

Samba Bank Limited

Half Yearly Report
June 2019



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

samba bank  سامبا بینک

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O ur Branch Network

Currently, SBL has a network of 37 branches located in 10 major cities across the country.

Karachi

Fountain, Saddar
Rashid Minhas
Hyderi
SMCHS
Bahria I
DHA Phase VI
Shahra-e-Faisal
Gulshan
Clifton
Bahadurabad
Ittehad
Saba Avenue
Tauheed Commercial

Lahore

Gulberg
Mall
Allama Iqbal Town
Johar Town
DHA Phase III
New Garden Town
Tufail Sarwar Road
Cavalry Ground
Faisal Town
DHA Phase V
Badami Bagh

Islamabad

Jinnah Avenue
F-11
F-7
DHA Phase II

Rawalpindi

Murree Road
Bahria Town
Wah Cantt.

Gujranwala

G.T. Road

Faisalabad

Liaquat Road

Multan

Nusrat Road

Sialkot

Paris Road

Peshawar

Islamia Road

AJK - BAGH

Bagh



C Company Information

Board of Directors

Dr. Shujaat Nadeem	Chairman / Non-Executive Director
Mr. Shahid Sattar	President & CEO / Executive Director
Mr. Arjumand Ahmed Minai*	Independent Director
Mr. Aiman Gusti	Non-Executive Director
Hafiz Mohammad Yousaf**	Independent Director
Mr. Humayun Murad	Non-Executive Director
Ms. Ranya Nashar	Non-Executive Director
Mr. Timour Pasha	Non-Executive Director

Board Audit Committee***

Mr. Arjumand Ahmed Minai	Chairman
Mr. Aiman Gusti	Member
Hafiz Mohammad Yousaf	Member

Board Risk Committee***

Mr. Timour Pasha	Chairman
Mr. Shahid Sattar	Member
Mr. Aiman Gusti	Member
Mr. Humayun Murad	Member

Board Nomination & Remuneration Committee***

Hafiz Mohammad Yousaf	Chairman
Ms. Ranya Nashar	Member
Mr. Humayun Murad	Member

Board IT Committee***

Dr. Shujaat Nadeem	Chairman
Mr. Aiman Gusti	Member
Hafiz Mohammad Yousaf	Member

* Names are in alphabetical order

** Appointed w.e.f. Aug' 20, 2019

*** Constituted w.e.f. Aug' 27, 2019

President & Chief Executive Officer

Mr. Shahid Sattar

Company Secretary

Syed Zia-ul-Husnain Shamsi

Chief Financial Officer

Mr. Rashid Jahangir

Auditors

A. F. Ferguson & Co. Chartered Accountants

Legal Advisors

Mohsin Tayebaly & Co. Advocates & Legal Consultants

Head Office

Arif Habib Centre Plot No. 23, Ground floor
M.T Khan Road Karachi - Pakistan

Registered Office

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

Share Registrar

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

Website

www.samba.com.pk

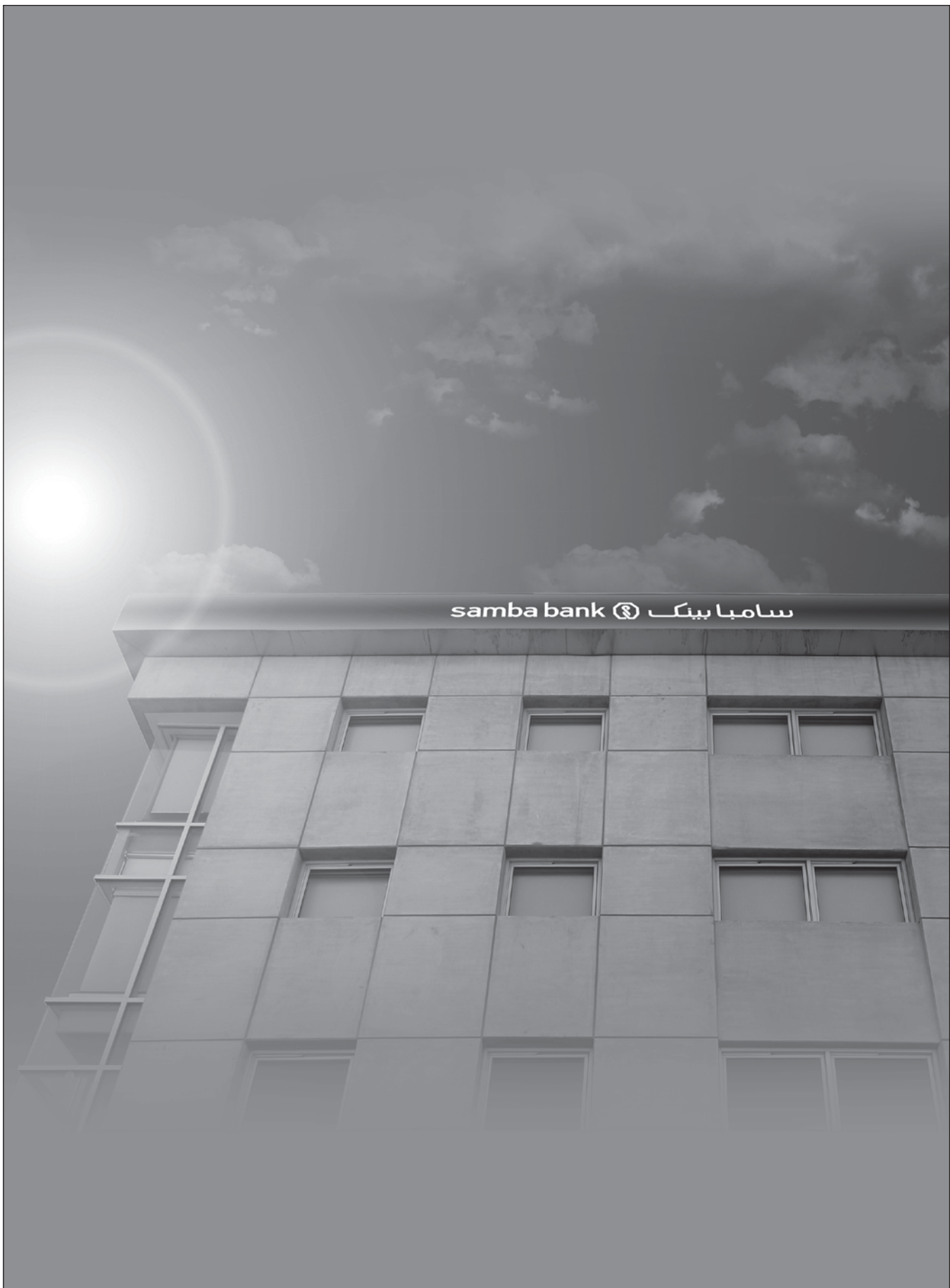
Help Line

(+92-21) 11 11 SAMBA (72622)

Credit Rating by JCR-VIS

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

samba bank سامبا بینک



Directors' Report

On behalf of the Board of Directors, we are pleased to present the financial results of the Bank for the half year ended June 30, 2019.

Economic Highlights

The macroeconomic environment has shown steady improvement with a sizeable reduction in the current account deficit in FY19, however depreciation in exchange rate has resulted in further inflationary pressures. These inflationary pressures are expected to ease in coming months as the country has entered in an Extended Fund Facility program with the International Monetary Fund (IMF). Further, the Government of Pakistan has taken necessary actions to improve fiscal sustainability by focusing on revenue measures to widen the tax base.

Financial Results and Overview

Despite these challenges, the Bank has performed well during the half year under review and has posted the following results:

	Rupees (million)	
	Half Year ended June 30, 2019	Half Year ended June 30, 2018
Profit before taxation	654	739
Taxation	294	299
Profit after taxation	360	440
Earnings per share - (Rupee)	0.36	0.44

	Rupees (million)	
	June 30, 2019	December 31, 2018
Total assets	122,479	122,765
Lending to Financial Institutions	2,398	9,449
Investments - net	44,196	48,021
Advances - net	55,843	53,592
Deposits	68,585	65,225
Paid-up capital & reserves	10,082	10,082
Deficit on revaluation of assets - net of tax	(346)	(380)

The management is focused on right sizing the balance sheet with appropriate mix of earning assets and low cost deposits. Net advances increased by PKR 2bn, lending to financial institutions decreased by PKR 7bn. On liabilities side borrowings from financial institutions decreased by PKR 9.8bn, whereas a healthy 5.15% increase in deposits book was recorded over December 31, 2018.

The Profit Before Tax (PBT) for the half year ended 30th June 2019 was at PKR 654mn compared to PKR 739mn for the similar period last year. The decrease of 11.5% is primarily due to capital gains booked during the comparative period last year and increase in provision against advances and investments during the current period. Net markup income increased by 29% and FX income increased by 221%. Despite inflationary pressure, the operating expenses remained well in control and increased only by 8% over the similar period last year.

Credit Rating

VIS Credit Rating Company Limited, a premier credit rating agency, has reaffirmed SBL's medium to long-term credit rating at AA (Double A) and the short-term rating at A-1 (A-One). The outlook on the assigned ratings has also been regarded as 'Stable'. These long and short term ratings of the Bank denote high credit quality with adequate protection factor and strong capability for timely payments to all financial commitments owing to strong liquidity positions.

Future Outlook

The FY20 budget envisions massive increase in tax revenues, fiscal consolidation, abolishment of subsidies and certain tax reliefs. Pakistan also finalized USD 6bn Extended Fund Facility from IMF for 3 years bringing much needed confidence back to the economy. Going forward, the IMF program secured by Pakistan along with progress on CPEC are expected to help accelerate economic growth and boost market confidence.

The Bank will continue to take effective measures for growth, keeping its core focus on steadily building up its earning assets; effectively managing the associated risks; and reduce its cost of funds through continued improvement in its deposit mix. This will be facilitated by delivery of world class banking services to the Bank's valued customers.

Acknowledgment

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

On behalf of the Board of Directors,

Shahid Sattar
President & Chief Executive Officer

Arjumand Ahmed Minai
Director

August 27, 2019
Karachi

کریڈٹ ریٹنگ

وی آئی ایس کریڈٹ ریٹنگ کمپنی لمیٹڈ، جو کہ ایک معروف کریڈٹ ایجنسی ہے، نے بینک کی درمیانی سے طویل مدت تک کی درجہ بندی کو ڈبل اے (AA) کی سطح پر اور قلیل المدت درجہ بندی کو اے ون (A-1) کی سطح پر برقرار رکھا ہے۔ ان درجہ بندیوں سے متعلقہ آئندہ امکانات میں بھی استحکام کی پیش بینی کی گئی ہے۔ یہ طویل اور قلیل المدتی درجہ بندیاں بینک کے اعلیٰ قرضہ جاتی معیار اور اس کے ساتھ اس کے مناسب محافظت کے عوامل اور اپنی مضبوط سیال پذیری (لیکوڈیٹی) کی بدولت اپنی تمام تر مالیاتی ذمہ داریوں کی بروقت ادائیگی کی ٹھوس صلاحیت کی مظہر ہیں۔

مستقبل کی پیش بینی (نقطہ نظر)

مالی سال 2020 کا بجٹ ٹیکس کی آمدنی میں اضافے، مجموعی مالی استحکام، امداد (سب سیڈیز) اور چند ٹیکس آسانوں کے خاتمے کا عکاس ہے۔ پاکستان نے آئی ایم ایف سے 3 سال کے لیے 6 بلین امریکی ڈالر قرض کی سہولت کو بھی حتمی شکل دی ہے جس سے معیشت میں نہایت ناگزیر استحکام و اعتماد کی بحالی ہوگی۔ مستقبل میں آئی ایم ایف کے پروگرام اور اس کے ساتھ ساتھ سی پیک (CPEC) میں ہونے والی پیش قدمی، معاشی ترقی میں تیزی اور مارکیٹ کے اعتماد کے اضافے میں معاون ثابت ہونے کی توقع ہے۔

بینک ترقی کی نئی راہوں کے تعین کے ساتھ اثاثہ جات میں بتدریج اضافے کے لیے موثر اقدامات کا سلسلہ جاری رکھے گا جس کے ساتھ اپنے پیداواری اثاثہ جات کی مستعدی پر خصوصی ارتکاز، ان سے متعلقہ خدشات سے مناسب طور پر نمٹنے اور ڈیپازٹس کی ترکیب میں جاری بہتری کے ساتھ اپنی لاگت کم کرنے کے ذریعہ، اپنی ترقی و نمو کے تمام ضروری اقدامات کو جاری رکھے گا۔ یہ عمل بینک کے معزز صارفین کو دنیا کی بہترین بینکاری کی خدمات مہیا کرنے سے زیادہ سہولت اختیار کرے گا۔

اظہار تشکر

ہم اپنے صارفین و کاروباری شراکت داران اور حصص یافتگان کے، ان کے اعتماد اور خلوص پر نہایت مشکور ہیں۔ بورڈ آف ڈائریکٹرز اور بینک کی انتظامیہ بینک دولت پاکستان اور دیگر ضوابطی اداروں کی، ان کی رہنمائی اور تعاون پر شکر گزار ہے۔ اس کے علاوہ ہم اپنے بینک کے تمام ملازمین کی تہہ دل سے حوصلہ افزائی کرتے ہیں جن کی لگن، عزم اور ٹیم ورک نے بینک کو ایک کامیاب ادارے میں تبدیل کر دیا ہے۔

بورڈ آف ڈائریکٹرز کی جانب سے

شاہد ستار

پریذیڈنٹ اور چیف ایگزیکٹو آفیسر

27 اگست 2019

کراچی

ارجمند احمد بینائی

ڈائریکٹر

ڈائریکٹرز کی رپورٹ

بورڈ آف ڈائریکٹرز کی جانب سے ہم، 30 جون 2019 کو اختتام پذیر ششماہی کے مالیاتی نتائج پیش کرتے ہوئے نہایت مسرت محسوس کر رہے ہیں۔

معاشی جائزہ

مالی سال 2019 کے دوران معاشی صورتحال میں کرنٹ اکاؤنٹ کے خسارے کی کمی کے باعث نمایاں بہتری ظاہر ہوئی ہے تاہم شرح تبادلہ میں تنزلی افراط زر میں مزید دباؤ کا پیش خیمہ ثابت ہوئی ہے۔ آنے والے چند ماہ میں افراط زر کے اس دباؤ میں قدرے آسانی اور کمی کی توقع ہے کیونکہ حکومت نے عالمی مالیاتی فنڈ (آئی ایم ایف) کے ساتھ توسیع شدہ قرض کی سہولت پر اتفاق کر لیا ہے۔ علاوہ ازیں، حکومت پاکستان نے مالی استحکام میں بہتری کے لئے ٹیکس میں وسعت کو بروئے کار لاتے ہوئے آمدنی کے حصول کے سلسلے میں ضروری اقدامات اٹھائے ہیں۔

مالیاتی نتائج اور جائزہ

ان تمام خدشات کے باوجود بینک نے اس زیر تجزیہ ششماہی کے دوران اچھی کارکردگی دکھاتے ہوئے مندرجہ ذیل نتائج پیش کیے ہیں:

روپے (ملین میں)

ششماہی مختتمہ 30 جون 2018	ششماہی مختتمہ 30 جون 2019
739	654
299	294
440	360
0.44	0.36

منافع قبل از محصولات (ٹیکسیشن)
محصولات
منافع بعد از محصولات
آمدنی فی حصص (روپیہ)

روپے (ملین میں)

31 دسمبر 2018	30 جون 2019
122,765	122,479
9,449	2,398
48,021	44,196
53,592	55,843
65,225	68,585
10,082	10,082
(380)	(346)

کل اثاثہ جات
مالیاتی اداروں کو قرضہ جات
سرمایہ کاری۔ خالص
قرضہ جات۔ خالص
ڈیپازٹس
اداشدہ سرمایہ کاری کے ذخائر
اثاثہ جات کی ریویویشن پر خسارہ۔ بعد از محصولات

انتظامیہ اپنی بیلنس شیٹ کو کم لاگت کے ڈیپازٹس اور پیداواری اثاثہ جات کی معقول ترین ترکیب کے ساتھ، اسکے درست حجم پر برقرار رکھنے کے لیے مکمل انہماک رکھے ہوئے ہے۔ خالص قرضہ جات میں 2 بلین روپے کا اضافہ ہوا جبکہ مالیاتی اداروں کو دیئے گئے قرض میں 7 بلین روپے کی کمی ہوئی۔ واجبات کی مد میں مالیاتی اداروں سے حاصل کئے گئے قرضوں میں 9.8 بلین روپے کی کمی ہوئی جبکہ ڈیپازٹس میں 31 دسمبر 2018 کی نسبت 5.15 فیصد کا اضافہ دیکھا گیا۔

30 جون 2019 کو اختتام پذیر ششماہی کے دوران قابل از ٹیکس منافع گزشتہ سال کے مماثلہ عرصے کے 739 ملین روپے منافع کے مقابلے میں 654 ملین روپے رہا۔ گزشتہ سال کے مماثلہ عرصے میں درج شدہ کپیٹل گین اور رواں سال قرضہ جات اور سرمایہ کاری کے لئے مختص شدہ اخراجات (پرووژن) میں اضافہ، اس 11.5 فیصد کمی کی بنیادی وجہ بنا۔ خالص مارک اپ آمدنی 29 فیصد جبکہ فاریکس آمدنی میں 221 فیصد اضافہ ہوا۔ افراط زر کے دباؤ کے باوجود کاروباری اخراجات قابو میں رہے اور گزشتہ سال کی مماثلہ مدت سے محض 8 فیصد کے اضافے پر درج ہوئے۔

INDEPENDENT AUDITORS' REVIEW REPORT TO THE MEMBERS OF SAMBA BANK LIMITED

REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Samba Bank Limited ("the Bank") as at June 30, 2019 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, and condensed interim cash flow statement, and notes to the condensed interim financial statements for the six-month period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these interim financial statements based on our review. The figures for the quarters ended June 30, 2019 and June 30, 2018 in the condensed interim profit and loss account and condensed interim statement of comprehensive income have not been reviewed and we do not express a conclusion on them.

Scope of Review

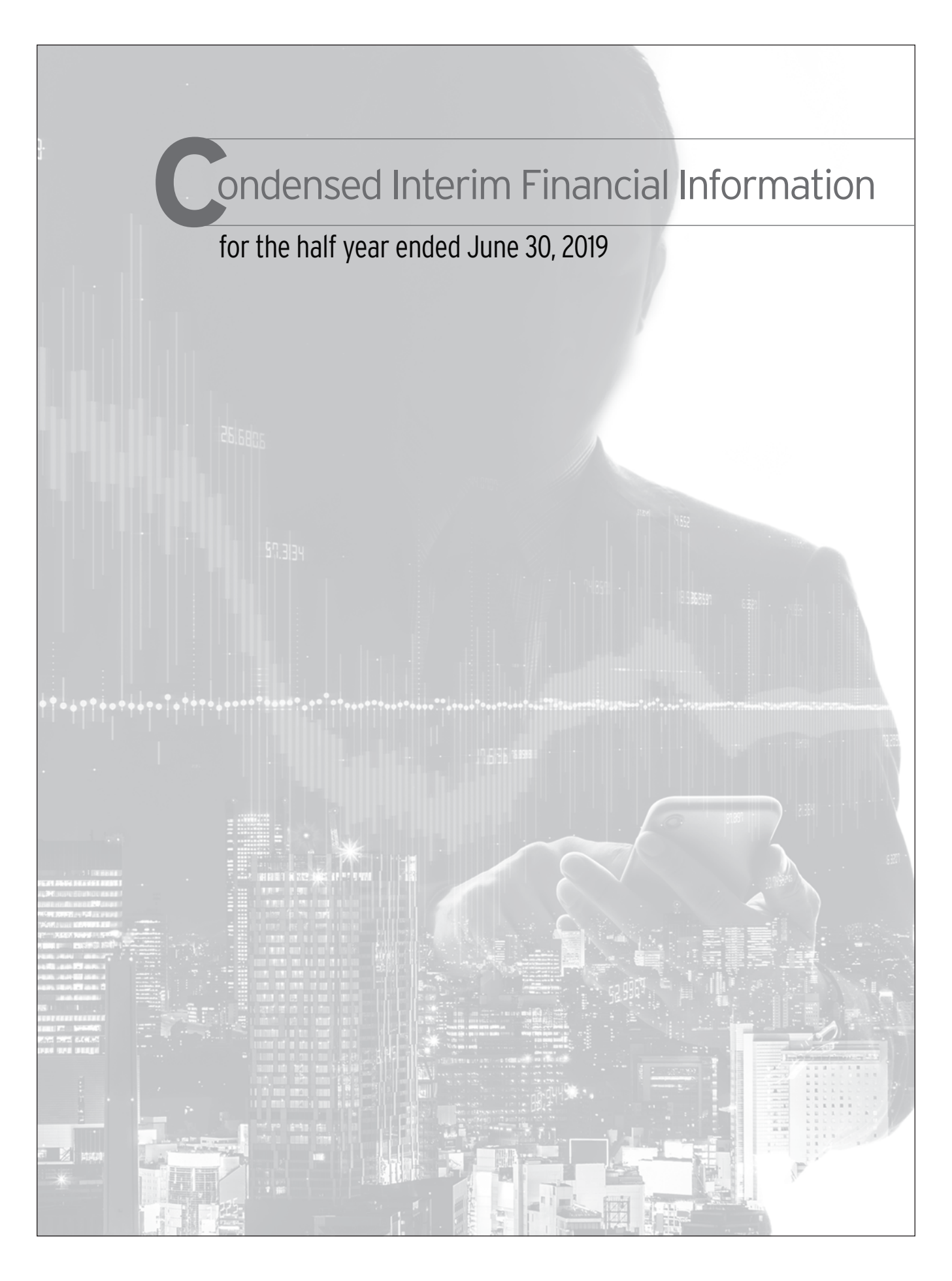
We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements are not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The engagement partner on the review resulting in this independent auditor's review report is Shahbaz Akbar.

A.F. Ferguson & Co.
Chartered Accountants

Dated: August 29, 2019
Karachi



Condensed Interim Financial Information
for the half year ended June 30, 2019

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2019

	Note	(Rupees in '000)	
		(Un-audited)	(Audited)
		June 30, 2019	December 31, 2018
ASSETS			
Cash and balances with treasury banks	6	6,675,116	5,154,790
Balances with other banks	7	1,085,282	496,174
Lendings to financial institutions	8	2,397,975	9,449,244
Investments - net	9	44,196,195	48,021,370
Advances - net	10	55,842,953	53,592,255
Fixed assets	11	2,338,797	1,064,563
Intangible assets	12	111,330	120,648
Deferred tax assets - net	13	691,890	700,767
Other assets - net	14	9,139,153	4,164,776
		122,478,691	122,764,587
LIABILITIES			
Bills payable	15	1,484,835	877,017
Borrowings	16	29,955,914	39,780,603
Deposits and other accounts	17	68,584,747	65,225,052
Liabilities against assets subject to finance lease		-	-
Subordinated debt		-	-
Deferred tax liabilities		-	-
Other liabilities	18	9,275,703	4,098,160
		109,301,199	109,980,832
NET ASSETS		13,177,492	12,783,755
REPRESENTED BY:			
Share capital		10,082,387	10,082,387
Reserves		763,953	691,997
Deficit on revaluation of assets	19	(346,060)	(380,015)
Unappropriated profit		2,677,212	2,389,386
		13,177,492	12,783,755
CONTINGENCIES AND COMMITMENTS			
	20		

The annexed notes 1 to 37 form an integral part of these condensed interim financial statements.

Chief Financial Officer

President & Chief Executive Officer

Chairman

Director

Director

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)

FOR THE QUARTER AND HALF YEAR ENDED JUNE 30, 2019

(Rupees in '000)

	Quarter ended		Half Year ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Profit after taxation for the period	174,145	50,062	359,782	440,401
Other comprehensive income / (loss)				
Items that may be reclassified to profit and loss account in subsequent periods:				
Movement in (deficit) / surplus on revaluation of investments - net of tax	(41,713)	(53,265)	33,955	(335,150)
Total comprehensive income / (loss) for the period	132,432	(3,203)	393,737	105,251

The annexed notes 1 to 37 form an integral part of these condensed interim financial statements.

Chief Financial Officer

President & Chief Executive Officer

Chairman

Director

Director

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)

FOR THE HALF YEAR ENDED JUNE 30, 2019

		(Rupees in '000)	
	Note	Half Year ended	
		June 30, 2019	June 30, 2018 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		653,699	739,064
Less: Dividend income		(30,450)	(22,146)
		623,249	716,918
Adjustments:			
Depreciation		181,337	84,932
Amortisation		17,186	18,281
Provision and write-offs	28	147,769	(152,681)
Gain on sale of fixed assets		(245)	(184)
Interest expensed on lease liability against right of use assets		79,672	-
Gain on sale of investments - net		(5,031)	(266,157)
Unrealized loss on revaluation of investments classified as held for trading		334	20
Recoveries against debts written-off	28	166	1,242
		421,188	(314,547)
		1,044,437	402,371
(Increase) / decrease in operating assets			
Lendings to financial institutions		7,051,269	3,199,259
Held-for-trading securities		5,697,364	1,485,233
Advances		(2,293,809)	(9,121,062)
Other assets (excluding advance taxation)		(5,148,974)	317,615
		5,305,850	(4,118,955)
Increase / (decrease) in operating liabilities			
Bills payable		607,818	445,969
Borrowings from financial institutions		(9,824,689)	(7,009,153)
Deposits and other accounts		3,359,695	4,999,944
Other liabilities		3,907,221	(135,499)
		(1,949,955)	(1,698,739)
		4,400,332	(5,415,323)
Income tax paid		(197,722)	(2,720)
Net cash flows generated from / (used in) operating activities		4,202,610	(5,418,043)
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investments in available for sale and held to maturity securities		(1,868,468)	8,098,952
Dividend received		26,500	24,059
Investments in fixed assets and intangible assets		(83,417)	(81,550)
Proceeds from sale of fixed assets		463	4,342
Net cash flows generated from / (used in) investing activities		(1,924,922)	8,045,803
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of lease liability against right of use assets		(168,254)	-
Increase in cash and cash equivalents during the period		2,109,434	2,627,760
Cash and cash equivalents at the beginning of the period		5,650,964	4,015,131
Cash and cash equivalents at the end of the period		7,760,398	6,642,891

The annexed notes 1 to 37 form an integral part of these condensed interim financial statements.

Chief Financial Officer

President & Chief Executive Officer

Chairman

Director

Director

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)

FOR THE HALF YEAR ENDED JUNE 30, 2019

(Rupees in '000)

	Share capital	Capital reserve	Statutory reserve	Surplus / (deficit) on revaluation of investments	Unappropriated profit	Total
Balance as at December 31, 2017	10,082,387	20,935	534,516	227,153	1,843,203	12,708,194
Comprehensive income for the period Profit after taxation for the period ended June 30, 2018	-	-	-	-	440,401	440,401
Other comprehensive loss Movement in deficit on revaluation of investments - net of tax	-	-	-	(335,150)	-	(335,150)
	-	-	-	(335,150)	440,401	105,251
Transfer to statutory reserve	-	-	88,080	-	(88,080)	-
Balance as at June 30, 2018	10,082,387	20,935	622,596	(107,997)	2,195,524	12,813,445
Comprehensive income for the period Profit after taxation for the period ended December 31, 2018	-	-	-	-	242,328	242,328
Other comprehensive loss Movement in deficit on revaluation of investments - net of tax	-	-	-	(272,018)	-	(272,018)
	-	-	-	(272,018)	242,328	(29,690)
Transfer to statutory reserve	-	-	48,466	-	(48,466)	-
Balance as at December 31, 2018	10,082,387	20,935	671,062	(380,015)	2,389,386	12,783,755
Comprehensive income for the period Profit after taxation for the period ended June 30, 2019	-	-	-	-	359,782	359,782
Other comprehensive income Movement in surplus on revaluation of investments - net of tax	-	-	-	33,955	-	33,955
	-	-	-	33,955	359,782	393,737
Transfer to statutory reserve	-	-	71,956	-	(71,956)	-
Balance as at June 30, 2019	10,082,387	20,935	743,018	(346,060)	2,677,212	13,177,492

The annexed notes 1 to 37 form an integral part of these condensed interim financial statements.

Chief Financial Officer

President & Chief Executive Officer

Chairman

Director

Director

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE HALF YEAR ENDED JUNE 30, 2019

1 STATUS AND NATURE OF BUSINESS

- 1.1 Samba Bank Limited (the Bank) is a banking company incorporated in Pakistan and is engaged in commercial banking and related services. The Bank is listed on the Pakistan Stock Exchange Limited. Its principal office is located at Ground Floor, Arif Habib Centre, M.T. Khan Road, Karachi, whereas, the registered office of the Bank is located at 2nd floor, Building No. 13-T, F-7 Markaz, near Post Mall, Islamabad. The Bank is a subsidiary of SAMBA Financial Group of Saudi Arabia, which holds 84.51% shares of the Bank as at June 30, 2019 (December 31, 2018: 84.51%). The Bank operates 37 branches (December 31, 2018: 37 branches) inside Pakistan.
- 1.2 JCR-VIS has determined the Bank's medium to long-term rating as 'AA' with stable outlook and the short-term rating as 'A-1'.

2 BASIS OF PRESENTATION

2.1 STATEMENT OF COMPLIANCE

These condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. These accounting and reporting standards comprise of:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Act, 2017;
- Provisions of and directives issued under the Banking Companies Ordinance, 1962 and the Companies Act, 2017; and
- Directives issued by the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP).

Whenever the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 or the directives issued by the SBP and the SECP differ with the requirements of IFRS or IFAS, the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives, shall prevail.

- 2.2 The disclosures made in these condensed interim financial statements have been limited based on the format prescribed by the SBP vide BPRD Circular Letter No. 5 dated March 22, 2019 and International Accounting Standard (IAS) 34, Interim Financial Reporting. These condensed interim financial statements do not include all the information and disclosures required for annual financial statements and should be read in conjunction with the annual financial statements for the year ended December 31, 2018.

3 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these condensed interim financial statements are consistent with those followed in the preparation of the annual financial statements for the year ended December 31, 2018 except as disclosed in note 3.1.

3.1 Change in accounting policies

- 3.1.1 The SBP vide BPRD Circular Letter No. 5 dated March 22, 2019 has amended the format of condensed interim financial statements of banks in order to align it with the annual financial statements, issued vide BPRD Circular No. 2 of 2018. All banks have been directed to prepare their quarterly and half yearly condensed interim financial statements on the revised format effective from the accounting year beginning on January 1, 2019. Accordingly, the Bank has prepared these condensed interim financial statements on the new format prescribed by the SBP. The amended format introduced certain new disclosures and has resulted in certain changes which are summarized in note 35.1 to these condensed interim financial statements.
- 3.1.2 During the period, 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 lessees. 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 previous standard i.e. lessors continue to classify leases as either finance or operating leases.

The Bank has adopted IFRS 16 from January 1, 2019, 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 Bank has recognised liabilities in respect of leases which had previously been classified as operating leases under IAS 17. These liabilities were initially measured as the present value of the remaining lease payments, discounted using the Bank's incremental weighted average borrowing rate of 12.85% per annum as of January 1, 2019. The lease liability is subsequently measured at amortised cost using the effective interest rate method.

(Rupees in '000)

	June 30, 2019	January 01, 2019
Total lease liability recognised:	1,159,924	1,248,506

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 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.

(Rupees in '000)

	June 30, 2019	January 01, 2019
The recognised right-of-use assets relate to the following type of assets:		
Property	1,274,857	1,380,241
The effect of this change in accounting policy is as follows:		
Impact on Statement of Financial Position		
Increase in fixed assets - right-of-use assets	1,274,857	1,380,241
Decrease in other assets - advances, deposits, advance rent and other prepayments	(159,418)	(131,735)
Increase in other assets - advance taxation	17,349	-
	1,132,788	1,248,506
Increase in other liabilities - lease liability against right-of-use assets	(1,159,924)	(1,248,506)
Decrease in net assets	(27,136)	-

(Rupees in '000)

	For the six months ended June 30, 2019
Impact on Profit and Loss account	
Increase in mark-up expense - lease liability against right-of-use assets	(79,672)
(Increase) / decrease in operating expenses:	
- Depreciation on right-of-use Assets	(105,383)
- Rent and taxes	140,570
Decrease in profit before taxation	(44,485)
Decrease in taxation	17,349
Decrease in profit after taxation	(27,136)

Earnings per share for the six months ended June 30, 2019 are Rupee 0.03 per share lower 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.

3.2 Standards, amendments and interpretations to approved accounting standards that are effective in the current period

IFRS 16, the accounting standard for leases, became effective for annual reporting periods commencing on or after January 1, 2019. The impact of the adoption of IFRS 16 on the Bank's condensed interim financial statements is disclosed in note 3.1.2.

In addition, there are certain other new standards and interpretations of and amendments to existing accounting standards that have become applicable to the Bank for accounting periods beginning on or after January 1, 2019. These are considered as either not relevant or do not have any significant impact on the Bank's condensed interim financial statements.

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

The following new standards and amendments to existing accounting standards will be effective from the dates mentioned below against the respective standard or amendment:

	Effective date (annual periods beginning on or after)
- IFRS 3, Business Combinations (Amendments)	January 1, 2020
- IAS 1, Presentation of Financial Statements (Amendments)	January 1, 2020
- IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors (Amendments)	January 1, 2020
	Effective date (periods beginning on or after)
- IFRS 9, Financial Instruments (note 3.3.1)	June 30, 2019

3.3.1 The SECP, through SRO 229(I)/2019 dated February 14, 2019, has notified that IFRS 9, Financial Instruments, is applicable for accounting periods ending on or after June 30, 2019. Based on the guidance received from SBP, IFRS 9 has not been considered for the preparation of these condensed interim financial statements.

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 as currently followed. 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 Bank expects that adoption of the remaining interpretations and amendments will not affect its financial statements in the period of initial application.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The basis for accounting estimates adopted in the preparation of these condensed interim financial statements is the same as that applied in the preparation of the annual financial statements for the year ended December 31, 2018.

5 FINANCIAL RISK MANAGEMENT

The Bank's Financial Risk Management objectives and policies are consistent with those disclosed in the annual financial statements of the Bank for the year ended December 31, 2018.

6 CASH AND BALANCES WITH TREASURY BANKS

(Rupees in '000)

	June 30, 2019 (Un-audited)	December 31, 2018 (Audited)
In hand		
Local currency	717,669	446,171
Foreign currencies	502,363	307,479
	1,220,032	753,650
With State Bank of Pakistan in		
Local currency current accounts	2,548,410	2,901,468
Foreign currency current account (cash reserve account)	642,929	371,317
Foreign currency deposit account (USD settlement account)	113,445	5,204
Foreign currency deposit account (special cash reserve account)	1,928,308	1,113,950
	5,233,092	4,391,939
With National Bank of Pakistan in		
Local currency current accounts	5,046	8,957
National Prize Bonds	216,946	244
	6,675,116	5,154,790
7 BALANCES WITH OTHER BANKS		
In Pakistan		
In current accounts	95,358	42,327
In deposit accounts	16	15
	95,374	42,342
Outside Pakistan		
In current accounts	989,908	453,832
	1,085,282	496,174
8 LENDINGS TO FINANCIAL INSTITUTIONS		
Repurchase agreement lendings (Reverse Repo)	2,397,975	9,449,244
Less: Provision held against Lending to Financial Institutions	-	-
Lending to Financial Institutions - net of provision	2,397,975	9,449,244

9 INVESTMENTS - NET

9.1 Investments by type

(Rupees in '000)

	June 30, 2019 (Un-audited)				December 31, 2018 (Audited)			
	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
Held for trading securities								
Federal Government Securities	347,331	-	(334)	346,997	6,044,128	-	1,723	6,045,851
Shares	1,156	-	-	1,156	-	-	-	-
	348,487	-	(334)	348,153	6,044,128	-	1,723	6,045,851
Available for sale securities								
Federal Government Securities	36,422,068	-	(417,405)	36,004,663	34,518,518	-	(508,329)	34,010,189
Shares	1,215,167	(222,670)	(92,424)	900,073	1,075,942	(117,846)	(94,852)	863,244
Non Government Debt Securities	2,077,041	-	(22,571)	2,054,470	2,164,982	-	18,543	2,183,525
	39,714,276	(222,670)	(532,400)	38,959,206	37,759,442	(117,846)	(584,638)	37,056,958
Held to maturity securities								
Federal Government Securities	4,888,836	-	-	4,888,836	4,918,561	-	-	4,918,561
Total Investments	44,951,599	(222,670)	(532,734)	44,196,195	48,722,131	(117,846)	(582,915)	48,021,370

9.1.1 Investments given as collateral

(Rupees in '000)

	June 30, 2019 (Un-audited)	December 31, 2018 (Audited)
Available for sale securities		
Federal Government Securities		
Market Treasury Bills	5,943,638	15,335,698
Pakistan Investment Bonds	17,765,953	8,562,578
	23,709,591	23,898,276

9.2 Provision for diminution in value of investments

(Rupees in '000)

	June 30, 2019 (Un-audited)	December 31, 2018 (Audited)
9.2.1 Opening balance	117,846	17,920
Charge / reversals		
Charge for the period / year	104,824	100,060
Reversals for the period / year	-	-
Reversal on disposals	-	(134)
	104,824	99,926
Closing balance	222,670	117,846

9.2.2 No provision was booked against investment in debt securities as at June 30, 2019 (December 31, 2018: Nil).

9.3 The market value of securities classified as held-to-maturity as at June 30, 2019 amounted to Rs. 4,347 million (December 31, 2018: Rs. 4,447 million).

10 ADVANCES - NET

(Rupees in '000)

	Note					
	Performing		Non Performing		Total	
	June 30, 2019 (Un-audited)	December 31, 2018 (Audited)	June 30, 2019 (Un-audited)	December 31, 2018 (Audited)	June 30, 2019 (Un-audited)	December 31, 2018 (Audited)
Loans, cash credits, running finances, etc.	55,171,617	52,801,469	2,391,365	2,376,735	57,562,982	55,178,204
Bills discounted and purchased	606,611	698,082	15,494	15,494	622,105	713,576
Advances - gross	55,778,228	53,499,551	2,406,859	2,392,229	58,185,087	55,891,780
Provision against advances						
- Specific	-	-	(2,283,799)	(2,249,583)	(2,283,799)	(2,249,583)
- General	(58,335)	(49,942)	-	-	(58,335)	(49,942)
	(58,335)	(49,942)	(2,283,799)	(2,249,583)	(2,342,134)	(2,299,525)
Advances - net of provision	55,719,893	53,449,609	123,060	142,646	55,842,953	53,592,255

10.1 Particulars of advances (Gross)

(Rupees in '000)

	Note	June 30, 2019 (Un-audited)		December 31, 2018 (Audited)	
		In local currency		58,083,024	52,574,145
In foreign currencies	10.2.1	102,063	3,317,635		
		58,185,087	55,891,780		

10.2 Advances include Rs. 2,407 million (December 31, 2018: Rs. 2,392 million) which have been placed under non-performing status as detailed below:

(Rupees in '000)

Category of Classification	June 30, 2019 (Un-audited)		December 31, 2018 (Audited)	
	Non Performing Loans	Provision	Non Performing Loans	Provision
	Domestic			
Other Assets Especially Mentioned	-	-	-	-
Substandard	7,982	1,996	219,399	108,541
Doubtful	234,971	149,740	-	-
Loss	2,163,906	2,132,063	2,172,830	2,141,042
	2,406,859	2,283,799	2,392,229	2,249,583

10.2.1 The Bank has not extended any loans or advances overseas.

10.3 Particulars of provision against advances

(Rupees in '000)

	June 30, 2019 (Un-audited)			December 31, 2018 (Audited)		
	Specific	General	Total	Specific	General	Total
Opening balance	2,249,583	49,942	2,299,525	2,303,292	17,495	2,320,787
Charge for the period / year	52,463	8,393	60,856	238,972	32,447	271,419
Reversals	(17,896)	-	(17,896)	(288,827)	-	(288,827)
	34,567	8,393	42,960	(49,855)	32,447	(17,408)
Amounts written off	(351)	-	(351)	(3,854)	-	(3,854)
Closing balance	2,283,799	58,335	2,342,134	2,249,583	49,942	2,299,525

10.3.1 General provision as at June 30, 2019 includes provision of Rs. 58,335 million (December 31, 2018: Rs. 49,942 million) held against consumer finance portfolio as required by the Prudential Regulations issued by the State Bank of Pakistan.

10.3.2 No benefit of forced sale value of the collaterals held by the Bank has been taken while determining the provision against non performing loans.

11 FIXED ASSETS

(Rupees in '000)

	Note	June 30, 2019 (Un-audited)	December 31, 2018 (Audited)
Capital work-in-progress	11.1	44,476	60,620
Property and equipment	11.2	1,019,464	1,003,943
Right of use assets	3.1.2	1,274,857	-
		<u>2,338,797</u>	<u>1,064,563</u>
11.1 Capital work-in-progress			
Civil works		34,123	27,155
Equipment		-	2,609
Advances to suppliers		10,353	30,856
		<u>44,476</u>	<u>60,620</u>

11.2 Additions to fixed assets

(Rupees in '000)

	June 30, 2019 (Un-audited)	June 30, 2018 (Un-audited)
The following additions have been made to fixed assets during the period:		
Capital work-in-progress	33,398	12,634
Property and equipment		
Furniture and fixtures	17,511	23,506
Electrical, office and computer equipment	16,811	19,167
Vehicles	478	10,703
	<u>34,800</u>	<u>53,376</u>
Total	<u>68,198</u>	<u>66,010</u>
11.3 Disposal of fixed assets		
The net book value of fixed assets disposed off during the period is as follows:		
Furniture and fixtures	96	2,149
Electrical, office and computer equipment	122	8
Vehicles	-	4,113
Total	<u>218</u>	<u>6,270</u>

12 INTANGIBLE ASSETS

(Rupees in '000)

	June 30, 2019 (Un-audited)	December 31, 2018 (Audited)
Capital work-in-progress	2,709	13,343
Computer Software	108,621	107,305
	<u>111,330</u>	<u>120,648</u>

12.1 Additions to intangible assets

(Rupees in '000)

	June 30, 2019 (Un-audited)	June 30, 2018 (Un-audited)
The following additions have been made to intangible assets during the period:		
Capital work-in-progress	7,352	14,410
Directly purchased	7,867	1,130
Total	<u>15,219</u>	<u>15,540</u>

12.2 Disposals of intangible assets

(Rupees in '000)

The net book value of intangible assets disposed off during the period is as follows:

Directly purchased

	June 30, 2019 (Un-audited)	June 30, 2018 (Un-audited)
	-	20,844

13 DEFERRED TAX ASSETS - NET

(Rupees in '000)

Note

Deductible temporary differences on:

- Deficit on revaluation of investments
- Accelerated tax depreciation
- Provision against advances, off balance sheet etc.

Taxable temporary differences on:

- Net investment in finance lease

	June 30, 2019 (Un-audited)	December 31, 2018 (Audited)
	186,340	204,623
	28,955	27,601
	553,548	545,107
	768,843	777,331
	(76,953)	(76,564)
	691,890	700,767

14 OTHER ASSETS - NET

- Income / mark-up accrued in local currency
- Income / mark-up accrued in foreign currencies
- Advances, deposits, advance rent and other prepayments
- Advance taxation (payments less (provisions))
- Mark to market gain on forward foreign exchange contracts
- Acceptances
- Others

18

- Less: provision held against other assets
- Other assets - net of provision

14.1

	2,020,310	1,523,068
	667	72,969
	98,859	213,865
	-	74,874
	5,257,833	858,235
	1,723,470	1,384,384
	211,480	210,847
	9,312,619	4,338,242
	(173,466)	(173,466)
	9,139,153	4,164,776

14.1 Provision held against other assets

- Fee, commission and other receivables
- Fraud losses

	80,535	80,535
	92,931	92,931
	173,466	173,466

15 BILLS PAYABLE

In Pakistan

	1,484,835	877,017
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16 BORROWINGS

Secured

- Borrowings from State Bank of Pakistan
 - Under export refinance scheme
 - Under long term financing facilities

	3,048,500	2,875,000
	1,357,879	1,111,696
	4,406,379	3,986,696

Repurchase agreement borrowings

Bai muajjal borrowing

Total secured

	20,437,486	20,325,109
	5,089,713	8,457,762
	29,933,578	32,769,567

Unsecured

- Call borrowings
- Bai muajjal borrowing
- Bankers Equity Limited (under liquidation)
- Total unsecured

	-	4,000,000
	-	2,988,700
	22,336	22,336
	22,336	7,011,036

	29,955,914	39,780,603
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17 DEPOSITS AND OTHER ACCOUNTS

(Rupees in '000)

	Note	June 30, 2019 (Un-audited)			December 31, 2018 (Audited)		
		In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total
Customers							
Current deposits		15,273,964	4,672,356	19,946,320	12,770,433	3,511,613	16,282,046
Savings deposits		13,740,114	2,843,290	16,583,404	15,134,845	2,109,414	17,244,259
Term deposits		24,286,975	5,274,244	29,561,219	25,509,201	1,712,335	27,221,536
Others		394,304	-	394,304	282,499	-	282,499
		<u>53,695,357</u>	<u>12,789,890</u>	<u>66,485,247</u>	<u>53,696,978</u>	<u>7,333,362</u>	<u>61,030,340</u>
Financial Institutions							
Current deposits		48,448	-	48,448	293,869	-	293,869
Savings deposits		483,332	-	483,332	1,865,078	-	1,865,078
Term deposits		1,495,000	-	1,495,000	1,943,000	-	1,943,000
Others	17.1	72,720	-	72,720	92,765	-	92,765
		<u>2,099,500</u>	<u>-</u>	<u>2,099,500</u>	<u>4,194,712</u>	<u>-</u>	<u>4,194,712</u>
		<u>55,794,857</u>	<u>12,789,890</u>	<u>68,584,747</u>	<u>57,891,690</u>	<u>7,333,362</u>	<u>65,225,052</u>

17.1 This includes deposits amounting to Rs. 72.72 million (December 31, 2018: Rs. 92.74 million) from Samba Financial Group - a related party.

18 OTHER LIABILITIES

(Rupees in '000)

	Note	June 30, 2019 (Un-audited)	December 31, 2018 (Audited)
Mark-up/ Return/ Interest payable in local currency	18.2	1,115,636	1,039,338
Mark-up/ Return/ Interest payable in foreign currencies		41,011	9,496
Accrued expenses		394,243	486,435
Acceptances	14	1,723,470	1,384,384
Advance taxation (payments less provisions)		30,726	-
Unclaimed dividends		3,351	3,429
Mark to market loss on forward foreign exchange contracts		4,451,386	763,999
Provision against off-balance sheet obligations	18.1	172,746	172,746
Security deposits against lease		34,997	34,997
Lease liability against right of use assets	31.2	1,159,924	-
Others		148,213	203,336
		<u>9,275,703</u>	<u>4,098,160</u>
18.1 Provision against off-balance sheet obligations			
Opening balance		172,746	186,876
Charge for the period / year		-	-
Reversals		-	(14,130)
		-	(14,130)
Closing balance		<u>172,746</u>	<u>172,746</u>
18.2 The interest accrued on outstanding lease liability against right of use assets is disclosed in Lease liability against right of use assets.			
19 DEFICIT ON REVALUATION OF ASSETS - NET			
Deficit on revaluation of			
- Available for sale securities	9.1	(532,400)	(584,638)
Deferred tax on deficit on revaluation of			
- Available for sale securities	13	186,340	204,623
		<u>(346,060)</u>	<u>(380,015)</u>

20 CONTINGENCIES AND COMMITMENTS

		(Rupees in '000)	
	Note	June 30, 2019 (Un-audited)	December 31, 2018 (Audited)
- Guarantees	20.1	5,984,594	5,265,382
- Commitments	20.2	142,981,204	54,645,121
- Other contingent liabilities	20.3	1,280,600	1,168,543
		<u>150,246,398</u>	<u>61,079,046</u>
20.1 Guarantees:			
Financial guarantees		1,597,876	17,772
Performance guarantees		4,070,250	4,116,102
Other guarantees		316,468	1,131,508
		<u>5,984,594</u>	<u>5,265,382</u>
20.2 Commitments			
Documentary credits and short-term trade-related transactions			
- letters of credit		4,128,440	5,553,494
Commitments in respect of			
- forward foreign exchange contracts	20.2.1	136,022,529	40,336,037
- forward government securities transactions	20.2.2	2,467,988	6,043,511
- operating leases	20.2.3	-	2,462,369
		<u>138,490,517</u>	<u>48,841,917</u>
Commitments for acquisition of			
- operating fixed assets		81,586	8,842
- intangible assets		66,988	27,195
		<u>148,574</u>	<u>36,037</u>
Other commitments	20.2.4	213,673	213,673
		<u>142,981,204</u>	<u>54,645,121</u>
20.2.1 Commitments in respect of forward foreign exchange contracts			
Purchase		71,906,383	21,127,740
Sale		64,116,146	19,208,297
		<u>136,022,529</u>	<u>40,336,037</u>
20.2.2 Commitments in respect of forward government securities transactions			
Purchase		-	-
Sale		2,467,988	6,043,511
		<u>2,467,988</u>	<u>6,043,511</u>
20.2.3 Commitments in respect of operating leases			
Not later than one year		-	270,693
Later than one year and not later than five years		-	1,134,776
Later than five years		-	1,056,900
		<u>-</u>	<u>2,462,369</u>
20.2.4 Other commitments			
Claims against the Bank not acknowledged as debt		213,673	213,673
		<u>213,673</u>	<u>213,673</u>
<p>These represent various cases filed against the Bank for recovery of damages / settlement of deposit balances by various parties. Based on the legal advice, management believes that the possibility of any outcome against the Bank is remote and accordingly no provision has been made in these condensed interim financial statements.</p>			
20.3 Other contingent liabilities		<u>1,280,600</u>	<u>1,168,543</u>

20.3.1 The Income tax department has raised a demand of Rs. 426.787 million (December 31, 2018: Rs. 426.787 million) for the assessment years 1995-96, 1996-97, 1999-00, 2001-02, 2002-03 on account of non-deduction of tax on profit paid under portfolio management scheme, interest paid on foreign currency deposits and certificates of investment. The department has also raised further demand of Rs. 645.337 million (December 31, 2018: Rs. 645.337 million) for assessment years 1999-00, 2000-01 to assessment year 2002-03 and tax year 2006 on account of taxability of investment banks as banking companies and taxation of dividend income as normal banking income, and on account of lease rentals received or receivable, lease key money and certain other items. The aforementioned relates to pending assessments of the Bank and amalgamated entities namely Crescent Investment Bank Limited, Trust Investment Bank Limited and Pakistan Industrial Leasing Corporation. Tax department has also raised demand of Rs. 29.052 million (December 31, 2018: Rs. 29.052 million) for the assessment years 2009, 2010 & 2011 on account of Federal Excise Duty. Further, tax department has raised a demand of Rs. 28.110 million on account of monitoring of withholding taxes for the tax year 2015. Tax authorities have also issued orders under Sindh Sales Tax on Services Act, 2011 and Punjab Sales Tax on Services Act, 2012 thereby creating arbitrary aggregate demand amounting to Rs. 22.778 million (December 31, 2018: Rs. 22.778 million) for the years 2012 to 2017 and Rs. 128.536 million (December 31, 2018: Rs. NIL) for the year 2016 respectively.

Presently, the Bank is contesting these issues at various appellate forums. The disallowances in respect of a number of assessment years have been decided / set aside by various appellate authorities for re-assessment while the Bank's appeal in respect of the remaining assessment years are currently pending. Based on the professional advice received from tax advisors, the management is confident that the eventual outcome of the aforementioned matters will be in favor of the Bank. Accordingly, no provision has been made in these financial statements in respect of the above mentioned demands aggregating Rs. 1,280.60 million (December 31, 2018: Rs. 1,168.543 million) raised by the income tax authorities.

21 MARK-UP / RETURN / INTEREST EARNED

(Rupees in '000)

	Note	June 30, 2019 (Un-audited)	June 30, 2018 (Un-audited)
On:			
a) Loans and advances		3,087,652	1,610,327
b) Investments		1,790,072	1,862,056
c) Lendings to financial institutions		411,056	143,282
d) Balances with banks		10,669	4,022
		<u>5,299,449</u>	<u>3,619,687</u>
22 MARK-UP / RETURN / INTEREST EXPENSED			
On:			
Deposits		2,260,658	1,128,028
Borrowings		1,116,321	1,206,242
Cost of foreign currency swaps against foreign currency deposits		216,432	22,274
Lease liability against right of use assets		79,672	-
		<u>3,673,083</u>	<u>2,356,544</u>
23 FEE AND COMMISSION INCOME			
Branch banking customer fees		21,390	13,886
Consumer finance related fees		9,091	7,408
Credit related fees		20,376	13,314
Investment banking fees		-	1,000
Commission on trade		40,120	31,267
Commission on guarantees		17,014	22,244
Commission on cash management		3,909	1,879
Commission on remittances including home remittances		22,980	15,577
Commission on bancassurance		17,196	19,936
Others		2,250	5,035
		<u>154,326</u>	<u>131,546</u>
24 GAIN / (LOSS) ON SECURITIES			
Realised	24.1	6,341	267,246
Unrealised - held for trading	9.1	(334)	(20)
		<u>6,007</u>	<u>267,226</u>
24.1 Realised gain on			
Federal Government Securities		3,534	233,732
Shares		2,807	33,514
		<u>6,341</u>	<u>267,246</u>
25 OTHER INCOME			
Gain on sale of fixed assets - net		245	184
Others		25	83
		<u>270</u>	<u>267</u>

26 OPERATING EXPENSES

(Rupees in '000)

	June 30, 2019 (Un-audited)	June 30, 2018 (Un-audited)
Total compensation expense	667,057	619,275
Property expense		
Rent and taxes	2,998	109,541
Insurance	751	631
Utilities cost	29,889	26,200
Security (including guards)	22,258	20,905
Repair and maintenance (including janitorial charges)	23,869	10,586
Depreciation on owned fixed assets	3,806	3,769
Depreciation on right of use assets	105,383	-
	188,954	171,632
Information technology expenses		
Software maintenance	42,706	31,385
Hardware maintenance	24,086	18,004
Depreciation	18,439	30,258
Amortisation	17,186	18,281
Network charges	38,456	34,291
Insurance	476	450
	141,349	132,669
Other operating expenses		
Directors' fees and allowances	8,234	8,182
Legal and professional charges	5,439	8,041
Outsourced services costs	9,524	8,442
Travelling, conveyance and official entertainment	39,248	28,061
Charges paid to Central Depository Company of Pakistan Limited and NIFT	9,126	5,281
Depreciation	53,709	50,905
Training and development	3,527	1,881
Postage and courier charges	5,196	4,113
Communication	3,754	6,018
Stationery and printing	17,101	13,956
Marketing, advertisement and publicity	17,320	8,532
Donations	1,150	-
Auditors' remuneration	3,660	3,396
Repair and maintenance	16,321	18,158
Insurance	17,775	6,050
Fee commission and brokerage paid	13,784	18,982
Others	9,715	25,201
	234,583	215,199
	1,231,943	1,138,775
27 OTHER CHARGES		
Penalties imposed by the State Bank of Pakistan	288	15,663

28 (PROVISIONS) / REVERSAL & WRITE OFFS - NET

(Rupees in '000)

	Note	June 30, 2019 (Un-audited)	June 30, 2018 (Un-audited)
Provision for diminution in the value of investments	9.2.1	(104,824)	(24,640)
(Provision) / reversal against loans and advances - net	10.3	(42,960)	164,060
Fixed assets written off		-	(2,111)
Reversal of provision against off balance sheet obligations	18.1	-	14,130
Bad debts written off directly		(151)	-
Recoveries against debts written-off		166	1,242
		(147,769)	152,681
29 TAXATION			
Current		(273,933)	(206,153)
Prior years		(29,389)	-
Deferred		9,405	(92,510)
		(293,917)	(298,663)

30 EARNINGS PER SHARE - BASIC & DILUTED

	(Rupees in '000)	
	Half year ended June 30, 2019 (Un-audited)	Half year ended June 30, 2018 (Un-audited)
Profit for the period	359,782	440,401
	(Number of Shares)	
Weighted average number of ordinary shares	1,008,238,648	1,008,238,648
	(Rupee)	
Basic and diluted earnings per share	0.36	0.44

30.1 Diluted earnings per share has not been presented separately as the Bank does not have any convertible instruments in issue.

31 FAIR VALUE MEASUREMENTS

The fair value of quoted securities other than those classified as held to maturity, is based on quoted market price. Quoted securities classified as held to maturity are carried at amortised cost. The fair value of unquoted equity securities, is determined on the basis of the break-up value of these investments as per their latest available audited financial statements.

The fair value of unquoted debt and equity securities, fixed term loans, other assets, other liabilities, fixed term deposits and borrowings cannot be calculated with sufficient reliability due to the absence of a current and active market for these assets and liabilities and reliable data regarding market rates for similar instruments.

31.1 Fair value of financial assets

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

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

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

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

The table below analyses financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

	(Rupees in '000)			
	June 30, 2019 (Un-audited)			
	Level 1	Level 2	Level 3	Total
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investments				
Federal Government Securities	-	36,351,660	-	36,351,660
Shares	901,229	-	-	901,229
Non-Government Debt Securities	-	2,054,470	-	2,054,470
Financial assets - disclosed but not measured at fair value				
Investments				
Federal Government Securities	-	4,347,030	-	4,347,030
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange	-	71,906,383	-	71,906,383
Forward sale of foreign exchange	-	64,116,146	-	64,116,146
Forward sale of Federal Government Securities	-	2,467,988	-	2,467,988

		(Rupees in '000)			
		December 31, 2018 (Audited)			
		Level 1	Level 2	Level 3	Total
On balance sheet financial instruments					
Financial assets - measured at fair value					
Investments					
Federal Government Securities	-	40,056,040	-	-	40,056,040
Shares	853,244	-	-	-	853,244
Non-Government Debt Securities	-	2,183,525	-	-	2,183,525
Financial assets - disclosed but not measured at fair value					
Investments					
Federal Government Securities	-	4,447,416	-	-	4,447,416
Off-balance sheet financial instruments - measured at fair value					
Forward purchase of foreign exchange	-	21,127,740	-	-	21,127,740
Forward sale of foreign exchange	-	19,208,297	-	-	19,208,297
Forward sale of Federal Government Securities	-	6,043,511	-	-	6,043,511

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

Valuation techniques and inputs used in determination of fair values within level 2 and 3

Item	Valuation techniques and input used
Federal Government securities	The fair values of Pakistan Investment Bonds and Market Treasury Bills are derived using the PKRV rates (Reuters page). These rates denote an average of quotes received from eight different pre-defined / approved dealers / brokers.
Non Government Debt Securities	The fair values of investment in term finance certificates and corporate sukus are valued on the basis of available closing quoted market prices.
Forward foreign exchange contracts	The fair value has been determined by interpolating the mid rates announced by the State Bank of Pakistan.
Forward contracts of Federal Government Securities	The fair values of forward exchange contracts relating to purchase and sale of Pakistan Investment Bonds and Market Treasury Bills that will be settled on a future date are derived using the PKRV rates (Reuters page) on reporting date. These rates denote an average of quotes received from eight different pre-defined / approved dealers / brokers.

32 SEGMENT INFORMATION

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

(Rupees in '000)

Particulars	For the half year ended June 30, 2019 (Un-audited)					
	Corporate Banking	Global Markets	Retail Banking	Commercial Banking	Senoff	Total
Profit & Loss						
Net mark-up / return / interest	1,505,481	940,261	(1,670,234)	910,438	(59,580)	1,626,366
Inter segment revenue - net	(1,126,566)	(948,885)	2,238,073	(694,461)	531,839	-
Non mark-up / return / interest income	73,692	294,535	68,287	67,227	(83,067)	420,674
Total Income	452,607	285,911	636,126	283,204	389,192	2,047,040
Segment direct expenses	(65,154)	(67,350)	(490,241)	(55,845)	(566,982)	(1,245,572)
Inter segment expense allocation	(114,477)	(47,987)	(291,056)	(113,462)	566,982	-
Total expenses	(179,631)	(115,337)	(781,297)	(169,307)	-	(1,245,572)
Provisions	(107,485)	(104,824)	(15,079)	(73,667)	153,286	(147,769)
Profit / (loss) before tax	165,491	65,750	(160,250)	40,230	542,478	653,699

(Rupees in '000)

Particulars	As at June 30, 2019 (Un-audited)					
	Corporate Banking	Global Markets	Retail Banking	Commercial Banking	Senoff	Total
Balance Sheet						
Cash & Bank balances	-	5,764,149	1,996,249	-	-	7,760,398
Investments - net	-	44,196,195	-	-	-	44,196,195
Net inter segment lending	-	-	51,858,934	-	10,906,501	62,765,435
Lendings to financial institutions	-	2,397,975	-	-	-	2,397,975
Advances - performing - net	33,853,120	1,233,311	2,038,089	17,846,477	748,896	55,719,893
Advances - non-performing - net	118,363	-	26,952	10,000	(32,255)	123,060
Others	901,231	5,929,683	(56,233)	466,759	5,039,730	12,281,170
Total Assets	34,872,714	59,521,313	55,863,991	18,323,236	16,662,872	185,244,126
Borrowings	3,688,380	25,527,199	-	718,000	22,335	29,955,914
Deposits & other accounts	13,205,616	116,480	53,596,138	1,605,604	60,909	68,584,747
Net inter segment borrowing	17,626,993	29,150,754	-	15,987,688	-	62,765,435
Others	351,725	4,726,880	2,267,853	11,944	3,402,136	10,760,538
Total liabilities	34,872,714	59,521,313	55,863,991	18,323,236	3,485,380	172,066,634
Equity	-	-	-	-	13,177,492	13,177,492
Total Equity & liabilities	34,872,714	59,521,313	55,863,991	18,323,236	16,662,872	185,244,126
Contingencies & Commitments	7,121,929	138,490,517	111,981	2,879,124	1,642,847	150,246,398

(Rupees in '000)

Particulars	For the half year ended June 30, 2018 (Un-audited)					
	Corporate Banking	Global Markets	Retail Banking	Commercial Banking	Senoff	Total
Profit & Loss						
Net mark-up / return / interest	939,071	787,829	(910,360)	423,967	22,636	1,263,143
Inter segment revenue - net	(654,290)	(668,385)	1,318,485	(289,758)	293,948	-
Non mark-up / return / interest income	57,950	377,583	64,288	47,644	(54,673)	492,792
Total Income	342,731	497,027	472,413	181,853	261,911	1,755,935
Segment direct expenses	(60,649)	(63,660)	(468,975)	(41,508)	(534,760)	(1,169,552)
Inter segment expense allocation	(129,881)	(55,130)	(276,091)	(73,658)	534,760	-
Total expenses	(190,530)	(118,790)	(745,066)	(115,166)	-	(1,169,552)
Provisions	199,648	(24,639)	(15,775)	(31,437)	24,884	152,681
Profit / (loss) before tax	351,849	353,598	(288,428)	35,250	286,795	739,064

(Rupees in '000)

As at December 31, 2018 (Audited)

Particulars	Corporate Banking	Global Markets	Retail Banking	Commercial Banking	Senoff	Total
Balance Sheet						
Cash & Bank balances	-	4,811,896	839,068	-	-	5,650,964
Investments - net	-	48,021,370	-	-	-	48,021,370
Net inter segment lending	-	-	47,663,897	-	10,711,292	58,375,189
Lendings to financial institutions	-	9,449,244	-	-	-	9,449,244
Advances - performing - net	33,707,299	1,163,180	1,805,858	16,052,297	720,975	53,449,609
Advances - non-performing - net	225,858	-	24,279	62,990	(170,481)	142,646
Others	1,752,178	1,425,989	2,631	327,826	2,542,130	6,050,754
Total Assets	35,685,335	64,871,679	50,335,733	16,443,113	13,803,916	181,139,776
Borrowings	3,425,195	35,771,572	-	561,500	22,336	39,780,603
Deposits & other accounts	8,823,351	148,724	49,048,376	7,204,601	-	65,225,052
Net inter segment borrowing	22,226,786	27,560,864	-	8,587,539	-	58,375,189
Others	1,210,003	1,390,519	1,287,357	89,473	997,825	4,975,177
Total liabilities	35,685,335	64,871,679	50,335,733	16,443,113	1,020,161	168,356,021
Equity	-	-	-	-	12,783,755	12,783,755
Total Equity & liabilities	35,685,335	64,871,679	50,335,733	16,443,113	13,803,916	181,139,776
Contingencies & Commitments	7,500,030	46,379,548	3,240,030	2,487,638	1,471,800	61,079,046

33 RELATED PARTY TRANSACTIONS

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

The Banks enters into transactions with related parties in the ordinary course of business and on substantially the same terms as for comparable transactions with person of similar standing. Contributions to and accruals in respect of staff retirement benefits and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to the executives / officers is determined in accordance with the terms of their appointment.

Contributions to the contributory provident fund scheme are made in accordance with the terms of the contribution plan.

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

33.1 Details of transactions with related parties are given below:

(Rupees in '000)

June 30, 2019 (Un-audited)				December 31, 2018 (Audited)			
Parent	Directors	Key Management Personnel	Other related parties	Parent	Directors	Key Management Personnel	Other related parties

Balances with other banks

In current accounts	81,620	-	-	-	17,434	-	-	-
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Advances

Opening balance	-	-	146,410	-	-	-	151,147	-
Addition during the period / year	-	-	32,834	-	-	-	24,172	-
Repaid during the period / year	-	-	(13,284)	-	-	-	(28,909)	-
Closing balance	-	-	165,960	-	-	-	146,410	-

Other Assets

Other receivable	1,856	-	-	-	1,065	-	-	-
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Deposits and other accounts

Opening balance	-	31,118	17,648	61,965	-	15,434	22,440	50,455
Received during the period / year	-	68,550	200,986	268,404	-	78,847	404,885	310,296
Withdrawn during the period / year	-	(79,960)	(200,766)	(295,606)	-	(63,163)	(409,677)	(298,786)
Closing balance	-	19,708	17,868	34,763	-	31,118	17,648	61,965

Vostro balances of Samba Financial Group

	72,720	-	-	-	92,742	-	-	-
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Contingencies and Commitments

Other contingencies	85,354	-	-	-	66,631	-	-	-
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(Rupees in '000)

Half year ended June 30, 2019 (Un-audited)				Half year ended June 30, 2018 (Un-audited)			
Parent	Directors	Key Management Personnel	Other related parties	Parent	Directors	Key Management Personnel	Other related parties

Income

Mark-up / return / interest earned	-	-	3,516	-	-	-	3,634	-
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Expense

Mark-up / return / interest paid	-	580	311	2,148	-	13	261	625
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Insurance premium paid	-	-	619	-	-	-	624	-
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Insurance claims settled	-	-	794	-	-	-	402	-
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Forex transactions during the period (January - June 2019) - Samba Financial Group (Un-audited)
(Currency in '000)

2019				
Currency	READY / SPOT / TOM		Forward	
	Buy	Sell	Buy	Sell
EUR	5,775	4,455	650	1,470
GBP	1,090	15,185	14,900	2,500
JPY	281,649	43,840	-	-
SAR	201,799	-	-	-
USD	40,847	64,452	4,916	20,109
PKR	-	2,233,439	-	-
AED	411	-	-	-

Forex deals outstanding as at the period end June 30, 2019 - Samba Financial Group (Un-audited)
(Currency in '000)

2019				
Currency	READY / SPOT / TOM		Forward	
	Buy	Sell	Buy	Sell
EUR	-	-	-	250
USD	-	-	283	-

Forex transactions during the period (January - June 2018) - Samba Financial Group (Un-audited)
(Currency in '000)

2018				
Currency	READY / SPOT / TOM		Forward	
	Buy	Sell	Buy	Sell
AED	3,673	-	-	-
EUR	10,235	9,650	200	4,480
GBP	3,577	13,400	10,287	1,240
JPY	356,097	16,299	103,665	103,913
SAR	90,755	-	-	-
USD	52,777	44,205	6,604	13,894
PKR	-	2,749,776	-	-

Forex deals outstanding as at the year end December 31, 2018 - Samba Financial Group (Audited)
(Currency in '000)

2018				
Currency	READY / SPOT / TOM		Forward	
	Buy	Sell	Buy	Sell
EUR	-	-	500	100
GBP	-	-	1,900	200
JPY	-	-	39,647	-
USD	-	-	367	3,410

34 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

(Rupees in '000)

	June 30, 2019 (Un-audited)	December 31, 2018 (Audited)
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	10,082,387	10,082,387
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	13,066,162	12,663,107
Eligible Additional Tier 1 (ADT 1) Capital	-	-
Total Eligible Tier 1 Capital	13,066,162	12,663,107
Eligible Tier 2 Capital	58,335	49,942
Total Eligible Capital (Tier 1 + Tier 2)	13,124,497	12,713,049
Risk Weighted Assets (RWAs):		
Credit Risk	61,776,991	57,494,392
Market Risk	3,929,263	3,784,082
Operational Risk	5,482,733	5,482,732
Total	71,188,987	66,761,206
Common Equity Tier 1 Capital Adequacy ratio	18.35%	18.97%
Tier 1 Capital Adequacy Ratio	18.35%	18.97%
Total Capital Adequacy Ratio	18.44%	19.04%
Leverage Ratio (LR):		
Eligible Tier-1 Capital	13,066,162	12,663,107
Total Exposures	133,578,360	119,449,382
Leverage Ratio	9.78%	10.60%
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	24,967,887	20,748,795
Total Net Cash Outflow	9,612,610	6,730,607
Liquidity Coverage Ratio	260%	308%
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	87,919,513	87,875,142
Total Required Stable Funding	51,957,915	44,518,447
Net Stable Funding Ratio	169%	197%

35 GENERAL

35.1 Corresponding figures have been re-arranged and reclassified, wherever necessary, for better presentation. There have been no significant reclassifications during the year except for the following:

Particulars	(Rupees in '000)		
	June 30, 2018 (Un-audited)		
	Before reclassification	Reclassification	After reclassification
Profit and loss account			
Gain on securities	267,246	(20)	267,226
Unrealised loss on revaluation of investments classified as held for trading - net	(20)	20	-
Provisions and write offs - net	-	(152,681)	(152,681)
Provision for diminution in the value of investments - net	24,640	(24,640)	-
Reversal of provision against loans and advances - net	(164,060)	164,060	-
Other provision / write offs - net	2,111	(2,111)	-
Reversal of provision against off balance sheet obligations	(14,130)	14,130	-
Recoveries against debts written-off	(1,242)	1,242	-

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

35.3 Figures as of and for the period ended June 30, 2019 and June 30, 2018, wherever used in these condensed interim financial statements are unaudited figures; however figures as of and for the period relating to December 31, 2018 used in these condensed interim financial statements are audited figures.

36 NON-ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

There have been no events after the balance sheet date that would have a material impact or require adjustment or disclosure in these condensed interim financial statements of the Bank.

37 DATE OF AUTHORIZATION

These condensed interim financial statements were approved and authorised for issue on August 27, 2019 by the Board of Directors of the Bank.

Chief Financial Officer

President & Chief Executive Officer

Chairman








Director








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