RATING REPORT

Samba Bank Limited (SBL)

REPORT DATE:
June 23, 2020

RATING ANALYSTS:
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RATING DETAILS				
	Latest Rating		Previous Rating	
Rating Category	**Long-term**	**Short-term**	**Long-term**	**Short-term**
Entity	AA	A-1	AA	A-1
Outlook	Stable		Stable	
Outlook Date	*23rd June 2020*		*24th June 2019*	

COMPANY INFORMATION	
Incorporated in 2007	**External auditors:** KPMG Taseer Hadi and Co.
Public Limited Company	**Chairman of the Board:** Dr. Shujaat Nadeem
Key Shareholders (with stake 5% or more):	**Chief Executive Officer:** Mr. Shahid Sattar
Samba Financial Group – 84.51%	

APPLICABLE METHODOLOGY
VIS Commercial Banks Rating Methodology (March 2018)
https://s3-us-west-2.amazonaws.com/backupsqlvis/docs/Meth-CommercialBanks201803.pdf

Samba Bank Limited (SBL)

OVERVIEW OF THE INSTITUTION

Samba Financial Group, incorporated in Kingdom of Saudi Arabia, acquired a significant stake in the bank in early 2007 and the bank was rebranded as Samba Bank Limited. The bank is listed on Pakistan Stock Exchange.

Profile of Chairman

Dr. Shujaat Nadeem serves on several boards and senior committees in the bank. His career before Samba was with Citigroup where he held senior positions in US and UK. Dr. Nadeem did his undergraduate and graduate degrees from USA. He holds a Ph.D., MSc. and BSc. from Massachusetts Institute of Technology (MIT).

Profile of CEO

Mr. Shahid Sattar spearheads the management team at SBL. Mr. Sattar has significant experience in the banking sector in Pakistan and abroad, having been associated with prominent institutions at key positions. Prior to joining SBL, Mr. Sattar was heading the retail function at United Bank Limited

RATING POINTERS

Samba Bank Limited is engaged in provision of banking services in Pakistan and is classified as a small to mid-sized bank with market share of 0.5% (2018: 0.5%) in deposits. Approximately 84.5% shareholding of the bank is vested with Samba Financial Group (SFG). SBL operates through its distribution network of 40 (2018: 37) branches. The bank has deployed Temenos T24 (T24) as its centralized core banking system. It includes all the basic modules including branch banking, trade finance, corporate loans and anti-money laundering.

Ratings incorporate sound sponsor profile

The assigned ratings of SBL are underpinned by strong profile of its sponsor, Samba Financial Group (SFG). The Samba Financial Group (SFG) is one of the largest banking groups in Kingdom of Saudi Arabia (KSA). As at end-December 2019, total asset size of SFG stood at SAR 255.6b (USD 68.1b) (2018: SAR 229.9b (USD 61.3b)), while Tier I equity amounted to SAR 46.9b (USD 12.5b) (2018: SAR 44.3b (USD 11.8b)). In July 2019, Fitch reaffirmed the long term credit rating of SFG at 'A-' rating with a stable outlook.

Gross financing portfolio witnessed moderate growth during 2019; however, market share remains on the lower side vis-à-vis peers. Asset quality indicators remain sound.

Gross financing portfolio of SBL increased by 14.6% to reach Rs. 64.0b at end-2019 (2018: Rs. 55.9b). Corporate loan book continues to represent largest proportion (60.9%) of SBL's total financing portfolio. However, Commercial, SME and Consumer also depicted considerable growth in line with management's strategy to increase the yield on advances portfolio. Commercial, SME and Consumer portfolios combined accounted for 35.9% (2018: 33.3%) of total loan portfolio. Despite considerable growth in lending portfolio, market share of the bank in terms of advances remains on the lower side vis-à-vis peers (2019: 0.8%; 2018: 0.7%). Due to prudent lending practices and limited size of the bank, concentration is witnessed in portfolio with top 20 and top 50 funded exposures accounting for 28.7% (2018: 32.3%) and 52.6% (2018: 55.5%) of gross advances portfolio of the bank.

Despite some increase in NPLs, both gross and net infection ratios stood lower at 4.2% (2018: 4.3%) and 0.1% (2018: 0.3%), respectively. Growth in NPLs was lower than growth in gross advances portfolio, which resulted in lower gross infection ratio. Net infection ratio was reported lower as the management booked sizeable provisions during 2019; the same is indicated by a strong provisioning coverage ratio of 100.5% (2018: 96.1%). Going forward, maintaining asset quality remains a key priority and the management will continue to follow a well-defined targeted market strategy and risk acceptance criteria. Maintaining asset quality indicators in line with ratings benchmarks is considered important from ratings perspective.

Credit and market risk emanating from investment portfolio is considered manageable

Net investment portfolio represented around 40% of total asset base at end-Dec'2019. Investments in sovereign instruments represented 92% of the total portfolio. Resultantly, credit risk emanating from the investment portfolio is low. With anticipation of decrease in interest rates, the management increased the bank's exposure in PIBs, while reducing exposure in short tenor T-Bills in 2019. With increase in equity portfolio and higher duration of fixed income portfolio, the exposure to market risk increased. However, the same remains at manageable level.

Liquidity profile depicts room for improvement as concentration is witnessed in deposit base. ADR is on the higher side vis-à-vis peers and liquid assets in relation to deposits and borrowings decreased during the year under review

In view of the increase witnessed in gross advances to deposits ratio and concentration in deposits, coupled with a decrease in liquid assets in relation to deposits and borrowings, overall liquidity profile of the bank was impacted in 2019 in comparison to the preceding year. Advances (adjusted for SBP borrowings) to Deposit Ratio (ADR) increased to 82.0% (2018: 79.6%) and is considered to be on the higher side vis-à-vis peers.

Deposit base of the bank depicted a growth of 10.2% by increasing to Rs. 71.9b (2018: Rs. 65.2b) at end-2019. Growth was primarily manifested in fixed deposits as the management aimed to reduce the volatility in deposit base by locking in term deposits for a specific period. Savings deposits depicted decrease from the preceding year as the management opted to shed high cost deposits. With reduction in saving deposits, CASA of the bank decreased to 45.7% (2018: 54.7%). Due to limited number of branches, concentration is witnessed in the deposit base as top-50 and top-10 depositors represented 56.4% (2018: 58.6%) and 34.8% (2018: 33.4%) of the overall deposit base at end-2019. Going forward, management plans to increase the granularity in deposit base by adding low cost current accounts. Improvement in liquidity indicators is considered important for ratings.

Capitalization indicators are sound and are expected to remain healthy over the ratings horizon

Despite decreasing in 2019, Capital Adequacy Ratio (CAR) of the bank was reported at 17.98% (2018: 19.04%), depicting considerable cushion over the regulatory requirement of 12.50%. Capital base of the bank increased on the back of retention in profits. Going forward, capitalization indicators of the bank are expected to maintain adequate buffer over the regulatory requirement after accounting for projected growth in advances.

Topline depicted sizeable growth due to increase in spreads and volumetric growth in portfolio; however, growth in overall profitability was limited due to sizeable provisioning charge. Going forward, profitability is expected to remain under pressure in view of decreasing interest rate scenario and client repayment capacity being affected due to economic slowdown

Recurring income of the bank improved due to higher net interest income (NII) and non-markup income. Increase in NII was a function of both growth in financing portfolio and higher spreads. Increase in policy rates, higher proportion of commercial, SME, and consumer portfolio in financing mix, and loan re-pricing on considerable number of corporate loans contributed to improvement in spreads. Non markup registered sizeable growth primarily on the back of increase in fee and commission income and foreign exchange income. Administrative expenses also witnessed an increase albeit at a slower pace vis-à-vis the recurring income. Hence, efficiency ratio of the bank depicted improvement to 62.9% (2018: 69.4%). Due to considerable provisioning expense, the growth in bottom line was limited. Going forward, while the banks would earn capital gains on investments in higher rate government securities, the Covid-19 crisis and its impact on the economy and the financial sector would make the operating dynamics of the banks in general challenging. SBP has announced regulatory relaxations to manage the asset quality of the banks' portfolio which along with the relief package provided by the Federal Government is expected to provide certain respite to the financial sector. However, the impact of curtailment of economic activity for a certain period of time and lower lending rate scenario may cause NIM compression, thereby impacting the profitability of the bank. Maintaining conservative lending strategy to maintain asset quality and cost efficiencies would be important rating drivers going forward.

Corporate & Sponsor Profile

Samba Bank Limited (SBL) is engaged in provision of banking services in Pakistan. SBL is a public limited entity listed on Pakistan Stock Exchange (PSX) and its registered office is situated in Islamabad.

Samba Financial Group (SFG) acquired 68.4% shareholding in Crescent Commercial Bank (CCB) in 2007. Post-acquisition, CCB was rebranded as SBL. Over the years, SFG has increased its stake in the bank to 84.51%. No significant changes have been witnessed in the shareholding pattern since last review. The following table presents the shareholding pattern of SBL at end-Dec 2019:

Figure 1: Shareholding pattern

Shareholders	%
Associated Companies, Undertakings & related parties	84.51
Samba Financial Group	*84.51*
Directors and CEO (including their spouse & minor children)	3.66
Public Sector Companies and Corporations	0.26
Financial Institutions	0.07
General Public	2.90
Others	8.60

The Samba Financial Group (SFG) is one of the largest banking groups in Kingdom of Saudi Arabia (KSA). As of December 2019, SFG's asset base stood around SAR 255.6b, while Tier I equity amounted to SAR 46.9b. In July 2019, Fitch reaffirmed the long term credit rating of SFG at 'A-' rating with a stable outlook.

The Board of Directors (BoD) at SBL comprises nine members. Two changes were observed in the BoD composition during 2019. Mr. Nadeem Babar and Mr. Shahbaz Haider resigned from the Board. Hafiz Mohammad Yousaf and Mr. Tariq Javed were inducted on the Board to fill the casual vacancies. Presently, the BoD includes three independent directors, five non-executive directors and one executive director. Dr. Shujaat Nadeem holds the position of Chairman since March 2013. All the Board members possess sound experience. A brief profile of directors is provided in Annexure I.

Composition of the BoD is line with best practices, as one-third of the Board is represented by the independent directors. Moreover, a female director is also present on the Board.

Figure 2: BoD composition

Directors	Status
Dr. Shujaat Nadeem	Chairman (Non-Executive)
Mr. Shahid Sattar	President/CEO
Ms. Ranya Nashar	Non-Executive
Mr. Aiman Gusti	Non-Executive
Mr. Timour Pasha	Non-Executive
Mr. Humayun Murad	Non-Executive
Mr. Arjumand Ahmed Minai	Independent
Hafiz Mohammad Yousuf	Independent
Mr. Tariq Javed	Independent

During 2019, five BoD meetings were held at SBL. Attendance of the Board members in the meetings is considered satisfactory. The Board complies with its responsibilities in line with Code of Corporate Governance.

Four committees are present at Board level in order to ensure effective oversight. These include Board Audit Committee (BAC), Board Risk Committee (BRC), Board Nomination & Remuneration Committee (BNRC) and the Board Information Technology Committee (BITC). Composition of these committees is presented below:

Figure 3: BoD composition

Directors	BAC	BRC	BNRC	BITC
Dr. Shujaat Nadeem	-	-	-	C
Mr. Shahid Sattar	-	M	-	-
Ms. Ranya Nashar	-	-	M	-
Mr. Aiman Gusti	M	M	-	M
Mr. Timour Pasha	-	C	-	-
Mr. Humayun Murad	-	M	M	-
Mr. Arjumand Ahmed Minai	C	-	-	-
Hafiz Mohammad Yousuf	M	-	C	M
Mr. Tariq Javed	-	-	-	M

M: Member
C: Chairman

Composition of board committees is line with best practices as both BAC and BNRC are chaired by independent directors.

Total headcount of the bank (including contractual employees) was reported at 786 at end 2019 (2018: 719).

Management

Management team at SBL is spearheaded by Mr. Shahid Sattar, who serves as the CEO of the organization. Mr. Sattar is a seasoned professional possessing significant experience in the banking sector in Pakistan and abroad, having been associated with prominent institutions at key positions. Prior to joining SBL, Mr. Sattar was heading the retail function at United Bank Limited. No major change has been observed at senior management level since last review, except that the Group Head Operations, Mr. Abid Hussain resigned during the year 2020, and Mr. Imran Kazim, then serving as the Head, Centralized Consumer Operations and Branch Banking Services, took charge as the Acting Group Head. The following table illustrates the composition of senior management team at SBL:

Figure 4: Composition of the Senior Management Team

Name	Designation
Mr. Shahid Sattar	President and CEO
Mr. Rashid Jahangir	Chief Financial Officer
Mr. Muhammad Arshad Mehmood	Group Head – HR & Training, & Administration
Mr. Humayun Bawkher	Chief Credit Officer (CCO)
Syed Zia-ul-Husnain Shamsi	Group Head- Legal Affairs, IRM Collection & Recovery and Company Secretary
Syed Ghazanfar Agha	Group Head – Corporate & Investment Banking
Mr. Arif Raza	Group Head – Global Markets (Treasurer)
Syed Amir Raza Zaidi	Group Head - Compliance
Ms. Samina Hamid Khan	Chief Risk Officer (CRO)
Mr. Imran Kazim	Group Head Operations (Acting)
Mr. Sitwat Rasool Qadri	Chief Internal Auditor
Mr. Ahmad Tariq Azam	Group Head, SME and Commercial Banking
Mr. Zeeshan Kaiser	Chief Technology Officer
Mr. Talal Javed	Group Head Consumer Banking

Information Technology

The bank deploys Temenos T24 (T24) as its centralized core banking system. Through integration with allied systems, it caters to all the requirements for branch banking services, trade finance, corporate loans, call center, treasury, human resource management and anti-money laundering.

The bank has two data centers; primary data center is located in Karachi and the secondary data center is based in Lahore. The data warehouse serves the purpose of maintaining business and financial reporting data from T24 and allied systems. Disaster Recovery (DR) site of the bank is located in Lahore. Real time backup of data is replicated to the DR site for critical systems, while additional backup is also undertaken on hard drives right before the close of business activity and after the close of business activity each day.

To ensure reliability of the IT infrastructure, industry standard cyber security systems and processes are adopted. A comprehensive internal and external penetration & vulnerability testing exercise is conducted on regular intervals throughout the year for Information Security Assurance. Moreover, the IT department regularly updates the IT policy, procedure and Disaster Recovery Plan (DRP) as per the emerging scenarios and needs.

During 2019, few new initiatives were undertaken by the management, which included migration of ADC Switch and Cards Management Systems to new solution, which will provide the bank a platform to launch new ADCs and Digital banking services. SWIFT standards mandate for the year was also implemented and upgrades and patches deployments ensured in Core and Allied systems to improve services, mitigate risks and increase efficiencies. Going forward, the management plans to launch digital products like QR Payments, Online e-tickets purchasing, Food Orders on its Mobile platform, besides digital customer on-boarding and corporate Bills/Fees collection among other initiatives.

An IT Steering Committee (ITSC) is present at management level. Meetings of ITSC are held on quarterly basis to monitor progress of IT services and initiatives and ensure smooth operations of IT infrastructure. SBL has also established Board IT Committee (BITC) in 2019, which provides focused Board oversight to Bank Management on technology. First meeting of BITC was also held in 2019. Going forward, meetings of BITC will be held more frequently.

Risk Management

The risk management department at SBL is further segregated into 4 sub-divisions, which include Corporate Credit Risk/Commercial/SME/FI, Consumer Risk, Market Risk/Middle Office Basel III and Operational Risk. In order to further strengthen the controls, the Board has formed committees at management level such as Integrated Risk Management Committee (IRMC), Management Credit Committee (MCC), Country Risk and Compliance Committee (CRCC) and Asset and Liability Committee (ALCO).

The Integrated Risk Management Committee (IRMC) reviews the four risk areas on an integrated and holistic basis on overall risk environment. Management Credit Committee (MCC) is responsible for reviewing, monitoring and evaluating client wise exposures in order to manage the credit risk.

Country Risk and Compliance Committee (CRCC) oversees the operational and compliance risk at SBL. Operational Risk Framework is duly approved and reviewed by the board.

Macroeconomic and liquidity indicators are assessed by ALCO in SBL. The committee's responsibility is to monitor macroeconomic indicators, market risk tolerances, and liquidity risk indicators. Deposit profiles and asset and liabilities maturity buckets are discussed in ALCO meetings.

The Samba Financial Group employs a proprietary risk assessment model "FARAS" (Financial Analysis and Risk Assessment System) that has been modified to conform with the Pakistani economic environment. Obligor Risk Rating (ORR) scores are determined using FARAS through a combination of quantitative and qualitative analysis. Grades ranging from 2 to 6 are assigned to performing categories and grades ranging from 7 to 10 are assigned to classified categories. The ORR scores are assessed by the Management Credit Committee (MCC) under the Board Risk Committee (BRC). ORR score wise limits are given below:

Figure 5: ORR score sheet

ORR score	Limit (Rs. B)
1,2,3	3.5
4	2.75
5+	2.0
5	1.6
5-	1.25
6+	0.6
6	0.4

Average ORR of the bank's overall portfolio remained stable and was 5 (2018: 5) at end-2019.

Financial Analysis

Figure 6: Asset Mix

(Rs. in billions)	2018	2019
Investments - net of provisions	48.0	51.3
	39.1%	39.6%
Advances - net of provisions	53.6	61.4
	43.7%	47.4%
Total Assets	**122.8**	**129.6**
Borrowings	39.8	36.1
Deposits & other accounts	65.2	71.9
Total Liabilities	**110.0**	**115.4**
Total Adjusted Equity	**12.8**	**13.9**

Total asset base of the bank increased to Rs. 129.6b (2018: Rs. 122.8b), thereby depicting a growth of 5.5%. Increase in asset base was primarily manifested in the advances portfolio, which increased to Rs. 61.4b (2018: Rs. 53.6b). Net advances portfolio continues to represent largest proportion of the overall asset base.

Growth in asset base was primarily funded by deposits during 2019. Total deposit base increased by 10.2% vis-à-vis the preceding year. Going forward, the bank's strategy is to continue growing its loan portfolio by attracting low cost current deposits.

Credit Risk

Gross financing portfolio of SBL increased by 14.6% to reach Rs. 64.0b at end-2019 (2018: Rs. 55.9b). SBL's market share in terms of gross advances was reported at 0.79% (2018: 0.71%) at end-2019. Despite growth in market share on yearly basis, overall market share is on the lower side vis-à-vis peers.

Figure 7: Segment-wise gross advances and gross infection

(Rs. in billions)	2018		2019	
	GA	GI	GA	GI
Corporate	35.4	4.8%	39.0	5.0%
Commercial	14.8	0.9%	18.1	1.0%
SME	1.4	2.8%	2.0	0.0%
Consumer	2.4	21.8%	2.9	19.3%
Staff	0.7	0.1%	0.8	0.0%
MTS	1.2	0.0%	1.3	0.0%
Total	**55.9**	**4.3%**	**64.0**	**4.2%**

GA = Gross Advances
GI = Gross infection

Corporate loan book continues to represent largest proportion of SBL's total financing portfolio and amounted to Rs. 39.0b at end-2019 (2018: Rs. 35.4b). The management continues to exercise selective disbursement strategy with regards to new customers. Primary focus remains on existing clients with sound repayment history.

In line with management's strategy to increase yield on advances, Commercial, SME and Consumer depicted considerable growth during 2019. Commercial, SME and Consumer portfolios combined accounted for 35.9% (2018: 33.3%) of total loan portfolio. Going forward, considerable growth is being targeted in these segments. Hence, quality of underwriting will be crucial as credit risk is higher in these segments. Management is targeting to increase the overall net advances portfolio to Rs. 65.9b by end-2020; however, achievement of this target depends upon overall economic environment post coronavirus pandemic.

Figure 8: Asset quality indicators

(Rs. in millions)	2018	2019
Gross Advances	55,891.8	64,043.4
Specific Provisioning	2,249.6	2,623.7
General Provisioning	49.9	63.5
Net Advances	53,592.3	61,356.1
NPLs	2,392.2	2,672.7
Tier-1 Equity	12,663.1	13,716.8
Gross Infection	4.3%	4.2%
Net Infection	0.3%	0.1%
Provisioning Coverage	96.1%	100.5%
Net NPL/Tier I Equity	1.1%	0.4%

At end-2019, non-performing loans (NPLs) stood at Rs. 2.7b (2018: 2.4b). However, despite higher NPLs, both gross and net infection ratios stood lower at 4.2% (2018: 4.3%) and 0.1% (2018: 0.3%). Growth in NPLs was lower than growth in gross advances portfolio, which resulted in lower gross infection ratio. Net infection ratio was reported lower as the management booked sizeable provisions during 2019; the same is indicated by a provisioning coverage ratio of 100.5% (2018: 96.1%).

Sector wise exposures

Figure 9: Sector wise exposures

(Rs. in millions)	Gross Advances	
	2018	2019
Manufacturing	17,012.6	22,449.9
Textile	9,134.0	10,363.3
Chemical and pharmaceuticals	4,163.5	4,698.4
Sugar	4,098.5	3,505.9
Power(electricity), gas, water, sanitary	3,916.1	5,157.6
Transport, storage and communication	3,079.0	2,303.4
Oil marketing and refinery	2,865.7	0.1
Services	2,011.3	4,257.6
Cement	1,423.9	2,025.4
Financial	1,150.9	1,309.8
Automobile and transportation equipment	520.0	335.5
Paper and allied	162.2	217.9
Agriculture, forestry, hunting and fishing	100.0	71.9
Electronics and electrical appliances	97.4	157.7
Construction	56.5	84.0
Exports/Import	10.0	-
Footwear and leather garments	2.7	269.1
Wholesale and retail trade	1.7	2,669.5
Individuals	3,079.0	3,636.7
Others	3,006.7	529.7
Total	55,891.8	64,043.4

In terms of sector wise exposures, growth was witnessed in manufacturing, textile, power and chemical and pharmaceutical sectors. The management's strategy was to focus on export oriented sectors such as textile. In other industries, the management's preference was to work with only top tier clients. Going forward, the lending strategy is expected to remain similar with preference given to export oriented and import substitutions industries.

Figure 10: Sector wise NPLs and Gross infections

(Rs. in millions)	NPLs		Gross infection	
	2018	2019	2018	2019
Manufacturing	584.4	638.2	3.4%	2.8%
Textile	523.2	737.5	5.7%	7.1%
Chemical and pharmaceuticals	0.7	0.7	0.0%	0.0%
Sugar	18.6	18.6	0.5%	0.5%
Power (electricity), gas, water, sanitary	591.4	591.4	15.1%	11.5%
Transport, storage and communication	7.4	6.4	0.2%	0.3%
Oil marketing and refinery	0.0	-	0.0%	0.0%
Services	0.1	63.8	0.0%	1.5%
Cement	0.0	-	0.0%	0.0%
Financial	0.8	0.8	0.1%	0.1%
Automobile and transportation equipment	0.0	-	0.0%	0.0%
Paper and allied	1.5	1.5	0.9%	0.7%
Agriculture, forestry, hunting and fishing	-	-	0.0%	0.0%
Electronics and electrical appliances	38.5	38.5	39.5%	24.4%
Construction	0.0	-	0.0%	0.0%
Exports/Import	10.0	-	100.0%	0.0%
Footwear and leather garments	2.7	2.7	100.0%	1.0%
Wholesale and retail trade	1.7	12.4	100.0%	0.5%
Individuals	500.1	543.1	16.2%	14.9%
Others	111.2	17.3	3.7%	3.3%
Total	**2,392.2**	**2,672.7**	**4.3%**	**4.2%**

Increase in NPLs in 2019 can be primarily attributed to higher NPLs in the textile and manufacturing sector. Infection in textile segment witnessed net increase amounting to Rs. 214m mainly related to two companies. The bank has completely provided for these exposures. NPLs in the manufacturing sector pertained to steel manufacturer. This exposure of Rs. 54.0m has also been completely provided for by the bank. In the light of current coronavirus pandemic and country's overall macroeconomic situation, the management is keeping close watch on its overall portfolio especially import dependent sectors such as chemicals industry with regards to NPLs.

Concentration in portfolio

Although some reduction has been achieved vis-à-vis the preceding year, concentration is still witnessed in advances portfolio due to prudent lending practices and limited size of the bank. Top 20 and top 50 funded exposures accounted for 28.7% (2018: 32.3%) and 52.6% (2018: 55.5%) of gross advances portfolio at end-2019.

Investments

SBL's investment portfolio increased by 6.8% to Rs. 51.3b (2018: Rs. 48.0b) at end-2019. Credit Risk emanating from investment portfolio is considered minimal, as 92.2% of the investment portfolio was deployed in GoP securities at end-2019.

Figure 11: Investment portfolio

(Rs. in billions)	2018	%	2019	%
PIBs	18.3	38.1%	47.3	92.2%
T-Bills	26.7	55.5%	-	0.0%
Listed Equities	0.9	1.8%	1.6	3.1%
Unlisted Equities	-	-	-	-
Listed TFCs	0.7	1.5%	0.7	1.4%
Unlisted TFCs	0.5	1.1%	0.5	0.9%
Corporate Sukuks	0.9	1.9%	1.2	2.3%
Total	**48.0**	**100.0%**	**51.3**	**100.0%**

With anticipation of decrease in interest rates, the management increased the bank's exposure in PIBs, while reducing exposure in short tenor T-Bills. Resultantly, duration of the portfolio increased to 1.0 year (2018: 0.51 years) at end-2019. Going forward, the management is expected to maintain a similar mix with anticipation of decreasing interest rate scenario in future.

Major sectors in which equity investments of the bank are concentrated include chemical, commercial banks, oil & gas, and power sector. Market risk emanating from the equity investments is limited as they constitute approximately 11.5% of the bank's total equity.

Liquidity

In view of further increase in advances to deposits ratio (ADR), decrease in liquid assets in relation to deposits and borrowings, and considerable concentration in deposit base, overall liquidity profile of the bank has been impacted. Management has recognized and is trying to address this issue by aiming to increase the bank's deposit base and granularity.

Liquid Assets in relation to total deposits & borrowings (adjusted for repo) have observed a declining trend on a timeline basis. The same were reported at 39.1% (2018: 45.7%) at end-2019. On the other hand, Advances (adjusted for SBP borrowings) to Deposit Ratio (ADR) increased to 82.0% (2018: 79.6%) at end 2019. ADR of the bank is on the higher side vis-à-vis peers. Management is monitoring this issue on a regular basis.

Deposit base of the bank depicted a growth of 10.2% by increasing to Rs. 71.9b (2018: Rs. 65.2b) at end-2019. Addition of three new branches in Gwadar, Quetta and Lahore partly contributed to increase in deposit base. The following table depicts deposits composition.

Figure 12: Deposit Profile

(Rs. in billions)	2018	%	2019	%
Fixed Deposits	29.2	44.7%	38.4	53.4%
Savings Deposits	19.1	29.3%	16.0	22.3%
Current Accounts	16.6	25.4%	16.8	23.4%
Others/FIs	0.4	0.6%	0.6	0.9%
Total Deposits	**65.2**	**100%**	**71.9**	**100%**
CASA	**54.7%**		**45.7%**	

Growth in deposit base was primarily manifested in fixed deposits as the management aimed to reduce the volatility in deposit base by locking in term deposits for a specific period. Savings deposits depicted decrease from the preceding year as the management opted to shed high cost deposits. With reduction in saving deposits, CASA of the bank decreased to 45.7% (2018: 54.7%).

Concentration is witnessed in the deposit base as top-50 and top-10 depositors represented 56.4% (2018: 58.6%) and 34.8% (2018: 33.4%) of the overall deposit base at end-2019. Going forward, concentration is expected to remain high as plans for branch expansion is limited. Management is aiming to gradually reduce the top 30 deposit concentration by 1% p.a. over the next three years. In this regard, management has assigned greater targets to existing branches and solicited sizeable number of payroll accounts. Moreover, with growth in consumer lending portfolio, management is offering deposit services as well.

Total borrowings reduced to Rs. 36.1b (2018: Rs. 39.8b) at end 2019. Decrease was primarily mandated in Bai Muajjal borrowings on account of absence of the interest rate arbitrage opportunities.

Overall Liquidity Coverage Ratio (LCR) and net Stable Funding Ratio (NSFR) of the bank were reported at 195% (2018: 308%) and 180% (2018: 197%), depicting considerable cushion over regulatory requirements.

Capitalization

Share capital of the bank stood at Rs. 10.1b and reported no change compared to preceding year. Equity of the bank (excluding revaluation surplus/(deficit)) was reported higher at Rs. 13.9b (2018: Rs. 13.2b) due to profit retention. Tier-1 equity of SBL increased to Rs. 13.7b (2018: Rs. 12.7b).

Capital Adequacy Ratio (CAR) of the bank was reported at 17.98% (2018: 19.04%), depicting considerable cushion over the regulatory requirement of 12.50%. The decline in CAR was due to higher growth in Risk Weighted Assets (RWAs) vis-à-vis growth in Total Eligible Capital. Increase in RWAs was primarily attributed credit and market risk weighted assets. Despite targeted growth in advances portfolio, CAR of the bank is projected to remain comfortable at 18.48% at end-2020.

Profitability

Figure 13: Profitability snapshot

(Rs. in million)	2018	2019
Mark-up earned/ return/ interest earned	7,555.6	12,791.3
Mark-up/return/ interest expensed	4,847.2	9,272.2
Net mark-up income	**2,708.4**	**3,519.1**
Fee and commission income	270.9	331.7
Dividend income	45.3	61.4
Foreign exchange income	237.5	432.3
Gain on securities	214.6	20.7
Other income	3.7	0.2
Total non-mark-up income	**772.1**	**846.1**
Total Income	**3,480.5**	**4,365.2**
Operating expenses	2,264.1	2,732.0
Workers' Welfare fund	23.0	22.9
Other charges	15.3	8.1
Total non-mark-up expenses	**2,302.4**	**2,763.0**
Profit before provision	1,178.1	1,602.2
Provisions and write offs -net	68.4	502.0
Extra ordinary/unusual items	-	-
Profit (loss) before tax	**1,109.7**	**1,100.1**
Taxation	427.0	413.7
Profit after Tax	**682.7**	**686.5**

Net interest income (NII) depicted sizeable growth during 2019. Increase in NII was a function of both growth in financing portfolio and higher average return on earning assets. Average return on earning assets has increased due to increase in policy rates, higher proportion of commercial, SME, and consumer portfolio in financing mix, and loan re-pricing on considerable number of corporate loans. Increase in policy rates coupled with higher proportion of term deposits in overall deposit mix resulted in considerable increase in average cost of funds. However, increase in average earning assets was greater increase in average cost of funds, thereby resulting in improvement in spreads.

Figure 14: Spreads

	2018	2019
Avg. Return on Financing	8.35%	13.14%
Avg. Return on Investment	7.12%	11.08%
Avg. Return on Earning Assets	7.70%	12.15%
Cost of Deposits	4.82%	7.58%
Cost of Funds	5.29%	9.11%
Markup Spreads	2.41%	3.04%

Non-markup income registered sizeable growth primarily on the back of increase in fee and commission income and foreign exchange income. SBL emerged as one of the largest Hajj and Umrah remittance partner banks in Pakistan, which contributed to increase in non-markup income.

Operating expenses increased to Rs. 2.7b (2018: Rs. 2.3b) at end-2019. Majority of the expense pertained to employee related costs (2019: 50.3%; 2018: 55.4%). Total employee related expenses were reported at Rs. 1.4b (2018: Rs. 1.3b) in 2019. Higher headcount and inflationary increase in salaries contributed to increase in compensation expenses. Total staff strength of the bank (including contractual employees) was reported at 786 (2018: 719) at end-2019. Greater increase in recurring income vis-à-vis operating expenses improved efficiency ratio to 62.9% (2018: 69.4%) during 2019.

Figure 15: Efficiency Ratio

(Rs. in millions)	2018	2019
Recurring Income	3,262.1	4,344.4
Net Interest Income	2,708.4	3,519.1
Fee & Commission Income	270.9	331.7
Dividend Income	45.3	61.4
Income from FX dealings	237.5	432.3
Operating Expenses	2,264.1	2,732.0
Efficiency Ratio	**69.4%**	**62.9%**

Although profit before provisions depicted sizeable growth, the bank booked considerable provisions against advances during year under review (2019: Rs. 502.0m; 2018: Rs. 68.4m). Hence, very limited growth was registered in profit before tax and profit after tax.

Going forward, while the banks would earn capital gains on investments in higher rate government securities, the Covid-19 crisis and its impact on the economy and the financial sector would make the operating dynamics of the banks in general uncertain. SBP has announced regulatory relaxations to manage the asset quality of the bank portfolio which along with the relief package provided by the Federal Government is expected to provide certain respite to the financial sector. However, the impact of curtailment of economic activity for a certain period of time and lower lending rate scenario may cause NIM compression impacting the profitability of the bank. Maintaining conservative lending strategy to maintain asset quality and cost efficiencies would be important rating drivers going forward. Given considerable buffer in CAR and sizeable equity base, capitalization profile is expected to remain sound. Improvement in liquidity profile through reduction in depositor concentration and enhanced liquidity buffer is considered important from ratings perspective.

Annexure I – Profiles of Board of Directors

Name	Profile
Dr. Shujaat Nadeem - Chairman	Dr. Shujaat Nadeem serves as the Deputy CEO for Business for Samba Financial Group (SFG) since February 2019, and also serves as Chairman of Board for Samba Pakistan since 2013 and the Chairman of Samba Global Markets Limited since March 2016, he is also a board member of Samba Capital. Dr. Nadeem joined Samba Financial group in Oct. 2003 as the Group Treasurer and was instrumental in building the Global markets and Investment business for the bank over the years and continues to serve in multiple other senior committees and boards on behalf of the bank. Before joining Samba, Dr. Shujaat Nadeem was with Citigroup. He started his career with Citigroup New York in 1993 and during his career he held key positions in London and New York in derivatives trading. He was promoted to the MD title in 1999 as head of interest rate options trading in London. In 2000, Dr. Shujaat Nadeem took responsibility as Head of the MENA region Citigroup sales and trading franchise where in addition to building some key customer relationships he had extensive interaction with the regional regulators and worked closely with several central banks to advise them on market regulatory reforms. Dr. Shujaat Nadeem is also one of the founding members of PEN (Progressive Education Network, pen.org.pk), a non-profit philanthropic organization in Pakistan, committed to promotion of primary and secondary education for the underprivileged children. Dr. Nadeem holds a BSc, MSc. & Ph.D. from Massachusetts Institute of Technology (MIT), USA.
Ms. Ranya Mahmoud Nashar – Non Executive Director	Ms. Ranya Mahmoud Nashar is the CEO of Samba Financial Group since February 2017. Ms. Ranya is a board member of Samba Capital, Samba Bank Limited in Pakistan and Samba Global Markets Limited. She also serves on the board of directors of the Saudi Space Authority, Institute of International Finance (IIF), The Saudi Stock Exchange (Tadawul). The Board of the Capital Market Authority (CMA) appointed Ms. Rania as a member to its Advisory Committee. She has held several positions in the group, where she has worked for more than 20 years. Her most recent position was as the general manager of the Internal Audit and Risk Group. She has worked in several departments, including private banking, retail banking, AML/CFT, Compliance, and Internal Audit. She earned a certificate in governance, risk management, and compliance in collaboration with George Washington University School of Business, USA. In addition, she is a certified anti-money laundering specialist of the American Anti-Money Laundering Association. She holds a bachelor's degree in Computer Sciences and Information Technology from King Saud University and she completed a Leadership Development Program at the Darden School of Business at the University of Virginia, USA.
Mr. Aiman Gusti – Non Executive Director	Mr. Aiman Gusti possesses more than 28 years of banking experience. He started his banking career in 1991 with Samba Financial Group (SFG) KSA. Mr. Gusti is Chief Internal Auditor of Samba Financial Group since 2017. Prior to that, he was manager of the Internal Audit Program for the Treasury, Investment and Financial Markets. He has held several positions at Treasury departments of the National Commercial Bank, Al-Enma Bank and Saudi American Bank. Mr. Aiman Gusti holds Bachelor and Master of Science Degrees from King Fahd University of Petroleum and Minerals (KFUPM) with majors in Mathematics.
Mr. Timour Pasha – Non Executive Director	Mr. Timour Pasha is a Senior Corporate Banking Professional with 28 years of banking experience working with Samba Financial Group since last 11 years. Currently, Mr. Pasha is holding the position in Samba Financial Group as Regional Head of Risk, International Branches covering UAE and NPCs for both Corporate and Investment Banking divisions as well as the FI and Treasury RSCO for the bank. Mr. Pasha started his career in 1992 with Citigroup in their Corporate Banking

	Group and worked up to Country Corporate Banking Group head in 2004 for UAE. In 2006 he moved with Citigroup as Regional Head of Risk, Central & West Africa and Algeria where he was responsible for the portfolio of the Corporate & Commercial and Investment bank for six (6) countries including Algeria, Senegal, Cote d'Ivoire, Cameroon, Gabon and DR Congo, where he worked on this position till 2008. In 2009, he joined Samba Financial Group (SFG) – Corporate & Investment Banking. He holds a Master's degree in Business Administration (Finance Major) from Lahore University of Management Sciences and also a degree in Bachelor of Commerce from Karachi University, Pakistan.
Mr. Humayun Murad – Non Executive Director	Mr. Humayun Murad carries professional experience of four decades in the financial sectors in UK, Pakistan and Middle East. He is a fellow member of both the Institute of Chartered Accountants in England & Wales and the Institute of Chartered Accountants of Pakistan. Mr. Murad was associated with ORIX Leasing Pakistan Ltd since its inception in 1986. In 1989 he became its CEO and held the position until December 31, 2010. Lately, he was MENA Regional CEO of ORIX Corporation, Japan until March 31, 2016. He established the ORIX joint ventures in Oman, Egypt, Saudi Arabia, UAE and Kazakhstan In the past, he was Independent Director on the Boards of Pakistan Poverty Alleviation Fund and Pak-Oman Investment Company. Currently he is Advisor to Al Hail Holding, Abu Dhabi, UAE. In 2007 he was awarded Sitara-e-Pakistan for his services to Pakistan's leasing industry.
Mr. Arjumand Ahmed Minai – Independent Director	Mr. Arjumand Ahmed Minai joined SBL Board in December 2017 as an Independent Director. He has over 42 years of varied experience in UK and Pakistan with major MNCs engaged in Manufacturing, Banking, Non-Banking Finance, Audit, Information Technology, and Management Consultancy. Mr. Minai has served for over 14 years, on the Boards of listed companies in the Pharmaceutical and Financial Industry. He is currently serving on the Board of Marie Stopes Pakistan as Director and Chairman Audit Committee. He is also a visiting faculty at the Pakistan Institute of Corporate Governance, and a Volunteer for raising funds for the professional education of the underprivileged youth of Pakistan. Mr. Minai was with the Standard Chartered Group for about 10 years, where he served as the Chief Executive Officer Standard Chartered Leasing Ltd., as Head of Islamic Banking & Strategic Projects of Standard Chartered Bank (Pakistan) and Managing Director Standard Chartered Modaraba. He also worked as Chief Financial Officer of Union Bank Ltd. (Pakistan). Mr. Minai is a Fellow of the Association of Chartered Certified Accountants, UK. He holds a bachelor's degree in Commerce from Pakistan. Major areas of his expertise include Finance & Accounting, Audit, Corporate Governance, General Management, Corporate Planning, H.R. Management, I.T. Management, Company Secretary, Productivity Enhancement and Change Management.
Mr. Hafiz Mohammad Yousaf – Independent Director	Hafiz Mohammad Yousaf is a highly qualified professional having diversified qualifications from the renowned Institutions of Pakistan, USA and Canada. He is a Fellow Member of the Institute of Chartered Accountants of Pakistan (ICAP) and also a Gold Medalist in the CA Final Examinations. Mr. Yousaf possesses over three decades of diversified experience as a Chartered Accountant, (including two decades at a Big 4 accounting firm as Partner/Country Leader Consulting). His areas of specialization are corporate finance and restructuring, corporate compliance and regulations, governance and oversight, assurance, consulting and financial advisory services. Mr. Yousaf has the honor of serving the council of ICAP for eight years (2009-17) in various leadership positions including being its President for 2015-16 term. He has also served on the Boards of State Bank of Pakistan (SBP) and Securities and Exchange Commission of Pakistan (SECP), including chairing their Audit

	and Oversight Committees respectively.
Mr. Tariq Javed – Independent Director	Mr. Tariq Javed has thirty-three (33) years' experience as a Central Banker, Banking Supervisor and Senior Advisor in the Saudi Arabian Monetary Authority (the Central Bank of Saudi Arabia). His major contributions include the development of national policies and reforms of the financial and banking sectors and development of financial laws and regulations. Mr. Javed is a key contributor to the development, evaluation and assessment of the central bank's strategic and operational plans and licensing decisions for local and foreign banks' presence in Saudi Arabia. He had a key role in the implementation of the Basel I, II and III Standards and in implementation of corporate governance and risk management systems and processes in the Saudi banking sector. Mr. Tariq Javed has nine (9) years' experience as a Director General (Audit Principal) in the Office of the Auditor General of Canada, leading special audits on the economy, efficiency and effectiveness of programs and on audits of Government Departments, Agencies and Corporations. Mr. Tariq Javed has nine (9) years' experience of which four (4) years as a Senior Audit Manager in a leading Canadian audit firm, now part of Ernst and Young. His work included financial consultancy and audits of leading Canadian banks, Insurance Companies, Stockbrokers, Airlines, Shipping, Textile, Electronics and other companies in a variety of industries. Mr. Javed is a Chartered Certified Accountant, from Quebec, and is a member of the Institute of Chartered Accountants of Canada. He holds a bachelor's degree in Commerce from Pakistan and is an alumni of Harvard University.
Mr. Shahid Sattar – President and CEO	Mr. Shahid Sattar joined SBL in August 2013 and brought with him four decades of experience in the local and global banking and financial Industry. Mr. Sattar's major experience lies in Retail Banking, Consumer Finance, Branch Operations, Cash Management, Remittance Business, SME and Commercial, Corporate and Islamic Banking. Prior to joining Samba Bank Limited, he has worked in UBL, as Head of Corporate & Cash Management and later as Head of Retail, Commercial, Consumer (including Cards, Assets, and Products & Marketing). From September 2010 till December 2012, he was heading NIB Bank Limited as Head of Retail, Commercial & Consumer. He has also worked as Head of Retail & Remittance Business in Bank Al-Bilad, Saudi Arabia from November 2007 to September 2010. Mr. Shahid Sattar, has worked in MCB, from August 1998 till October 2007, holding various positions including Head of SAM, Head of Retail Commercial & Consumer, prior to that he has worked in CITI Bank Pakistan in Corporate from 1992 till 1998. He has also worked in Centralized Credit in BCCI from 1981 till 1991 serving at Cairo, London & Abu Dhabi. Mr. Sattar's key agenda in formulating SBL's strategic direction includes Commitment to Business Growth and Increasing Revenue, Controlling Cost, Rationalization of Organizational Structure and improving Service Quality. In addition to that, his main focus was to upgrade SBL's Technology which has now implemented T-24 Core Banking System. He has held many directorships at MNET Services (Pvt.) Ltd. (ATM SWITCH), Bank Al-Bilad Investment Co. Saudi Arabia, PICIC Insurance Co., PICIC Asset Management Co., UBL Asset Management Co., during his career and currently holding directorship of Insta Plast (Pvt.) Ltd. Mr. Sattar has done Bachelor in Science (B-Sc.) in Textile Engineering from the University of Engineering and Technology, Lahore and holds a Master in Business Administration (MBA) in Marketing from the University of Punjab. He has also attended many national and international Seminars and Conferences.

Samba Bank Limited (SBL) Appendix I

FINANCIAL SUMMARY			*(amounts in PKR millions)*
BALANCE SHEET	**31-Dec-17**	**31-Dec-18**	**31-Dec-19**
Total Investments – net	62,918.1	48,021.4	51,278.0
Advances – net	40,181.8	53,592.3	61,356.1
Total Assets	118,223.5	122,764.6	129,577.4
Borrowings	46,201.5	39,780.6	36,114.5
Deposits & other accounts	54,901.5	65,225.1	71,881.9
Subordinated Loans	-	-	-
Share Capital	10,082.4	10,082.4	10,082.4
Tier-1 Equity	12,274.1	12,663.1	13,716.8
Net Worth	12,481.0	12,783.8	13,850.2
INCOME STATEMENT			
Net Mark-up Income	2,359.3	2,708.4	3,519.1
Provisions and write offs-net	101.4	68.4	502.0
Non-Markup Income	715.1	772.1	846.1
Operating Expenses	2,023.0	2,264.1	2,732.0
Profit/ (Loss) Before Tax	930.9	1,109.7	1,100.1
Profit/ (Loss) After Tax	738.9	682.7	686.5
RATIO ANALYSIS			
Market Share (Advances) (%)	0.7%	0.7%	0.8%
Market Share (Deposits) (%)	0.4%	0.5%	0.5%
Gross Infection (%)	5.5%	4.3%	4.2%
Provisioning Coverage (%)	99.4%	96.1%	100.5%
Net Infection (%)	0.1%	0.3%	0.1%
Cost of deposits (%)	4.36%	4.82%	7.58%
Net NPLs to Tier-1 Capital (%)	0.3%	1.1%	0.4%
Capital Adequacy Ratio (C.A.R (%))	19.74%	19.04%	17.98%
Markup Spreads (%)	1.91%	2.41%	3.04%
Efficiency (%)	73.5%	69.4%	62.9%
Basic ROAA (%)*	0.7%	0.8%	1.3%
ROAA (%)	0.7%	0.6%	0.5%
ROAE (%)	6.1%	5.4%	5.1%
Liquid Assets to Deposits & Borrowings (%)	46.1%	45.7%	39.1%

******recurring income less administrative expenses***

ISSUE/ISSUER RATING SCALE & DEFINITIONS — Appendix II

Medium to Long-Term

AAA
Highest credit quality; the risk factors are negligible, being only slightly more than for risk-free Government of Pakistan's debt.

AA+, AA, AA-
High credit quality; Protection factors are strong. Risk is modest but may vary slightly from time to time because of economic conditions.

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

BBB+, BBB, BBB-
Adequate credit quality; Protection factors are reasonable and sufficient. Risk factors are considered variable if changes occur in the economy.

BB+, BB, BB-
Obligations deemed likely to be met. Protection factors are capable of weakening if changes occur in the economy. Overall quality may move up or down frequently within this category.

B+, B, B-
Obligations deemed less likely to be met. Protection factors are capable of fluctuating widely if changes occur in the economy. Overall quality may move up or down frequently within this category or into higher or lower rating grade.

CCC
Considerable uncertainty exists towards meeting the obligations. Protection factors are scarce and risk may be substantial.

CC
A high default risk

C
A very high default risk

D
Defaulted obligations

Short-Term

A-1+
Highest certainty of timely payment; Short-term liquidity, including internal operating factors and /or access to alternative sources of funds, is outstanding and safety is just below risk free Government of Pakistan's short-term obligations.

A-1
High certainty of timely payment; Liquidity factors are excellent and supported by good fundamental protection factors. Risk factors are minor.

A-2
Good certainty of timely payment. Liquidity factors and company fundamentals are sound. Access to capital markets is good. Risk factors are small.

A-3
Satisfactory liquidity and other protection factors qualify entities / issues as to investment grade. Risk factors are larger and subject to more variation. Nevertheless, timely payment is expected.

B
Speculative investment characteristics; Liquidity may not be sufficient to ensure timely payment of obligations.

C
Capacity for timely payment of obligations is doubtful.

Rating Watch: VIS places entities and issues on 'Rating Watch' when it deems that there are conditions present that necessitate re-evaluation of the assigned rating(s). Refer to our 'Criteria for Rating Watch' for details. www.vis.com.pk/images/criteria_watch.pdf

Rating Outlooks: The three outlooks 'Positive', 'Stable' and 'Negative' qualify the potential direction of the assigned rating(s). An outlook is not necessarily a precursor of a rating change. Refer to our 'Criteria for Rating Outlook' for details.www.vis.com.pk/images/criteria_outlook.pdf

(SO) Rating: A suffix (SO) is added to the ratings of 'structured' securities where the servicing of debt and related obligations is backed by some sort of financial assets and/or credit support from a third party to the transaction. The suffix (SO), abbreviated for 'structured obligation', denotes that the rating has been achieved on grounds of the structure backing the transaction that enhanced the credit quality of the securities and not on the basis of the credit quality of the issuing entity alone.

(blr) Rating: A suffix (blr) is added to the ratings of a particular banking facility obtained by the borrower from a financial institution. The suffix (blr), abbreviated for 'bank loan rating' denotes that the rating is based on the credit quality of the entity and security structure of the facility.

'p' Rating: A 'p' rating is assigned to entities, where the management has not requested a rating, however, agrees to provide informational support. A 'p' rating is shown with a 'p' subscript and is publicly disclosed. It is not modified by a plus (+) or a minus (-) sign which indicates relative standing within a rating category. Outlook is not assigned to these ratings. Refer to our 'Policy for Private Ratings' for details. www.vis.com.pk/images/policy_ratings.pdf

'SD' Rating: An 'SD' rating is assigned when VIS believes that the ratee has selectively defaulted on a specific issue or obligation but it will continue to meet its payment obligations on other issues or obligations in a timely manner.

REGULATORY DISCLOSURES	**Appendix III**
Name of Rated Entity	Samba Bank Limited (SBL)
Sector	Commercial Bank
Type of Relationship	Solicited
Purpose of Rating	Entity Rating
Rating History	see table below

Rating Date	Medium to Long Term	Short Term	Rating Outlook	Rating Action
		RATING TYPE: ENTITY		
23-Jun-20	AA	A-1	Stable	Reaffirmed
24-Jun-19	AA	A-1	Stable	Reaffirmed
22-Jun-18	AA	A-1	Stable	Reaffirmed
23-Jun-16	AA	A-1	Stable	Reaffirmed
30-Jun-15	AA	A-1	Stable	Upgrade
24-Jun-14	AA-	A-1	Stable	Reaffirmed
28-Jun-13	AA-	A-1	Stable	Reaffirmed
29-Jun-12	AA-	A-1	Stable	Upgrade
29-Jun-11	A+	A-1	Stable	Upgrade
29-Jun-10	A	A-1	Stable	Reaffirmed

Instrument Structure	N/A
Statement by the Rating Team	VIS, the analysts involved in the rating process and members of its rating committee do not have any conflict of interest relating to the credit rating(s) mentioned herein. This rating is an opinion on credit quality only and is not a recommendation to buy or sell any securities.
Probability of Default	VIS' ratings opinions express ordinal ranking of risk, from strongest to weakest, within a universe of credit risk. Ratings are not intended as guarantees of credit quality or as exact measures of the probability that a particular issuer or particular debt issue will default.
Disclaimer	Information herein was obtained from sources believed to be accurate and reliable; however, VIS does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. VIS is not an NRSRO and its ratings are not NRSRO credit ratings. For conducting this assignment, analyst did not deem necessary to contact external auditors or creditors given the unqualified nature of audited accounts and diversified creditor profile. Copyright 2020 VIS Credit Rating Company Limited. All rights reserved. Contents may be used by news media with credit to VIS.
Due Diligence Meetings Conducted	see table below

S.No	Name	Designation	Date
1	Ms. Samina Hamid	Chief Risk Officer	March 18, 2020
2	Syed Ghazanfar Agha	Group Head, Corporate and Investment Banking	March 18, 2020
3	Mr. Talal Javed	Group Head, Consumer Banking	March 18, 2020