keep credit risk exposure within permissible level, relevant to the Group's risk appetite and capital, to maintain the soundness of assets and to ensure returns commensurate with risk. The Group takes necessary measures to control such risk by evaluating, measuring and monitoring credit exposures.

The Group has a comprehensive pre-approval evaluation process of credit risk embedded within Risk Management Division. The risk evaluation function is an integral part of Credit Risk Management Framework and is independent from the risk taking function. The credit evaluation department will independently identify actual and potential risks both on individual and on portfolio basis including adherence to relevant internal policies, procedures and related regulatory guidelines.

In addition to monitoring credit limits specified in the Prudential Regulations of the State Bank of Pakistan, the credit limit structure of the Group includes internal limits as established by the BOD and senior management. Credit Limits along with credit concentration is monitored on a regular basis and any exceptions are reported to the relevant authorities for their timely action where necessary.

The Group uses comprehensive Approach for assessing the capital charge for Credit risk.

**43.1.1 Lendings to financial institutions**

Details of Lending to financial institutions and provision held by sectors

	Gross Lendings		Non Performing Lendings		Provision held	
	2019	2018	2019	2018	2019	2018
----- Amount Rs. 000 -----						
Public/ Government	494,545	-	-	-	-	-
Private	3,150,847	5,383,162	-	-	-	-
<b>Total</b>	<b>3,645,392</b>	<b>5,383,162</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**43.1.2 Investments**

Segmental information by the class / nature of business, distribution and provision held is given below:

	Gross Investments		Non Performing Investments		Provision held	
	2019	2018	2019	2018	2019	2018
----- (Rupees 000) -----						
Government of Pakistan	62,878,447	56,148,348	-	-	-	-
Banks	1,606,514	1,746,609	297,132	237,919	297,132	237,919
Cement	63,745	63,745	32,189	-	32,189	-
Fertilizer	618,582	814,987	22,684	-	22,684	-
Financial	1,641,873	915,049	20,646	-	20,646	-
Petroleum	7,682	7,682	5,935	5,293	5,935	5,293
Power (electricity), Gas & Water	1,027,622	1,073,260	-	-	-	-
Sugar	592,051	607,393	514,344	-	126,407	-
<b>Total</b>	<b>68,436,516</b>	<b>61,377,073</b>	<b>892,930</b>	<b>243,212</b>	<b>504,993</b>	<b>243,212</b>



#### 43.1.2.1 Credit risk by public / private sector

	Gross Investments		Non Performing Investments		Provision held	
	2019	2018	2019	2018	2019	2018
	----- (Rupees 000) -----					
Public/ Government	65,663,134	56,960,689	45,200	-	-	-
Private	2,773,382	4,416,384	847,730	243,212	504,993	243,212
<b>Total</b>	<b>68,436,516</b>	<b>61,377,073</b>	<b>892,930</b>	<b>243,212</b>	<b>504,993</b>	<b>243,212</b>

#### 43.1.3 Advances

Segmental information by the class / nature of business and segment by distribution of advances, Non performing advances & provision held is given below:

	Advances (Gross)		Non Performing Advances		Provision held	
	2019	2018	2019	2018	2019	2018
	----- Amount Rs. 000 -----					
Pharmaceuticals	35,163	33,349	-	-	-	-
Agriculture business	1,855,168	1,575,722	980,039	412,276	260,891	121,836
Manufacturing of textile	854,135	1,070,967	33,186	-	33,186	-
Cement	64,499	95,962	-	-	-	-
Transport, storage and communication	843,405	1,078,851	-	-	-	-
Wholesale and retail trade	1,580,351	1,458,030	413,795	412,547	173,933	89,127
Mining and quarrying	3,599,771	4,585,143	-	-	-	-
Hotel and restaurants	1,189,431	1,503,547	-	-	-	-
Petroleum	3,759,697	395,623	1,773,683	-	1,105,300	-
Media channels	2,398,139	2,394,137	1,499,380	1,499,525	23,980	-
Manufacture of basic iron and steel	2,037,785	2,451,587	1,756,740	-	1,313,378	-
Sugar	19,553,996	19,350,617	16,136,917	14,716,655	8,509,791	4,563,965
Automobile and transportation equipment	2,452,015	3,089,809	2,432,015	1,765,509	1,670,118	271,802
Chemicals and chemical products	1,519,737	1,862,355	1,098,591	1,098,591	893,311	154,331
Financial	3,364,777	4,030,019	1,183,766	1,183,766	280,940	6,264
Rice & Wheat	492,170	447,106	30,000	-	-	-
Construction, real estate and societies	4,805,314	5,148,634	2,896,716	2,614,346	456,350	234,432
Food	7,370,532	10,262,670	152,736	152,850	102,600	85,265
Insurance	13,475	11,286	-	-	-	-
Power, electricity and gas	11,511,501	11,129,912	2,586,728	813,110	422,469	3,460
Domestic Appliances	2,007,937	1,863,214	-	-	-	-
Education	23,083	58,781	-	-	-	-
Individuals	805,865	719,540	187	-	187	-
Others	5,156,514	5,068,239	849,803	201,252	56,856	8,520
<b>Total</b>	<b>77,294,459</b>	<b>79,685,101</b>	<b>33,824,285</b>	<b>24,870,429</b>	<b>15,303,290</b>	<b>5,539,001</b>

#### 43.1.3.1 Credit risk by public / private sector

	Advances (Gross)		Non Performing Advances		Provision held	
	2019	2018	2019	2018	2019	2018
	----- (Rupees in '000) -----					
Public/ Government	7,020,595	9,463,078	-	-	-	-
Private	70,273,864	70,222,023	33,824,285	24,870,429	15,303,290	5,539,001
<b>Total</b>	<b>77,294,459</b>	<b>79,685,101</b>	<b>33,824,285</b>	<b>24,870,429</b>	<b>15,303,290</b>	<b>5,539,001</b>

#### 43.1.4 Contingencies and Commitments

Segmental information by the class / nature of business and by distribution of Contingencies and Commitments is given below:

	2019	2018
	----- (Rupees 000) -----	
Chemical and pharmaceuticals	301,586	101,197
Manufacturing of textile	8,500	53,406
Transport, storage and communication	136,000	100,200
Wholesale and retail trade	345,290	337,359
Mining and quarrying	-	113,970
Petroleum	201,637	1,185,169
Manufacture of basic iron and steel	24,962	84,668
Sugar	230,783	21,223
Automobile and transportation equipment	42,118	118,687
Financial	12,099,004	107,803,717
Construction, real estate and societies	862,716	1,174,589
Food	-	100,930
Power, electricity and gas	1,022,226	1,510,703
Education	310	3,762
Others	567,915	1,288,957
<b>Total</b>	<b>15,843,047</b>	<b>113,998,536</b>

#### 43.1.4.1 Credit risk by public / private sector

	2019	2018
	----- Amount Rs. 000 -----	
Public/ Government	3,261,017	23,706,462
Private	12,582,030	90,292,074
<b>Total</b>	<b>15,843,047</b>	<b>113,998,536</b>

#### 43.1.5 Concentration of Advances

The group are top 10 exposures (funded and non-funded) aggregated Rs. 28,210.47 (2018: Rs. 29,127.54) million as follows:

	2019	2018
	----- Amount Rs. 000 -----	
Funded	27,703,303	26,952,453
Non Funded	507,162	2,175,091
<b>Total Exposure</b>	<b>28,210,465</b>	<b>29,127,543</b>

#### 43.1.5.1 The sanctioned limits against these top 10 exposures aggregated Rs. 32,183.77 (2018: Rs. 32,448.62) million.

#### 43.1.5.2 Total Funded Facilities Classified

Classified funded facilities of the group's top 10 exposures are as follows:

	2019		2018	
	Classified	Provision held	Classified	Provision held
	----- (Rupees 000) -----			
OAEM	-	-	-	-
Substandard	-	-	3,299,738	271,802
Doubtful	-	-	3,207,795	224,999
Loss	8,002,976	3,497,963	1,544,513	1,348,513
<b>Total</b>	<b>8,002,976</b>	<b>3,497,963</b>	<b>8,052,046</b>	<b>1,845,314</b>



43.1.6 Advances - Province/Region-wise Disbursement & Utilization

Name of Province / Region	Disbursements	2019					
		UTILIZATION					
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
----- (Rupees 000) -----							
Punjab	23,893,780	23,865,800	27,980	-	-	-	-
Sindh	43,670,489	152,292	43,517,699	498	-	-	-
KPK including FATA	6,270	-	-	6,270	-	-	-
Balochistan	404,561	-	-	-	404,561	-	-
Islamabad	1,555,255	-	-	-	-	1,555,255	-
AJK including Gilgit-Baltistan	3,715	-	-	-	-	-	3,715
<b>Total</b>	<b>69,534,070</b>	<b>24,018,092</b>	<b>43,545,679</b>	<b>6,768</b>	<b>404,561</b>	<b>1,555,255</b>	<b>3,715</b>

Name of Province / Region	Disbursements	2018					
		UTILIZATION					
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
----- Amount Rs. 000 -----							
Punjab	26,760,930	26,750,315	10,615	-	-	-	-
Sindh	92,624,304	1,317,347	90,438,822	-	868,135	-	-
KPK including FATA	80,686	-	-	80,686	-	-	-
Balochistan	231,616	-	-	-	231,616	-	-
Islamabad	1,979,074	-	-	-	-	1,979,074	-
AJK including Gilgit-Baltistan	8,997	-	-	-	-	-	8,997
<b>Total</b>	<b>121,685,607</b>	<b>28,067,662</b>	<b>90,449,437</b>	<b>80,686</b>	<b>1,099,751</b>	<b>1,979,074</b>	<b>8,997</b>

43.2 Market risk

Market Risk is the risk of loss in earnings and capital due to adverse changes in interest rates, foreign exchange rates, equity prices and market conditions. Market Risk management aims to provide risk management practices that are integrated in key strategic, capital and financial planning process and day-to-day business processes across the Group. The Group's market risk management policies set out risk management parameters, governance and control frameworks as well as reporting arrangements.

The Group have developed a market risk management framework to efficiently and effectively monitor and manage market risk in every transaction of Banking and Trading Book.

43.2.1 Balance sheet split by trading and banking books	2019			2018		
	Banking book	Trading book	Total	Banking book	Trading book	Total
----- (Rupees 000) -----						
Cash and balances with treasury banks	13,566,622	-	13,566,622	9,122,815	-	9,122,815
Balances with other banks	1,080,537	-	1,080,537	725,400	-	725,400
Lendings to financial institutions	3,645,392	-	3,645,392	5,383,162	-	5,383,162
Investments	65,012,547	-	65,012,547	54,700,066	-	54,700,066
Advances	61,981,026	-	61,981,026	74,138,210	-	74,138,210
Fixed assets	3,837,529	-	3,837,529	1,624,874	-	1,624,874
Intangible assets	43,213	-	43,213	52,940	-	52,940
Deferred tax assets	8,613,301	-	8,613,301	4,027,784	-	4,027,784
Other assets	3,885,945	-	3,885,945	5,927,974	-	5,927,974
	<b>161,666,112</b>	<b>-</b>	<b>161,666,112</b>	<b>155,703,225</b>	<b>-</b>	<b>155,703,225</b>

43.2.2 Foreign exchange risk

The foreign exchange risk is defined as the current or prospective risk to earnings and capital arising from adverse movements in currency exchange rates. It refers to the impact of adverse movement in currency exchange rates on the value of open foreign currency positions. The objectives of the foreign exchange risk management is to minimize the adverse impact of foreign exchange rate movements on the assets and liabilities mismatch (tenor and position) and maximize their earnings. The Group limits its currency exposure to the extent of statutory net open position prescribed by the SBP except in the cases where exemption is provided by the SBP. Foreign exchange open and mismatch positions are controlled through close monitoring and are marked to market on a daily basis.

	2019			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	----- (Rupees in '000) -----			
Pakistani Rupee	160,390,491	143,109,466	94,724	17,375,748
United States Dollar	929,617	979,925	(94,724)	(145,032)
Great Britain Pound	225,381	277,845	-	(52,464)
Euro	101,192	82,089	-	19,103
Japanese Yen	268	-	-	268
Saudi Riyal	8,370	-	-	8,370
UAE Dirham	9,465	-	-	9,465
Chines Yuan	1,329	-	-	1,329
	<b>161,666,112</b>	<b>144,449,325</b>	<b>-</b>	<b>17,216,787</b>

	2018			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	----- (Rupees in '000) -----			
Pakistani Rupee	154,553,751	142,469,641	(311,268)	11,772,842
United States Dollar	874,849	1,597,723	131,895	(590,979)
Great Britain Pound	120,374	244,940	173,747	49,181
Euro	90,969	65,004	5,626	31,591
Japanese Yen	183	-	-	183
Canadian Dollar	57,920	-	-	57,920
Saudi Riyal	659	-	-	659
UAE Dirham	3,306	-	-	3,306
Chines Yuan	1,214	-	-	1,214
	<b>155,703,225</b>	<b>144,377,308</b>	<b>-</b>	<b>11,325,917</b>

43.2.3 Foreign exchange risk

Impact of 1% change in foreign exchange rates on:

	2019		2018	
	Banking book	Trading Book	Banking book	Trading Book
----- (Rupees in '000) -----				
- Profit and loss account	339	947	7,582	(3,113)
- Other comprehensive income	-	-	-	-



#### 43.2.4 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.

Impact of 5% change in equity prices on :

	2019		2018	
	Banking book	Trading Book	Banking book	Trading Book
	----- (Rupees in '000) -----			
- Profit and loss account	-	-	-	-
- Other comprehensive income	(137,001)	-	(121,811)	-

#### 43.2.5 Yield / interest rate risk

Yield / interest rate risk reflects the degree of vulnerability of an organization to adverse changes in mark-up / 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.

Impact of 1% change in interest rates on:

	2019		2018	
	Banking book	Trading Book	Banking book	Trading Book
	----- (Rupees in '000) -----			
- Profit and loss account	-	-	-	-
- Other comprehensive income	(515,487)	-	(341,220)	-

#### 43.2.6 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 reprice in a given period. The Group 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 Group.

Effective Yield / Interest rate	2019	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	
<b>On-balance sheet financial instruments</b>								
<b>Assets</b>								
Cash and balances with treasury banks	13,566,622	405,450	-	-	-	-	-	13,161,172
Balances with other banks	1,080,537	263,737	-	-	-	-	-	816,800
Lendings to financial institutions	3,645,392	3,645,392	-	-	-	-	-	-
Investments	65,012,547	8,134,823	599,239	10,188,715	5,246,266	99	5,124,870	21,056,920
Advances	61,981,026	52,855,107	2,788,436	813,994	736,828	715,108	1,498,047	6,400,615
Other assets	3,885,945							74,114
	149,172,069	65,304,509	3,387,675	11,002,709	6,003,094	715,207	6,169,796	22,495,862
<b>Liabilities</b>								
Bills payable	495,010							
Borrowings from financial institutions	4,992,284	2,616,207	1,476,379			899,698		
Deposits and other accounts	134,085,796	63,027,042	10,500,464	11,805,887	3,489,358	285,464	169,360	539,923
Other liabilities	4,876,235							
	144,449,325	65,643,249	11,976,843	11,805,887	3,489,358	1,185,162	169,360	539,923
<b>On-balance sheet gap</b>	4,722,744	(338,740)	(8,589,168)	(803,178)	(2,513,736)	(469,955)	6,000,436	6,082,994
<b>Off-balance sheet financial instruments</b>								
Purchase and resale agreements	2,570,889							
Sale and repurchase agreements	3,646,700							
<b>Off-balance sheet gap</b>	6,217,589							
<b>Total yield / Interest Risk Sensitivity Gap</b>	5,878,849	(8,589,168)	2,513,736	(803,178)	(469,955)	6,000,436	6,082,994	22,495,862
<b>Cumulative yield / Interest Risk Sensitivity Gap</b>	5,878,849	(2,710,319)	(196,583)	(999,761)	(1,469,716)	4,530,720	10,613,714	33,109,576
<b>Reconciliation with total assets:</b>								
Assets as per above	149,172,069							
Fixed assets	3,880,742							
Deferred tax asset	8,613,301							
Assets as per consolidated statement of financial position	161,666,112							
<b>Reconciliation with total liabilities:</b>								
Liabilities as per above	144,449,325							
Deferred tax liability	-							
Liabilities as per consolidated statement of financial position	144,449,325							



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

(Rupees in '000)

On-balance sheet financial instruments											
<b>Assets</b>											
Cash and balances with treasury banks	9,122,815	245,263	42,575	32,474	174,704	-	-	-	-	-	8,627,799
Balances with other banks	725,400	263,236	-	-	-	-	-	-	-	-	462,164
Lending to financial institutions	5,383,162	-	-	-	-	-	-	-	-	-	-
Investments	54,700,066	4,986,760	756,365	1,651,923	-	-	-	13,817,142	24,346,662	6,438,968	2,702,246
Advances	74,138,210	62,561,774	777,858	1,050,117	71,1042	1,541,213	1,023,691	2,086,972	2,052,060	2,265,775	67,708
Other assets	5,927,974	-	-	-	-	-	-	-	-	-	5,927,974
<b>Total</b>	<b>149,997,627</b>	<b>73,440,195</b>	<b>1,576,798</b>	<b>2,734,514</b>	<b>885,746</b>	<b>1,541,213</b>	<b>1,023,691</b>	<b>15,904,114</b>	<b>26,398,722</b>	<b>8,704,743</b>	<b>17,787,891</b>
<b>Liabilities</b>											
Bills payable	929,426	-	-	-	-	-	-	-	-	-	929,426
Borrowings from financial institutions	26,771,698	20,675,768	6,095,930	-	-	-	-	-	-	-	-
Deposits and other accounts	113,640,900	50,440,726	3,193,664	5,233,804	4,343,587	49,602	137,112	867,523	-	-	49,374,882
Other liabilities	3,035,284	-	-	-	-	-	-	-	-	-	3,035,284
<b>Total</b>	<b>144,377,308</b>	<b>71,116,494</b>	<b>9,289,594</b>	<b>5,233,804</b>	<b>4,343,587</b>	<b>49,602</b>	<b>137,112</b>	<b>867,523</b>	<b>26,398,722</b>	<b>8,704,743</b>	<b>53,339,592</b>
<b>On-balance sheet gap</b>	<b>5,620,319</b>	<b>2,323,701</b>	<b>(7,712,796)</b>	<b>(2,499,290)</b>	<b>(3,457,841)</b>	<b>1,491,611</b>	<b>886,579</b>	<b>15,036,591</b>	<b>26,398,722</b>	<b>8,704,743</b>	<b>(35,551,701)</b>
<b>Off-balance sheet financial instruments</b>											
Purchase and resale agreements	25,541,849	-	-	-	-	-	-	-	-	-	-
Sale and repurchase agreements	5,391,248	-	-	-	-	-	-	-	-	-	-
<b>Off-balance sheet gap</b>	<b>30,933,097</b>	<b>30,933,097</b>	<b>-</b>	<b>-</b>							
<b>Total yield / Interest Risk Sensitivity Gap</b>	<b>33,256,798</b>	<b>(7,712,796)</b>	<b>(2,499,290)</b>	<b>(3,457,841)</b>	<b>1,491,611</b>	<b>886,579</b>	<b>15,036,591</b>	<b>26,398,722</b>	<b>8,704,743</b>	<b>(35,551,701)</b>	<b>33,256,798</b>
<b>Cumulative yield / Interest Risk Sensitivity Gap</b>	<b>33,256,798</b>	<b>25,544,002</b>	<b>23,044,712</b>	<b>19,586,871</b>	<b>21,078,482</b>	<b>21,965,061</b>	<b>37,001,652</b>	<b>63,400,374</b>	<b>72,105,117</b>	<b>84,806,861</b>	<b>36,553,416</b>
<b>Reconciliation with total assets:</b>	<b>149,997,627</b>	<b>1,677,814</b>	<b>4,027,784</b>	<b>155,703,225</b>	<b>144,377,308</b>	<b>144,377,308</b>	<b>144,377,308</b>	<b>144,377,308</b>	<b>144,377,308</b>	<b>144,377,308</b>	<b>144,377,308</b>
Assets as per above											
Fixed assets											
Deferred tax asset											
Assets as per consolidated statement of financial position											
<b>Reconciliation with total liabilities:</b>	<b>144,377,308</b>	<b>144,377,308</b>									
Liabilities as per above											
Deferred tax liability											
Liabilities as per consolidated statement of financial position											

### 43.3 Liquidity risk

The Group monitors its liquidity risk through various liquidity ratios and liquidity risk indicators. Any deviations or breaches are reported to the relevant authorities for timely action. Moreover, Asset and Liability Management Committee (ALCO), a senior management committee, also reviews the liquidity position of the Group on at least monthly basis and takes appropriate measures where required. The Group uses liquidity gap ladder to assess the liquidity gaps and liquidity needs in different time buckets, under normal and stressed scenarios. Whereas, the Contingency Funding Plan (CFP) of the Group is also in place. The ALCO reviews the current economic situation, projected cash flows and asset / liability mix and approves strategy for managing appropriate liquidity. Mandatory stress tests of SBP are conducted, on a periodic basis, to test the adequacy of liquidity contingency plan and to identify the extent of liquidity stress that the Group is able to take in current conditions.

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

Assets	2019										Over 5 years				
	Total	Over 12 months					Over 12 to 36 months								
		Upto 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 to 9 months	Above 9 months to 1 years	Over 1 to 2 years		Over 2 to 3 years	Over 3 to 5 years		
Cash and balances with treasury banks	13,566,622	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	1,080,537	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Lending to financial institutions	3,645,392	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investments	65,012,547	-	-	-	-	1,411,296	5,908,519	9,430,013	1,301,441	99	5,252,786	5,324,647	28,268,018	-	-
Advances	61,981,026	15,399,767	2,547,231	2,547,231	1,816,970	11,346,189	1,061,427	2,389,910	1,927,599	598,336	3,155,402	8,325,925	12,101,595	-	-
Fixed assets	3,837,529	-	-	-	49,178	149,174	150,813	199,351	598,338	13,320	1,181,143	790,353	-	-	-
Intangible assets	43,213	-	-	-	1,095	1,095	3,357	6,606	13,320	-	-	-	-	-	-
Deferred tax assets	8,613,301	-	437,023	430,330	860,661	1,721,322	1,721,322	1,721,322	1,721,322	-	-	-	-	-	-
Other assets	3,885,945	682,207	1,463	1,680,432	621,966	2,48,874	644,294	-	-	-	-	-	-	-	6,709
<b>Total</b>	<b>161,666,112</b>	<b>34,374,525</b>	<b>538,324</b>	<b>460,359</b>	<b>11,648,064</b>	<b>4,080,131</b>	<b>5,248,735</b>	<b>19,772,819</b>	<b>12,366,932</b>	<b>5,618,629</b>	<b>2,539,354</b>	<b>9,019,850</b>	<b>14,831,715</b>	<b>41,166,675</b>	<b>-</b>
<b>Liabilities</b>															
Bills payable	495,010	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings from financial institutions	4,992,284	2,566,207	-	-	50,000	-	-	-	-	-	899,698	-	-	-	-
Deposits and other accounts	134,085,796	101,522,813	3,442,653	6,985,492	6,985,492	6,985,492	6,985,492	1,265,302	10,996,878	285,464	170,089	1,142,088	54,109	-	-
Deferred tax liability	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	4,876,235	3,951,426	136,678	16,395	203,616	203,616	203,616	48,944	145,653	7,870	2,890	15,298	-	-	-
<b>Total</b>	<b>144,449,325</b>	<b>105,969,249</b>	<b>3,156,690</b>	<b>7,424,447</b>	<b>7,189,108</b>	<b>5,179,539</b>	<b>3,598,678</b>	<b>1,314,246</b>	<b>11,142,531</b>	<b>1,193,032</b>	<b>1,346,322</b>	<b>8,846,871</b>	<b>13,674,329</b>	<b>41,112,566</b>	<b>-</b>
<b>Gap</b>	<b>17,216,787</b>	<b>(71,594,724)</b>	<b>(2,618,366)</b>	<b>(3,118,972)</b>	<b>10,905,617</b>	<b>(3,108,977)</b>	<b>69,196</b>	<b>16,174,141</b>	<b>11,052,686</b>	<b>(5,523,902)</b>	<b>1,346,322</b>	<b>8,846,871</b>	<b>13,674,329</b>	<b>41,112,566</b>	<b>-</b>
Share capital	19,710,130	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reserves	1,486,892	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share deposit money	2,000,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated loss	(4,199,658)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deficit on revaluation of investments	(1,780,577)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Net assets</b>	<b>17,216,787</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

2018

Assets	Total	Upto 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 months	Over 1 to 2 months	Over 2 to 3 months	Over 3 to 6 months	Over 6 to 9 months	Above 9 months to 1 years	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 years
Cash and balances with treasury banks	9,122,815	371,696	470,472	966,698	1,475,304	464,260	429,190	946,180	1,286,151	2,712,864	-	-	-	-
Balances with other banks	725,400	243,175	50,760	177,662	253,803	-	-	-	-	-	-	-	-	-
Lending to financial institutions	5,383,162	4,383,162	-	1,000,000	-	-	-	-	-	-	-	-	-	-
Investments	54,700,066	100,000	4,887,266	-	-	-	1,080,503	987,966	-	1,490,650	-	420,462	14,115,240	31,617,979
Advances	74,138,210	18,114,005	42,453	1,401,485	2,078,095	3,015,971	10,538,141	3,751,926	3,794,530	1,896,551	3,058,522	2,464,922	9,626,426	14,355,183
Fixed assets	1,624,874	-	-	-	24,491	13,564	13,564	41,144	41,596	41,596	165,015	165,015	313,884	804,994
Intangible assets	52,940	-	-	-	1,381	1,381	1,381	4,189	4,235	4,235	16,800	19,338	-	-
Deferred tax assets	4,027,784	-	-	-	402,320	804,641	804,641	804,641	804,641	809,221	-	-	-	-
Other assets	5,927,974	203	225,989	231,963	4,016,992	683,712	377,528	249,128	30,803	11,650	47,246	46,056	-	6,704
	155,703,225	18,829,079	10,060,102	3,777,808	8,252,386	4,581,208	13,244,948	6,785,174	5,961,956	6,966,767	3,287,594	3,115,793	24,055,550	46,784,860

Liabilities	Total	Bills payable	Borrowings from financial institutions	Deposits and other accounts	Deferred tax liability	Other liabilities	Gap	Share capital	Reserves	Unappropriated profit	Deficit on revaluation of investments	Net assets		
													185,885	26,771,698
	929,426	185,885	26,771,698	1,918,881	3,035,284	144,377,308	11,325,917	10,010,130	1,473,850	4,023,905	(4,181,968)	11,325,917		
	26,771,698	-	26,771,698	-	-	-	-	-	-	-	-	-		
	113,640,900	185,885	26,771,698	1,918,881	3,035,284	144,377,308	11,325,917	10,010,130	1,473,850	4,023,905	(4,181,968)	11,325,917		
	3,035,284	185,885	26,771,698	1,918,881	3,035,284	144,377,308	11,325,917	10,010,130	1,473,850	4,023,905	(4,181,968)	11,325,917		
	144,377,308	2,232,723	29,660,642	5,582,142	10,643,987	6,821,872	7,117,859	14,792,111	17,671,024	48,289,636	57,465	139,824	1,280,521	87,502
	11,325,917	16,596,356	(19,600,540)	(1,804,334)	(2,391,601)	(2,240,664)	6,127,089	(8,006,937)	(11,709,068)	(41,322,869)	32,301,129	2,975,969	22,775,029	46,697,358

Assets	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
Cash and balances with treasury banks	13,566,622	5,869,289	1,680,396	1,237,206	4,779,731	-	-	-	-	-
Balances with other banks	1,080,537	1,080,537	-	-	-	-	-	-	-	-
Lending to financial institutions	3,645,392	3,645,392	-	-	-	-	-	-	-	-
Investments	65,012,547	8,015,728	1,311,229	5,908,519	10,931,454	199,876	5,330,494	5,124,870	21,789,696	6,400,614
Advances	61,981,026	17,308,778	4,787,229	10,923,161	3,451,339	1,927,599	3,155,402	8,325,925	5,627,882	6,473,711
Operating fixed assets	3,837,529	71,665	98,356	149,174	301,626	646,874	598,338	1,181,143	333,817	456,536
Intangible assets	43,213	1,095	2,190	3,321	6,714	16,568	-	-	-	-
Deferred tax asset	8,613,301	867,353	2,581,983	1,721,322	3,442,643	-	-	-	-	-
Other assets	3,885,945	2,362,435	872,507	644,294	-	-	-	-	-	-
	161,666,112	39,222,272	11,333,957	20,586,997	22,913,507	2,790,917	9,097,559	14,631,938	27,751,395	13,337,570

Liabilities	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
Bills payable	495,010	495,010	-	-	-	-	-	-	-	-
Borrowings from financial institutions	4,992,284	2,616,207	1,476,379	-	-	899,698	-	-	-	-
Deposits and other accounts	134,085,796	19,916,615	20,590,484	13,596,937	78,330,010	285,464	170,089	1,142,088	54,109	-
Deferred tax liability	-	-	-	-	-	-	-	-	-	-
Other liabilities	4,876,235	4,139,732	401,887	107,218	201,341	7,870	2,890	15,297	-	-
	144,449,325	27,167,564	22,468,750	13,704,155	78,531,351	1,193,032	172,979	1,157,385	54,109	-
Gap	17,216,787	12,054,708	(11,134,793)	6,882,842	(55,617,844)	1,597,885	8,924,580	13,474,553	27,697,286	13,337,570

Liabilities	Total	Share capital	Reserves	Share deposit money	Accumulated Loss	Deficit on revaluation of investments	Net assets
	19,710,130	19,710,130	-	-	-	-	-
	1,486,892	-	1,486,892	-	-	-	-
	2,000,000	-	-	2,000,000	-	-	-
	(4,199,658)	-	-	-	(4,199,658)	-	-
	(1,780,577)	-	-	-	(1,780,577)	-	-
	17,216,787	-	-	-	-	-	17,216,787

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

2019

Assets	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
Cash and balances with treasury banks	13,566,622	5,869,289	1,680,396	1,237,206	4,779,731	-	-	-	-	-
Balances with other banks	1,080,537	1,080,537	-	-	-	-	-	-	-	-
Lending to financial institutions	3,645,392	3,645,392	-	-	-	-	-	-	-	-
Investments	65,012,547	8,015,728	1,311,229	5,908,519	10,931,454	199,876	5,330,494	5,124,870	21,789,696	6,400,614
Advances	61,981,026	17,308,778	4,787,229	10,923,161	3,451,339	1,927,599	3,155,402	8,325,925	5,627,882	6,473,711
Operating fixed assets	3,837,529	71,665	98,356	149,174	301,626	646,874	598,338	1,181,143	333,817	456,536
Intangible assets	43,213	1,095	2,190	3,321	6,714	16,568	-	-	-	-
Deferred tax asset	8,613,301	867,353	2,581,983	1,721,322	3,442,643	-	-	-	-	-
Other assets	3,885,945	2,362,435	872,507	644,294	-	-	-	-	-	-
	161,666,112	39,222,272	11,333,957	20,586,997	22,913,507	2,790,917	9,097,559	14,631,938	27,751,395	13,337,570

Liabilities	Total	Share capital	Reserves	Share deposit money	Accumulated Loss	Deficit on revaluation of investments	Net assets
	19,710,130	19,710,130	-	-	-	-	-
	1,486,892	-	1,486,892	-	-	-	-
	2,000,000	-	-	2,000,000	-	-	-
	(4,199,658)	-	-	-	(4,199,658)	-	-
	(1,780,577)	-	-	-	(1,780,577)	-	-
	17,216,787	-	-	-	-	-	17,216,787

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.



2018

	Total	2018									
		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	9,122,815	930,389	9,10,270	2,730,809	4,551,347	-	-	-	-	-	-
Balances with other banks	725,400	268,555	50,760	152,281	253,804	-	-	-	-	-	-
Lending to financial institutions	5,383,162	5,383,162	-	-	-	-	-	-	-	-	-
Investments	54,700,066	5,256,985	270,225	810,674	2,286,210	-	-	-	-	-	6,438,968
Advances	74,138,210	22,061,811	13,264,871	3,751,976	5,503,869	3,109,203	420,462	14,115,240	25,101,302	8,496,619	5,858,563
Operating fixed assets	1,624,874	36,315	27,128	41,144	83,191	165,026	165,015	313,884	342,849	-	450,322
Intangible assets	52,940	1,381	2,762	4,189	8,469	16,800	19,340	-	-	-	-
Deferred tax asset	4,027,784	399,836	1,206,961	806,166	1,614,821	-	-	-	-	-	-
Other assets	5,927,974	4,473,954	1,061,240	249,127	42,454	47,246	47,245	-	-	-	-
	155,703,225	38,812,388	16,794,217	8,546,316	14,344,165	33,382,275	3,116,984	24,055,550	33,947,477	6,707	12,747,853
<b>Liabilities</b>											
Bills payable	929,426	185,885	185,885	278,828	278,828	-	-	-	-	-	-
Borrowings from financial institutions	26,771,698	25,501,398	1,270,300	-	-	-	-	-	-	-	-
Deposits and other accounts	113,640,900	14,362,285	12,569,567	33,654,226	51,515,815	49,602	137,112	1,264,791	87,502	-	-
Deferred tax liability	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	3,035,284	2,687,242	99,865	132,405	88,277	7,863	2,712	16,920	-	-	-
<b>Gap</b>	144,377,308	42,736,810	14,125,617	34,065,459	51,882,920	57,465	139,824	1,281,711	87,502	-	-
	11,325,917	(3,924,421)	2,668,600	(25,519,143)	(37,538,755)	3,280,809	2,977,160	22,773,839	33,859,975	12,747,853	
Share capital	10,010,130										
Reserves	1,473,850										
Unappropriated profit	4,023,905										
Deficit on revaluation of investments	(4,181,968)										
<b>Net assets</b>	11,325,917										

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.

43.4 Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems and external events.

The Group strives to manage operational risk within acceptable levels through sound operational risk management practices.

The Group has set up a separate Operational Risk Management (ORM) Unit. ORM Unit resides within Risk Management Division (RMD). Its responsibility is to implement Operational Risk management tools across the group for effective measurement and monitoring of operational risk faced by different areas of the Group.

44. GENERAL

44.1 Figures have been rounded off to the nearest thousand rupee.

45. DATE OF AUTHORISATION FOR ISSUE

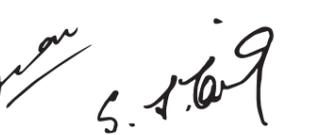
These consolidated financial statements were authorised for issue by the Board of Directors on March 09, 2020.

  
 Chairman

  
 President and Chief Executive Officer

  
 Director

  
 Director

  
 Chief Financial Officer



## Notice of 9th Annual General Meeting

NOTICE is hereby given that the 9th Annual General Meeting of Sindh Bank Limited will be held on March 30, 2020 at 10.00 a.m at Federation House, Clifton, Karachi, to transact the following business:

### A-Ordinary Business:

- 1- To confirm the minutes of 6th Extraordinary General Meeting held on 13th January, 2020.
- 2- To receive, consider and adopt the Audited consolidated/un-consolidated Financial Statements of the Bank for the year ended 31st December, 2019, 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 2020 and fix their remuneration. The retiring Auditors Naveed Zafar Ashfaq Jaffrey & Co. have shown their willingness to act as the auditors for the year 2020 as well.

### B-Special Business:

- 1- To increase the Authorized Capital of the Bank from Rs.20 billion to Rs.28 billion & amend clause V of the Memorandum & Article-5 of the Articles of Association of the Bank, as recommended by the Board of Directors in its 76th (Emergent) Board Meeting held on 12th February, 2020.
- 2- To approve payment of remuneration and provision of certain facilities to the President/CEO of the Bank.
- 3- To approve reimbursement of administrative expenses pertaining to office, staff and security of the Ex-Chairman in terms of SBP BPRD Circular # 09 of 2015 dated May 06, 2015.
- 4- 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-1(C)(2).
- 5- To approve Directors Remuneration Policy in terms of SBP-BPRD Circular No.03 of 2019 dated 17.08.2019.

A statement of material facts under section 134(3) of the Companies Act, 2017 relating to aforesaid special business to be transacted is appended below:

6- Any other business with the permission of the chair.

By order of the Board

Shamsuddin Khan  
 Company Secretary

### NOTES:

- i. A member entitled to attend and vote at the 9th Annual General Meeting of the Bank may appoint another member as his / her proxy to attend and vote instead of him / her. The proxy shall have the right to attend, speak and vote in place of the member appointed him at the meeting.
- ii. The instrument appointing a proxy should be signed by the member(s) or by his / her Attorney, duly authorized in writing. If the member is a Corporation, its common seal should be affixed to the instrument.
- iii. The Proxy Form duly completed, must be deposited at the Bank's Registered Office at 3rd Floor, Federation House, Abdullah Shah Ghazi Road, Clifton, Karachi not less than 48 hours before the time of holding the meeting.
- iv. CDC account holder or sub-account holder appointing a proxy should furnish attested copies of his / her own as well as the proxy's CNIC / Passport with the proxy form. The proxy shall also produce his / her original CNIC or passport at the time of meeting. In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted along with proxy form.

The Share transfer books of the company will remain closed from 23rd March, 2020 to 30th March, 2020 (both days inclusive). CDC Transaction IDs received in order at the Registered Office of the Company up to the close of business on 22nd March, 2020 will be considered as on time for the determination of entitlement of shareholder to attend and vote at the meeting. Members are required to notify immediately changes, if any, in their registered address.

### Statement Under Section 134 (3) of The Companies Act, 2017 Concerning The Special Business

This statement sets out the material facts concerning the Special Business given in above Special Business of above agenda, to be transacted at the 9th Annual General Meeting of Sindh Bank Limited (the "Bank") to be held on March 30, 2020:

#### Item No.1 of Special Business:

INCREASE IN AUTHORIZED CAPITAL & AMENDMENT IN CLAUSE V of the Memorandum & Article-5 of the Articles of Association:

"THE MEMBERS OF SINDH BANK DO HEREBY RESOLVES THAT the Authorized Capital of the Bank be increased from Rs.20.0 billion (Pak Rupees Twenty billion) to Rs.28.0 billion (Pak Rupees Twenty eight billion) comprising of 2,800,000,000 ordinary shares of Rs.10/- each, and the shareholders of the Bank hereby approve, as and by way of a 'Special Resolution', the following amendment in the Memorandum & Articles of Association of the Bank for increase in the authorized capital of the Bank."

"THE MEMBERS OF SINDH BANK DO HEREBY FURTHER RESOLVES THAT Clause V of the Memorandum of Association of the Bank be and is hereby amended as follows:

"V. The Capital of the Bank shall be PKR 28,000,000,000/- (Pak Rupees Twenty eight billion only) divided into 2,800,000,000 (Two Billion eight hundred million) Ordinary Shares of PKR 10/- each (Pak Rupees Ten only) with power to increase or decrease the capital from time to time and divide the shares, present or future, into several classes."

THE MEMBERS OF SINDH BANK DO HEREBY FURTHER RESOLVES THAT Article 5 of the Articles of Association of the Bank be and is hereby amended as follows:

#### 5. Capital:

- (a) The Authorized Share Capital of the Bank shall be PKR 28,000,000,000/- (Pak Rupees Twenty eight billion only) divided into 2,800,000,000 (two Billion eight hundred million) Ordinary Shares of PKR 10.00/- each (Pak Rupees ten each);
- (b) Out of the above, capital may be issued by the Directors of the Company from time to time, as the Directors may deem necessary."

Item No.2 to 5 of Special Business:

- 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 Presidents/CEOs for the year 2019 a gross sum of Rs.18,566,000/-, in addition to bonus and other perquisites as per their term of appointment be and are hereby approved."
- 2- The meeting fee payable to the non-executive members of the Board has been approved 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 ex-Chairman was also approved by the Board. 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- "RESOLVED THAT "Directors Remuneration Policy" recommended by the Board of Directors in its 77th meeting held on 9th March, 2020, be and is hereby approved".

## Pattern of Shareholdings

AS ON DECEMBER 31, 2019

Number of Shareholders	From	Size of Shareholdings	To	Total Shares Held
6	1		100	6
31	101		500	15,500
36	501		1000	36,000
31	1001		5000	104,500
5	5001		10000	50,000
4	10001		15000	52,001
1	15001		20000	20,000
1	20001		25000	25,000
2	25001		30000	60,000
1	45001		50000	50,000
4	95001		100000	400,000
1	195001		200000	200,000
1	999995001		1000000000	1,969,999,993
<b>124</b>				<b>1,971,013,000</b>



## Categories of Shareholders

As On December 31, 2019

Category No.	Shareholders	No. of Shares Held	Category wise No. of Share Holders	%
1	Individuals	400,000	3	0.02%
2	Investment Companies	-	-	-
3	Joint Stock Companies	-	-	-
4	<b>Director, Chief Executive, and their spouse and minor children</b>			
	ANIS AHMED KHAN	1	1	0.00%
	JAVAID BASHIR SHEIKH	1	1	0.00%
	MASOOMA HUSSAIN	10,001	1	0.00%
	SAMI UL HAQ KHILJI	1	1	0.00%
	NOMINEE SHARES OF EX-DIRECTORS	3	3	0.00%
	Sub-Total	10,007	7	
5	<b>Executives / Employees / Group employees</b>	603,000	113	0.03%
6	NIT/ICP			
7	Associated Companies, undertakings and related parties			
8	Banks, DFIs, NBFIs, Insurance companies, Modarbas & 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	50.74%
	Government of Sindh -Rights Shares *	970,000,000	1	49.21%
		1,969,999,993	1	99.95%
<b>TOTAL</b>		<b>1,971,013,000</b>	<b>124</b>	<b>100.00%</b>

\* 970,000,000 rights shares have been allotted to Govt of Sindh and pending for upload with CDC

Shareholders holding ten percent or more voting interest in the listed company

Total Paid-up Capital of the company	1,971,013,000	
10% of the paid-up capital of the company	197,101,300	
Name(s) of Shareholder(s)	No. of Shares held	Percentage (%)
Government of Sindh, through its Finance Department	1,969,999,993	99.95

## Branch Network



### SOUTHERN REGION

#### KARACHI AREA

**Mr. Abdul Rauf Chandio**  
 EVP-I & Group Business Head  
 Southern Region  
 Tel: 021-35642101-2  
 Fax: 021-35642104  
 Email: rauf.chandio@sindhbankltd.com

**Mr. Shahzad Hussain**  
 VP-I & Area Manager,  
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## Form of Proxy

I/We, \_\_\_\_\_, 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 absence to attend and vote for me and on my behalf at the 9th Annual General Meeting of the Bank to be held on 30th March 2020 at 10:00 a.m at the Head Office of Sindh Bank Limited, Federation House, Clifton, Karachi, and at any adjournment thereof.

As witness my/our hand this \_\_\_\_\_ day of \_\_\_\_\_ 2020.

1. Witness \_\_\_\_\_

Signature \_\_\_\_\_

CNIC No. \_\_\_\_\_

Address \_\_\_\_\_

2. Witness \_\_\_\_\_

Signature \_\_\_\_\_

CNIC No. \_\_\_\_\_

Address \_\_\_\_\_

Member's Signature  
 on Rs.5.00  
 Revenue Stamp

(Signature should agree with  
 the specimen signature  
 Registered with the Bank)

### NOTES:

- A member entitled to attend and vote at the 9th Annual General Meeting of the Bank may appoint any person as his/her/its proxy to attend and vote instead of his/her/its. The proxy shall have the right to attend, speak and vote in place of the member appointed him at the meeting.
- The instrument appointing a proxy should be signed by the member(s) or by his/her/its Attorney, duly authorized in writing. If the member is a Corporation, its common seal should be affixed to the instrument.
- The Proxy Form duly completed, must be deposited at the Bank's Registered Office at 3rd Floor, Federation House, Abdullah Shah Ghazi Road, Clifton, Karachi not less than 48 hours before the time of holding the meeting.
- CDC account holder or sub-account holder appointing a proxy should furnish attested copies of his/her/its own as well as the proxy's CNIC / Passport with the proxy form. The proxy shall also produce his/her/its original CNIC or passport at the time of meeting. In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted along with proxy form.

## Number of Branches

S.No.	Regions	No. of Branches
1	Southern Region - Karachi	93
2	Balochistan Branches	16
3	Sindh Rural Region	97
4	Punjab & Northern Region	103
5	KPK & Mirpur AJK	21
	<b>Total</b>	<b>330</b>

