

# Samba Bank Limited

## Half Yearly Report 2015



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

samba  سامبا

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# Company Information

## Board of Directors

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

\* Names are in alphabetical order

## Board Audit Committee

Mr. Javed Iqbal	Chairman
Ms. Ranya Nashar	Member
Mr. Zahid Zaheer	Member

## Board Risk Committee

Mr. Beji Tak-Tak	Chairman
Mr. Shahid Sattar	Member
Mr. Antoine Mojabber	Member
Mr. Humayun Murad	Member

## Board Nomination & Remuneration Committee

Dr. Shujaat Nadeem	Chairman
Ms. Ranya Nashar	Member
Mr. Humayun Murad	Member

## President & Chief Executive Officer

Mr. Shahid Sattar

## Company Secretary

Syed Zia-ul-Husnain Shamsi

## Auditors

A. F. Ferguson & Co. Chartered Accountants

## Legal Advisors

Mohsin Tayebaly & Co. Advocates & Legal Consultants

## Head Office

6<sup>th</sup> Floor, Sidco Avenue Centre, M.D.M. Wafai Road,  
Karachi - Pakistan

## Registered Office

2<sup>nd</sup> 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](http://www.samba.com.pk)

## Help Line

11 11 SAMBA (72622)

## Credit Rating by JCR-VIS

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

# Our Branch Network

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

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

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

- **ISLAMABAD / RAWALPINDI**  
F-11  
F-7  
Jinnah Avenue  
Rawalpindi Cantt.
- **GUJRANWALA**  
G.T. Road
- **FAISALABAD**  
Liaquat Road

- **MULTAN**  
Nusrat Road
- **SIALKOT**  
Paris Road
- **PESHAWAR**  
Saddar





We would like to present the Directors' Review along with the interim condensed financial information for the half-year ended June 30, 2015.

#### Financial Results and Overview

The financial highlights of your Bank for the half-year ended June 30, 2015 are summarised below:

	Rupees in million	
	Half Year ended	Half Year ended
	Jun 30, 2015	Jun 30, 2014
Profit before taxation	383.88	192.24
Taxation (including deferred)	185.46	66.99
Profit after taxation	198.42	125.26
Earnings per share - Rupees	0.20	0.14

	Rupees in million	
	Jun 30, 2015	Dec 31, 2014
	Total assets	62,282
Investments	33,801	19,953
Advances	20,057	21,812
Deposits	32,231	31,642
Paid-up capital & reserves	10,965	10,767
Surplus on revaluation of securities - net of tax	509	488

# Directors' Review



Your Bank achieved profit before tax for the current half-year of Rs. 383.88 million compared to the last year's half-year profit of Rs. 192.24 million showing a significant increase. The half-yearly result shows a steady growth and your Bank continues the endeavour to explore various business opportunities without compromising on the quality of assets.

Net mark-up/interest income of the Bank has risen from Rs. 812.45 million in the first half of 2014 to Rs. 1,020.52 million in the current half-year, showing an increase of 26% in spite of the reduction in discount rate by 2.5% from comparative period last year. Non mark-up/interest income posted a 282% increase during the first half of 2015 over corresponding period of last year.

Due to successful recovery efforts, your Bank recovered Rs. 72.89 million from legacy loans, depicting consistent and focussed remedial management. In order to be fit for rapid future business growth, the operating costs for the current half-year include one-off non-recurring costs amounting to Rs. 266.22 million, earmarked for improving the IT infrastructure, including implementation of a new core banking system in 2016; opening of new/relocation of branches; and other promotional, upgrading, and efficiency enhancing activities. Other than the above mentioned one-off costs, the Bank managed well its recurring operating costs, which increased by only 6% over the corresponding period of last year.

Balance sheet size of your Bank has also grown to Rs. 62.28 billion in this half-year compared to Rs. 50.58 billion as of December 31, 2014, demonstrating growth of 23%. Investments rose to Rs. 33.80 billion, showing an increase of Rs. 13.85 billion from December 31, 2014. Your Bank's private sector loan book is stable at Rs. 20.06 billion. Customer deposits reached Rs. 32.23 billion as against Rs. 31.64 billion as of December 31, 2014.

## Credit Rating

JCR-VIS, a premier rating agency of the country, has **upgraded** the medium to long term entity ratings of the Bank from 'AA-' (AA minus) to 'AA' and has maintained its short term rating at 'A-1' (A-one). The outlook on the assigned ratings has also been confirmed as 'Stable'. These short and long term ratings of the Bank denote high credit quality with adequate protection factor and strong capability for timely payments to all financial commitments owing to strong liquidity positions.

## Future Outlook

Macroeconomic environment looks positive due to reduction in oil prices and lower inflation. Your Bank, with the support of its parent and sponsors, continues to pursue its strategic objectives and goals. While monitoring the prevailing economic conditions, the main focus of the Bank would be to leverage on the building blocks put into place; steadily build up its earning assets; effectively manage the associated risks; and reduce its cost of funds through continued improvement in its deposit mix. This would be facilitated by delivery of world class banking services to the Bank's valued customers and by developing and introducing innovative banking products. In order to enhance its footprint, your Bank has also received requisite approvals for opening up six new branches and two kiosks in 2015. Currently, two new branches are functional and remaining are in process of opening up.

## 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 agencies 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

August 19, 2015  
Karachi

# AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF INTERIM FINANCIAL INFORMATION

## Introduction

We have reviewed the accompanying condensed interim statement of financial position of **Samba Bank Limited** as at June 30, 2015 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the accounts for the half year then ended (here-in-after referred to as the "condensed interim financial information"). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review. The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarters ended June 30, 2015 and 2014 have not been reviewed, as we are required to review only the cumulative figures for the half year ended June 30, 2015.

## Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information 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 condensed interim financial information as of and for the half year ended June 30, 2015 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

A.F. Ferguson & Co.

Chartered Accountants  
Engagement Partner: Rashid A. Jafer

Dated: August 27, 2015

Karachi

# Financial Statements

For the Half Year ended June 30, 2015





## CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2015

		(Rupees in '000)	
		(Un-audited)	(Audited)
	Note	June 30, 2015	December 31, 2014
<b>ASSETS</b>			
Cash and balances with treasury banks		2,756,624	2,525,366
Balances with other banks		219,087	79,761
Lendings to financial institutions	9	1,000,000	1,900,000
Investments - net	10	33,800,812	19,953,205
Advances - net	11	20,057,012	21,812,172
Operating fixed assets	12	907,864	800,890
Deferred tax asset - net	13	900,500	1,058,113
Other assets		2,640,525	2,451,553
		<b>62,282,424</b>	<b>50,581,060</b>
<b>LIABILITIES</b>			
Bills payable		670,453	308,894
Borrowings from financial institutions	14	16,605,549	5,964,576
Deposits and other accounts	15	32,230,672	31,642,143
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities - net		-	-
Other liabilities		1,301,442	1,410,850
		<b>50,808,116</b>	<b>39,326,463</b>
<b>NET ASSETS</b>		<b>11,474,308</b>	<b>11,254,597</b>
<b>REPRESENTED BY:</b>			
Share capital		10,082,387	10,082,387
Reserves		252,324	212,640
Unappropriated profits		630,692	471,956
		<b>10,965,403</b>	<b>10,766,983</b>
Surplus on revaluation of assets - net of tax		508,905	487,614
		<b>11,474,308</b>	<b>11,254,597</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	16		

The accompanying notes 1 to 21 form an integral part of this condensed interim financial information.

\_\_\_\_\_  
President & Chief Executive Officer

\_\_\_\_\_  
Chairman

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

## CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)

FOR THE QUARTER AND HALF YEAR ENDED JUNE 30, 2015

(Rupees in '000)

Note	Quarter ended		Half Year ended		
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014	
Mark-up / return / interest earned	1,296,048	1,125,122	2,641,446	2,058,894	
Mark-up / return / interest expensed	771,382	709,432	1,620,925	1,246,444	
Net mark-up / return / interest income	524,666	415,690	1,020,521	812,450	
Reversal of provision against loans and advances - net	21,845	22,051	71,217	50,443	
Provision for diminution in the value of investments - net	-	-	-	-	
Recoveries against debts written - off	1,173	2,390	1,676	5,848	
	23,018	24,441	72,893	56,291	
Net mark-up / return / interest income after provisions	547,684	440,131	1,093,414	868,741	
<b>Non mark-up / return / interest income</b>					
Fee, commission and brokerage income	26,457	24,093	52,062	56,410	
Dividend income	4,591	-	8,434	-	
Income from dealing in foreign currencies	8,882	22,925	22,716	17,054	
Gain / (loss) on sale of securities	214,694	12,992	285,375	21,994	
Unrealised (loss) / gain on revaluation of investments classified as held for trading	(9,874)	(14,404)	2,426	(738)	
Other income	4,379	-	4,379	3,546	
Total non mark-up / return / interest income	249,129	45,606	375,392	98,266	
	796,813	485,737	1,468,806	967,007	
<b>Non mark-up / return / interest expenses</b>					
Administrative expenses	586,815	364,408	1,074,907	764,715	
Other provisions / write offs - net	1,661	10,876	1,661	6,131	
Workers welfare fund	4,156	2,058	7,834	3,923	
Other charges	518	-	519	-	
Total non mark-up / return / interest expenses	593,150	377,342	1,084,921	774,769	
	203,663	108,395	383,885	192,238	
Extraordinary items / unusual items	-	-	-	-	
<b>Profit before taxation</b>	203,663	108,395	383,885	192,238	
Taxation - Current period	(15,799)	(5,401)	(30,780)	(21,465)	
- Prior years	(14,200)	-	(14,200)	-	
- Deferred	(71,375)	(32,537)	(140,485)	(45,513)	
	(101,374)	(37,938)	(185,465)	(66,978)	
<b>Profit after taxation</b>	102,289	70,457	198,420	125,260	
Unappropriated profits brought forward	548,861	334,933	471,956	291,091	
Transfer to statutory reserve	(20,458)	(14,091)	(39,684)	(25,052)	
<b>Unappropriated profits carried forward</b>	630,692	391,299	630,692	391,299	
Basic and diluted earnings per share (Rupees)	17	0.10	0.07	0.20	0.14

The accompanying notes 1 to 21 form an integral part of this condensed interim financial information.

President & Chief Executive Officer

Chairman

Director

Director



**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)**  
FOR THE QUARTER AND HALF YEAR ENDED JUNE 30, 2015

(Rupees in '000)

	Quarter ended		Half Year ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Profit for the period	102,289	70,457	198,420	125,260
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the period transferred to equity</b>	<b>102,289</b>	<b>70,457</b>	<b>198,420</b>	<b>125,260</b>
<b>Components of comprehensive income / (loss) not reflected in equity</b>				
Items that may be reclassified to profit or loss account in subsequent periods				
(Deficit) / surplus on revaluation of available for sale financial assets - net of tax	(224,574)	(30,703)	21,291	3,970
<b>Total comprehensive income for the period</b>	<b>(122,285)</b>	<b>39,754</b>	<b>219,711</b>	<b>129,230</b>

The accompanying notes 1 to 21 form an integral part of this condensed interim financial information.

\_\_\_\_\_  
President & Chief Executive Officer

\_\_\_\_\_  
Chairman

\_\_\_\_\_  
Director

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Director

## CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)

FOR THE HALF YEAR ENDED JUNE 30, 2015

(Rupees in '000)

	Half Year ended	
	June 30, 2015	June 30, 2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	383,885	192,238
Less: Dividend income	(8,434)	-
	375,451	192,238
<b>Adjustments for non - cash charges and other items:</b>		
Depreciation	48,087	37,894
Amortisation of intangible assets	6,282	4,125
Reversal against loans and advances - net	(71,217)	(50,443)
(Gain) / loss on revaluation of investments held for trading	(2,426)	738
Gain on sale of operating fixed assets	(4,379)	(3,546)
Gain on sale of securities	(285,375)	-
Other provisions / write offs - net	1,661	6,131
	(307,367)	(5,101)
	68,084	187,137
<b>Decrease / (increase) in operating assets</b>		
Lendings to financial institutions	900,000	(3,562,331)
Investments - held for trading securities	(1,399,199)	1,123,666
Advances	1,826,377	(1,426,378)
Other assets (excluding advance & current taxation)	(235,037)	(385,954)
	1,092,141	(4,250,997)
<b>Increase / (decrease) in operating liabilities</b>		
Bills payable	361,559	(521,481)
Borrowings from financial institutions	10,640,973	4,266,821
Deposits and other accounts	588,529	5,484,444
Other liabilities	(109,408)	(45,175)
	11,481,653	9,184,609
Income tax paid	12,641,878	5,120,749
Net cash flows from operating activities	(576)	(3,502)
	12,641,302	5,117,247
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net investments in available for sale and held to maturity securities	(12,122,190)	(5,827,880)
Dividend income	8,434	-
Investment in operating fixed assets	(166,617)	(119,720)
Proceeds from sale of fixed assets	9,655	7,153
Net cash flows used in investing activities	(12,270,718)	(5,940,447)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of shares	-	386,497
Net cash flows from financing activities	-	386,497
<b>Increase / (decrease) in cash and cash equivalents</b>	370,584	(436,703)
Cash and cash equivalents at beginning of the period	2,605,127	2,913,372
<b>Cash and cash equivalents at end of the period</b>	2,975,711	2,476,669

The accompanying notes 1 to 21 form an integral part of this condensed interim financial information.

\_\_\_\_\_  
President & Chief Executive Officer

\_\_\_\_\_  
Chairman

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

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

FOR THE HALF YEAR ENDED JUNE 30, 2015

	(Rupees in '000)					
	Share capital	Advance against proposed issue of right shares	Capital reserve	Statutory reserve	Unappropriated profits	Total
<b>Balance as at January 01, 2014</b>	8,082,387	1,613,502	20,935	146,489	291,091	10,154,404
<b>Transactions with owners recognised directly in equity</b>						
Transfer of advance subscription to share capital	1,613,502	(1,613,502)	-	-	-	-
Issue of right shares	386,498	-	-	-	-	386,498
	2,000,000	(1,613,502)	-	-	-	386,498
<b>Comprehensive Income</b>						
Profit after taxation for the half year ended June 30, 2014	-	-	-	-	125,260	125,260
Other comprehensive income - net of tax	-	-	-	-	-	-
	-	-	-	-	125,260	125,260
Transfer to statutory reserve	-	-	-	25,052	(25,052)	-
<b>Balance as at June 30, 2014</b>	10,082,387	-	20,935	171,541	391,299	10,666,162
<b>Transactions with owners recognised directly in equity</b>						
-	-	-	-	-	-	-
<b>Comprehensive Income</b>						
Profit after taxation for the half year ended December 31, 2014	-	-	-	-	100,821	100,821
Other comprehensive income - net of tax	-	-	-	-	-	-
	-	-	-	-	100,821	100,821
Transfer to statutory reserve	-	-	-	20,164	(20,164)	-
<b>Balance as at December 31, 2014</b>	10,082,387	-	20,935	191,705	471,956	10,766,983
<b>Transactions with owners recognised directly in equity</b>						
-	-	-	-	-	-	-
<b>Comprehensive Income</b>						
Profit after taxation for the half year ended June 30, 2015	-	-	-	-	198,420	198,420
Other comprehensive income - net of tax	-	-	-	-	-	-
	-	-	-	-	198,420	198,420
Transfer to statutory reserve	-	-	-	39,684	(39,684)	-
<b>Balance as at June 30, 2015</b>	10,082,387	-	20,935	231,389	630,692	10,965,403

The accompanying notes 1 to 21 form an integral part of this condensed interim financial information.

\_\_\_\_\_  
President & Chief Executive Officer

\_\_\_\_\_  
Chairman

\_\_\_\_\_  
Director

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Director

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

FOR THE HALF YEAR ENDED JUNE 30, 2015

## 1 STATUS AND NATURE OF BUSINESS

Samba Bank Limited (the Bank) is a banking company incorporated in Pakistan and is engaged in commercial banking and related services. The Bank is listed on all the stock exchanges of Pakistan. Its principal office is located at 6th Floor, Sidco Avenue Centre, Maulana Deen Muhammad Wafai Road, Karachi; however, 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, 2015 (2014: 84.51%). The Bank operates 28 branches (December 31, 2014: 28 branches) inside Pakistan.

JCR-VIS has determined the Bank's long-term rating as AA (stable outlook) and the short-term rating as A-1.

## 2 BASIS OF PRESENTATION

In accordance with the directives of the Federal Government regarding the shifting of the Banking system to Islamic modes, the State Bank of Pakistan has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these financial statements as such but are restricted to the amount of facility actually utilised and the appropriate portion of mark-up thereon.

## 3 STATEMENT OF COMPLIANCE

3.1 This condensed financial information has been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (SBP). Wherever the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962, or the directives issued by the SECP and the SBP differ with the requirements of IFRS, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the requirements of the said directives prevail.

3.2 The SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for Banking Companies through BSD Circular Letter No. 10 dated August 26, 2002 till further instructions. Further, the SECP has deferred the applicability of International Financial Reporting Standard (IFRS) 7 'Financial Instruments: Disclosures' through its notification S.R.O 411(I)/2008 dated April 28, 2008. Accordingly, the requirements of these standards have not been considered in the preparation of this condensed interim financial information. However, investments have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.

3.3 SBP vide its BSD Circular No. 07 dated April 20, 2010 has clarified that for the purpose of preparation of financial statements in accordance with International Accounting Standard - 1 (Revised) 'Presentation of Financial Statements', two statement approach shall be adopted i.e. separate 'Profit and Loss Account' and 'Statement of Comprehensive Income' shall be presented, and Balance Sheet shall be renamed as 'Statement of Financial Position'. Furthermore, only the Surplus / (Deficit) on Revaluation of Available for Sale (AFS) Securities may be included in the 'Statement of Comprehensive Income'. Accordingly, the above requirements have been adopted in the preparation of this condensed interim financial information.

3.4 The disclosures made in this condensed interim financial information have been limited based on the format prescribed by the State Bank of Pakistan vide BSD Circular Letter No. 2 dated May 12, 2004 and International Accounting Standard 34, 'Interim Financial Reporting'. They do not include all of the information required for a full set of annual financial statements, and should be read in conjunction with the financial statements of the Bank for the year ended December 31, 2014.

## 4 BASIS OF MEASUREMENT

This condensed interim financial information has been prepared under the historical cost convention except that certain investments, foreign currency balances and commitments in respect of foreign exchange contracts and derivative financial instruments have been marked to market and are carried at fair value.

## 5 FUNCTIONAL AND PRESENTATIONAL CURRENCY

Items included in this condensed interim financial information are measured using the currency of the primary economic environment in which the Bank operates. This condensed interim financial information is presented in Pakistani Rupees, which is the Bank's functional and presentational currency.

## 6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and the methods of computation of balances adopted in the preparation of this condensed interim financial information are same as those applied in the preparation of the annual financial statements of the Bank for the year ended December 31, 2014.

## 7 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The basis and the methods used for critical accounting estimates and judgments adopted in this condensed interim financial information are the same as those applied in the preparation of the annual financial statements of the Bank for the year ended December 31, 2014.

## 8 FINANCIAL RISK MANAGEMENT

The Bank's Financial Risk Management objectives and policies are consistent with those disclosed in the annual financial statements for the year ended December 31, 2014.

## 9 LENDINGS TO FINANCIAL INSTITUTIONS

	Note	(Rupees in '000)	
		(Un-audited)	(Audited)
		June 30, 2015	December 31, 2014
Call money lendings		-	900,000
Repurchase agreement lendings (reverse repo)	9.2	1,000,000	1,000,000
		<u>1,000,000</u>	<u>1,900,000</u>

9.1 All lendings to financial institutions are in local currency.

9.2 This represent short-term lendings to financial institution against investment securities. These carry mark-up at the rate of 6.85% per annum (2014: 10.30% per annum) and will mature on July 23, 2015 (2014: January 19, 2015).

## 10 INVESTMENTS - NET

	Note	(Rupees in '000)					
		(Un-audited)			(Audited)		
		June 30, 2015			December 31, 2014		
		Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
Held for trading securities	10.1	2,546,646	497,989	3,044,635	946,266	633,759	1,580,025
Available for sale securities	10.2	15,456,299	3,630,661	19,086,960	7,403,147	861,593	8,264,740
Held to maturity securities	10.3	10,985,891	-	10,985,891	9,452,267	-	9,452,267
		<u>28,988,836</u>	<u>4,128,650</u>	<u>33,117,486</u>	<u>17,801,680</u>	<u>1,495,352</u>	<u>19,297,032</u>
Provision for diminution in the value of investments		(102,031)	-	(102,031)	(102,031)	-	(102,031)
Surplus / (deficit) on revaluation on held for trading securities - net		2,503	(78)	2,425	1,455	12,234	13,689
Surplus on revaluation on available for sale securities - net		518,501	264,431	782,932	714,023	30,492	744,515
Investments - net		<u>29,407,809</u>	<u>4,393,003</u>	<u>33,800,812</u>	<u>18,415,127</u>	<u>1,538,078</u>	<u>19,953,205</u>
<b>10.1 Held-for-trading securities</b>							
Market Treasury Bills		740,714	497,989	1,238,703	922,709	-	922,709
Pakistan Investment Bonds		1,800,607	-	1,800,607	-	633,759	633,759
Ordinary shares and certificates - listed		5,325	-	5,325	23,557	-	23,557
		<u>2,546,646</u>	<u>497,989</u>	<u>3,044,635</u>	<u>946,266</u>	<u>633,759</u>	<u>1,580,025</u>
<b>10.2 Available-for-sale securities</b>							
Market Treasury Bills		1,208,444	938,958	2,147,402	555,206	-	555,206
Pakistan Investment Bonds		13,669,674	2,691,703	16,361,377	6,557,918	861,593	7,419,511
Ordinary shares and certificates - listed		525,835	-	525,835	237,677	-	237,677
Ordinary shares - unlisted		52,346	-	52,346	52,346	-	52,346
		<u>15,456,299</u>	<u>3,630,661</u>	<u>19,086,960</u>	<u>7,403,147</u>	<u>861,593</u>	<u>8,264,740</u>
<b>10.3 Held-to-maturity securities</b>							
Pakistan Investment Bonds		10,985,891	-	10,985,891	9,452,267	-	9,452,267

11 ADVANCES - NET

	Note	(Rupees in '000)	
		(Un-audited)	(Audited)
		June 30, 2015	December 31, 2014
Loans, cash credits, running finances, etc.			
- In Pakistan		21,629,651	23,496,302
Net Investment in finance lease			
- In Pakistan		363,834	372,119
Bills discounted and purchased (excluding treasury bills)			
- Payable in Pakistan		36,336	40,932
- Payable outside Pakistan		19,070	7,010
Advances gross		22,048,891	23,916,363
Less: Provision for loans and advances			
- Specific provision		(1,988,880)	(2,100,866)
- General provision	11.2	(2,999)	(3,325)
		(1,991,879)	(2,104,191)
		20,057,012	21,812,172

11.1 Advances include Rs. 2,031.438 million (December 31, 2014: Rs. 2,144.114 million) which have been placed under non-performing status as detailed below:

Category of classification	(Rupees in '000)				
	June 30, 2015 (Un-audited)				
	Classified Advances		Total	Provision required	Provision held
Domestic	Overseas				
Substandard	614	-	614	153	153
Doubtful	-	-	-	-	-
Loss	2,030,824	-	2,030,824	1,988,727	1,988,727
	2,031,438	-	2,031,438	1,988,880	1,988,880

Category of classification	(Rupees in '000)				
	December 31, 2014 (Audited)				
	Classified Advances		Total	Provision required	Provision held
Domestic	Overseas				
Substandard	310	-	310	78	78
Doubtful	-	-	-	-	-
Loss	2,143,804	-	2,143,804	2,100,788	2,100,788
	2,144,114	-	2,144,114	2,100,866	2,100,866

11.2 General provision as at June 30, 2015 represents provision against consumer finance portfolio as required by the Prudential Regulations issued by the State Bank of Pakistan.

12 OPERATING FIXED ASSETS

	(Rupees in '000)	
	(Un-audited)	(Un-audited)
	June 30, 2015	June 30, 2014
Additions during the period (at cost)	166,617	119,720
Disposals / write-off during the period (at cost)	41,494	23,001



### 13 DEFERRED TAX ASSET - NET

This includes deferred tax asset recognised on unabsorbed tax losses. The Bank has unabsorbed tax losses (including unabsorbed depreciation and amortisation) amounting to Rs. 1,948.46 million (December 31, 2014: Rs. 2,236.40 million) as at June 30, 2015. Based on this, the management has recognised deferred tax debit balance of Rs. 649 million (December 31, 2014: Rs. 750 million) against the total available tax benefit of Rs. 681.96 million (December 31, 2014: Rs. 782.74 million). The amount of this benefit has been determined based on the projected financial statements for the future periods. The determination of future taxable profit is most sensitive to certain key assumptions such as cost to income ratio of the Bank, deposit composition, kibar rates, growth of deposits and advances, investment returns, product mix of advances, potential provision against assets and branch expansion plan. Any significant change in the key assumptions may have an effect on the realisability of the deferred tax asset.

### 14 BORROWINGS FROM FINANCIAL INSTITUTIONS

		(Rupees in '000)	
		(Un-audited)	(Audited)
		June 30, 2015	December 31, 2014
	Note		
<b>Secured</b>			
		2,096,314	2,487,314
		611,201	644,260
		5,136,209	1,500,000
		7,843,724	4,631,574
<b>Unsecured</b>			
		8,739,489	1,310,666
	14.1	22,336	22,336
		8,761,825	1,333,002
		16,605,549	5,964,576
14.1	This includes borrowing of Rs. 2,036 million (2014: Nil) from Samba Financial Group (SFG)		
<b>15 DEPOSITS AND OTHER ACCOUNTS</b>			
<b>Customers</b>			
		12,842,197	12,552,773
		10,233,101	11,694,983
		6,641,928	5,672,480
		9,215	55,590
		29,726,441	29,975,826
<b>Financial Institutions</b>			
		2,327,914	1,545,540
		176,317	120,777
		2,504,231	1,666,317
		32,230,672	31,642,143
<b>16 CONTINGENCIES AND COMMITMENTS</b>			
<b>16.1 Direct credit substitutes</b>			
		13,198	-
		600,936	707,009
		254,934	251,689
		869,068	958,698
<b>16.2 Transaction-related contingent liabilities / commitments</b>			
		1,849,372	1,763,662
		43,722	175,344
		1,893,094	1,939,006
<b>16.3 Trade-related contingent liabilities</b>			
		5,999,287	894,614
<b>16.4 Other contingencies</b>			
	16.4.1	125,456	45,489

16.4.1 These represent various cases filed against the Bank for recovery of damages / settlement of deposit balances by various parties. Based on the Bank's legal counsel's advice, the management is confident of a positive outcome and accordingly no provision has been made in this condensed interim financial information.

#### 16.5 Contingencies in respect of taxation

The Income tax department has raised a demand of 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 for assessment years 1999-00, 2000-01 to assessment year 2002-03 and tax year 2006 on account of taxability of investment banks as banking companies and taxation of dividend income as normal banking income, lease rentals received or receivable, lease key money and certain other items. The aforementioned relates to pending assessments of the Bank and amalgamated entities namely Crescent Investment Bank Limited, Trust Investment Bank Limited and Pakistan Industrial Leasing Corporation. The tax department has also raised demand of Rs. 29.052 million for the assessment years 2009, 2010 & 2011 on account of Federal Excise. Further, the tax department has also raised a demand of Rs. 16.480 million and Rs. 28.110 million on account of monitoring of withholding taxes for the tax years 2014 and 2015 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 the Bank's tax advisors, the management is confident that the eventual outcome of the aforementioned matters will be in favour of the Bank. Accordingly, no provision has been made in this condensed interim financial information in respect of the above mentioned demands aggregating Rs. 1,145.766 million raised by the income tax authorities.

#### 16.6 Commitments to extend credit

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

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

	(Rupees in '000)	
	(Un-audited)	(Audited)
	June 30, 2015	December 31, 2014
Purchase	15,806,516	13,151,038
Sale	12,440,131	11,964,868

#### 16.8 Capital Commitments

Commitments for capital expenditure as at June 30, 2015 amounted to Rs. 141.725 million (December 31, 2014: Rs. 21.018 million).

#### 17 BASIC AND DILUTED EARNINGS PER SHARE

	(Rupees in '000)			
	(Un-audited)		(Un-audited)	
	Quarter ended	Half Year ended	Quarter ended	Half Year ended
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Profit after taxation attributable to ordinary shareholders	102,289	70,457	198,420	125,260
Weighted average number of shares outstanding during the period	1,008,238,648	1,008,238,648	1,008,238,648	909,896,107
Basic and diluted earnings per share	0.10	0.07	0.20	0.14

17.1 There were no convertible dilutive potential ordinary shares in issue as at June 30, 2015 and 2014.

#### 18 RELATED PARTY TRANSACTIONS

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

Banking transactions with the related parties are entered in the normal course of business. Remuneration to key management personnel is in accordance with employee agreements and services rules. These agreements also provide for disbursement of advances on terms softer than those offered to the customers of the Bank.

Contributions to the contributory provident fund scheme are made in accordance with the terms of the contribution plan. Remuneration to the Chief Executive Officer is determined in accordance with the terms of the employment.

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

Details of transactions / balances with related parties are given below:

	(Rupees in '000)					
	(Un-audited)			(Audited)		
	June 30, 2015			December 31, 2014		
	Key management personnel	Parent Company	Others	Key management personnel	Parent Company	Others
<b>BALANCE OUTSTANDING - GROSS</b>						
<b>Advances</b>						
At January 1	66,341	-	-	71,647	-	-
Disbursement during the period	27,000	-	-	15,165	-	-
Repaid during the period	(2,727)	-	-	(6,973)	-	-
Adjustments	(18,843)	-	-	(13,498)	-	-
Written off during the year	-	-	-	-	-	-
At June 30 / December 31	71,771	-	-	66,341	-	-
<b>Deposits</b>						
At January 1	39,480	-	5,269	79,639	-	3,104
Received during the period	317,064	-	40,109	1,612,054	-	168,086
Withdrawn during the period	(302,731)	-	(37,189)	(1,646,960)	-	(165,921)
Adjustments	237	-	-	(5,253)	-	-
At June 30 / December 31	54,050	-	8,189	39,480	-	5,269
<b>Others</b>						
Guarantees	-	-	-	-	-	-
Balances in nostro accounts	-	47,901	-	-	15,116	-
Sundry payable (including Group Shared Service cost)	-	139,811	-	-	248,700	-
Balances in vostro accounts	-	146,402	-	-	108,693	-
Borrowings (including markup payable)	-	2,054,154	-	-	-	-

	(Rupees in '000)					
	(Un-audited)			(Un-audited)		
	Half Year ended June 30, 2015			Half Year ended June 30, 2014		
	Key management personnel	Parent Company	Others	Key management personnel	Parent Company	Others
<b>Transactions for the period</b>						
Remuneration and benefits	122,450	-	-	103,630	-	-
Directors fee	4,574	-	-	6,323	-	-
Comission on guarantee	-	-	-	-	-	-
Counter confirmation charges on guarantees	-	-	-	-	624	-
Mark-up / return / interest expensed	517	18,580	133	2,548	-	135
Mark-up / return / interest income	1,577	-	-	1,199	-	-
Group Shared Services cost (including exchange impact on revaluation)	-	26,661	-	-	45,081	-
Sale of government securities	51,037	-	7,702	3,493	-	17,100
Purchase of government securities	-	-	20,715	91,391	-	61,536
Purchase of shares (number of shares)	-	-	-	1,500,000	-	-
Proceeds against issue of right shares	-	-	-	-	386,429	-

## Forex transactions during the period - Samba Financial Group

(Currency in '000)

For the period ended June 30, 2015 (Un-audited)				
CURRENCY	READY / SPOT / TOM		FORWARD	
	BUY	SELL	BUY	SELL
AED	-	-	-	-
AUD	19	8	-	-
CAD	-	35	-	-
CHF	30	37	25	-
EUR	4,370	9,725	6,225	4,020
GBP	3,550	4,180	2,180	2,870
HKD	-	3	-	-
JPY	-	3,014	-	-
SAR	5,850	7,000	-	-
SEK	-	36	-	-
SGD	-	12	-	-
USD	48,583	11,161	8,887	10,307

## Forex deals outstanding as at the period end - Samba Financial Group

(Currency in '000)

As at June 30, 2015 (Un-audited)				
CURRENCY	READY / SPOT / TOM		FORWARD	
	BUY	SELL	BUY	SELL
EUR	-	-	2,300	1,800
GBP	-	-	600	500
SAR	-	-	-	-
USD	-	-	2,737	3,496

## Forex transactions during the period June 30, 2014 - Samba Financial Group

(Currency in '000)

For the period ended June 30, 2014 (Un-audited)				
CURRENCY	READY / SPOT / TOM		FORWARD	
	BUY	SELL	BUY	SELL
AED	1,500	-	-	-
CAD	20	-	-	-
CHF	30	-	-	-
EUR	5,205	1,696	3,540	950
GBP	3,080	2,535	2,920	410
JPY	108,770	-	-	-
SAR	10,150	-	-	-
SGD	25	-	-	-
USD	47,420	16,527	1,980	9,759

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

(Currency in '000)

As at December 31, 2014 (Audited)				
CURRENCY	READY / SPOT / TOM		FORWARD	
	BUY	SELL	BUY	SELL
EUR	-	-	500	-
GBP	-	-	500	-
USD	-	-	-	1,400

## 19 BUSINESS SEGMENTS

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

(Rupees in '000)

Particulars	For the half year ended June 30, 2015 (Un-audited)				
	Corporate finance	Trading & sales	Retail banking	Commercial banking	Total
Total income (net of interest expense and provisions)	-	785,304	426,432	257,070	1,468,806
Total operating expenses	(6,749)	(104,092)	(728,474)	(245,606)	(1,084,921)
Net (loss) / profit (before tax)	(6,749)	681,212	(302,042)	11,464	383,885

(Rupees in '000)

Particulars	For the half year ended June 30, 2014 (Un-audited)				
	Corporate finance	Trading & sales	Retail banking	Commercial banking	Total
Total income (net of interest expense and provisions)	27	299,930	393,223	267,696	960,876
Total operating expenses	(6,563)	(68,253)	(525,855)	(167,967)	(768,638)
Net (loss) / profit (before tax)	(6,536)	231,677	(132,632)	99,729	192,238

(Rupees in '000)

Particulars	As at June 30, 2015 (Un-audited)				
	Corporate finance	Trading & sales	Retail banking	Commercial banking	Total
Segment assets	6,968	40,400,987	2,063,215	22,080,210	64,551,380
Segment non-performing loans	-	-	565,291	1,466,147	2,031,438
Segment provision held	-	(110,002)	(587,271)	(1,571,683)	(2,268,956)
Segment liabilities	159	14,238,414	29,640,927	6,928,616	50,808,116

(Rupees in '000)

Particulars	As at December 31, 2014 (Audited)				
	Corporate finance	Trading & sales	Retail banking	Commercial banking	Total
Segment assets	7,021	26,368,440	1,944,638	24,582,556	52,902,655
Segment non-performing loans	-	-	583,533	1,560,581	2,144,114
Segment provision held	-	(104,618)	(577,235)	(1,639,742)	(2,321,595)
Segment liabilities	734	3,136,993	27,874,212	8,314,524	39,326,463

## 20 GENERAL

Figures have been rounded off to the nearest thousand rupees.

## 21 DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue on August 19, 2015 by the Board of Directors of the Bank.

\_\_\_\_\_  
President & Chief Executive Officer

\_\_\_\_\_  
Chairman

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

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**Samba Bank Limited**

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