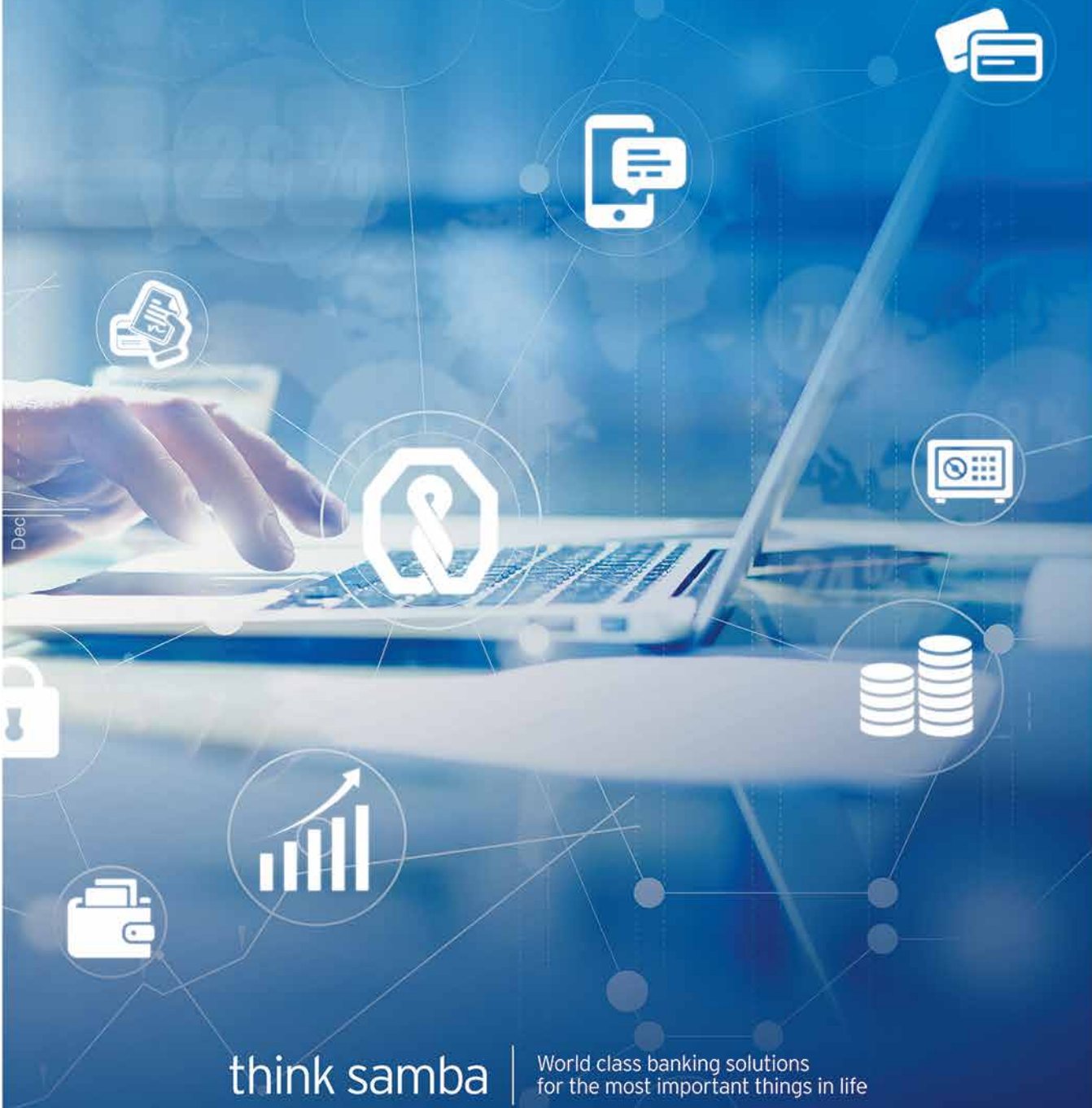


Samba Bank Limited

Half Yearly Report June 30, 2017



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World class banking solutions
for the most important things in life

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

samba  سامبا

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Our 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

Company Information

Board of Directors

Dr. Shujaat Nadeem	Chairman/Non-Executive Director
Mr. Shahid Sattar	President and CEO/Executive Director

Mr. Antoine Mojabber*	Non-Executive Director
Mr. Beji Tak-Tak	Non-Executive Director
Mr. Humayun Murad	Independent Director
Mr. Javed Iqbal**	Non-Executive Director
Mr. Nadeem Babar	Independent Director
Ms. Ranya Nashar	Non-Executive Director
Mr. Shahbaz Haider Agha	Independent Director

* Names are in alphabetical order

Board Audit Committee

Mr. Humayun Murad	Chairman
Ms. Ranya Nashar	Member
Mr. Javed Iqbal**	Member

Board Risk Committee

Mr. Beji Tak-Tak	Chairman
Mr. Shahid Sattar	Member
Mr. Antoine Mojabber	Member
Mr. Shahbaz Haider Agha	Member

Board Nomination & Remuneration Committee

Mr. Nadeem Babar	Chairman
Mr. Humayun Murad	Member
Ms. Ranya Nashar	Member

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
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Legal Advisors

Mohsin Tayebaly & Co.	Advocates & Legal Consultants
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Head Office

6th Floor, Sidco Avenue Centre, M.D.M. Wafai 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

11 11 SAMBA (72622)

Credit Rating by JCR-VIS

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

**Resigned w.e.f August 3, 2017

Directors' Report

On behalf of the Board of Directors, I am pleased to present the financial results of the Bank for the half year ended June 30, 2017.

Financial Results and Overview

Profit before taxation
Taxation
Profit after taxation
Earnings per share - (Rupees)

Rupees (million)	
Half Year ended June 30, 2017	Half Year ended June 30, 2016
403	605
171	216
232	389
0.23	0.39

Total assets
Investments - net
Advances - net
Deposits
Paid-up capital & reserves
Surplus on revaluation of assets - net of tax

Rupees (million)	
June 30, 2017	December 31, 2016
121,430	101,414
77,615	57,237
33,006	28,790
51,473	50,307
11,974	11,742
615	577

The total assets of the bank increased to PKR 121.4bn at the close of the half year which demonstrated a 20% growth from December 2016 numbers. The increase is primarily from the Investments which rose by PKR 20bn during the period under review accompanied with the Advances which increased by PKR 4.2bn. Customer deposits grew by PKR 1.2bn taking the total deposits base of the Bank to PKR 51.5bn.

The increase in earning assets has translated into healthy profitability during the period under review. However, in comparison to the Profit before Tax (PBT) of the first half of 2016 amounting to PKR 605mn the PBT for the current half stands at PKR 403mn showing a decrease of 33% from the similar period of last year. The decline is on account of lesser gains from the sale of securities.

To meet the customer requirements and enhancing its service offerings to the individuals, the Bank successfully launched its personal installment loan product 'Samba Personal Loan' during the second quarter of the year which has already commenced building up its share in the Advances portfolio. This, along with the SME banking business initiated during the second half of the last year is expected to transform into a key avenue for building the earning assets base of the Bank, contributing to the overall profitability.

Credit Rating

JCR-VIS, a premier rating agency of the country, has reaffirmed the medium to long term entity ratings of the Bank at 'AA' (Double A) and its short term rating at 'A-1' (A-One). Outlook on the assigned ratings is '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 expansion in economic activity has led to surge in import payments during July to June FY17. On the other hand, exports have posted only a marginal recovery; whereas, workers' remittances also slowed down this year mainly due to the changing labor market dynamics in the GCC region. Going forward, the momentum led by CPEC related investments is likely to boost foreign direct investment which is expected to provide support to foreign exchange reserves. Also, a sustained increase in export earnings in particular, is required to fully finance the surge in imports. In this regard, accompanied with expected improvements in global demand, the current composition of imports, mainly machinery, bodes well for the future economic activities.

The Bank, with the support of its parent and sponsors, continues to pursue its multi-dimensional strategic objectives and goals. The main focus of the Bank would be to continue strengthening its earning assets base; effectively manage the associated risks; and reducing the cost of funds through continued improvement in its deposit mix backed by increase in customer base. This would be possible through delivering world class banking services to the Bank's valued customers and by developing and introducing innovative banking products.

Acknowledgment

I 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. I 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 24, 2017
Karachi

کریڈٹ ریٹنگ (ساکھ کی درجہ بندی)

جے سی آر-وی آئی ایس (JCR-VIS)، جو کہ ملک کی ایک ممتاز کریڈٹ ریٹنگ ایجنسی ہے، نے بینک کی درمیانی سے طویل المدت درجہ بندی (ریٹنگ) کو 'AA' (ڈبل اے) کی سطح پر اور قلیل المدت درجہ بندی کو 'A-1' (اے ون) کی سطح پر برقرار رکھا ہے۔ ان مقرر کردہ درجہ بندیوں کی پیش بینی 'متوازن' ہے۔ یہ طویل اور قلیل المدت درجہ بندیاں، موزوں حفاظتی عنصر کے ساتھ اعلیٰ قرضہ جاتی معیار اور مضبوط مسابقتی مقام کی بدولت تمام مالیاتی قرضوں کی بروقت ادائیگی کی عمدہ صلاحیت کی نشاندہی کرتی ہیں۔

مستقبل کی پیش بینی (نقطہ نظر)

معاشی عمل کی وسعت کے باعث درآمدی ادائیگیوں میں مالی سال 2017 کے جولائی تا جون کے عرصہ میں اضافہ دیکھنے میں آیا جبکہ دوسری طرف برآمدات کی مد میں معمولی بہتری ہوئی۔ علاوہ ازیں ترسیلات زر، جی سی سی (GCC) ممالک میں تیزی سے تبدیل ہوتی لیبر مارکیٹ کی بدولت سست روی کا شکار ہیں۔ مستقبل میں سی پیک سے متصل سرمایہ کاری میں جاری تحریک کی بدولت غیر ملکی براہ راست سرمایہ کاری میں اضافہ متوقع ہے جسکے باعث غیر ملکی زرمبادلہ کے ذخائر میں بہتری کا امکان ہے۔ اس سلسلے میں عالمی طلب کی متوقع بہتری کی بدولت درآمدات کی موجودہ ہیئت، جو زیادہ تر مشینری پر مشتمل ہے، مستقبل کے معاشی عمل کے لئے سودمند ہے۔

بینک اپنے آبائی ادارے اور سرمایہ داران کے تعاون کی بدولت اور اپنے مقاصد اور احاد کو حاصل کرنے کے لئے ایک کثیرالجہتی حکمت عملی کو جاری رکھے ہوئے ہے۔ اس سلسلے میں بینک کی مرکزی نگاہ اپنے آمدنی بخش اثاثہ جات کی چٹائی کے عمل کو جاری رکھنا، اس سے متعلقہ خدشات کا احسن تدارک اور اپنے صارفین کی تعداد میں اضافہ کے ذریعے اپنے ڈیپازٹ کی ترکیب میں بہتری اور انکی لاگت میں کمی پر ہوگی۔ ان مقاصد کا حصول، بینک کے معزز صارفین کو دنیا کی بہترین بینکاری کی خدمات پیش کرنے اور جدید و منفرد سہولیات متعارف کروانے سے ہی ممکن ہو سکے گا۔

اظہار تشکر

میں اپنے صارفین و کاروباری شراکت داران اور حصص یافتگان کا ان کے اعتماد اور خلوص پر نہایت مشکور ہوں۔ بورڈ آف ڈائریکٹرز اور بینک کی انتظامیہ بینک دولت پاکستان اور دیگر ضوابط کی رہنمائی اور تعاون پر ان کی شکرگزار ہے۔ اسکے علاوہ میں اپنے بینک کے تمام ملازمین کی تہہ دل سے حوصلہ افزائی کرتا ہوں 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

24 اگست 2017

کراچی

ڈائریکٹرز رپورٹ

بورڈ آف ڈائریکٹرز کی جانب سے میں 30 جون 2017 کو اختتام پذیر ششماہی کے مالیاتی نتائج کو پیش کرتے ہوئے نہایت مسرت محسوس کر رہا ہوں۔

مالیاتی نتائج اور جائزہ

روپے (ملین میں)

ششماہی مختتمہ 30 جون 2016	ششماہی مختتمہ 30 جون 2017
605	403
216	171
389	232
0.39	0.23

منافع قبل از محصولات (ٹیکسیشن)

محصولات

منافع بعد از محصولات

فی حصص آمدنی (روپیہ)

روپے (ملین میں)

31 دسمبر 2016	30 جون 2017
101,414	121,430
57,237	77,615
28,790	33,006
50,307	51,473
11,742	11,974
577	615

کل اثاثہ جات

سرمایہ کاری۔ خالص

قرضہ جات۔ خالص

ڈیپازٹس

اداشدہ سرمایہ کاری کے ذخائر

اثاثہ جات کی ریویلوایشن پر سربلس۔ بعد از محصولات

بینک کے کل اثاثہ جات، دسمبر 2016 کی نسبت 20 فیصد اضافہ کے ساتھ اس ششماہی کے اختتام پر 121.4 بلین روپے تک جا پہنچے۔ اس اضافہ کے بنیادی عوامل میں سرمایہ کاری کا فروغ رہا جو اس زیر نظر عرصہ میں 20 بلین روپے سے بڑھی۔ اس کے علاوہ قرضہ جات کی مد میں 4.2 بلین روپے کا اضافہ ہوا۔ صارفین کے ڈیپازٹس میں 1.2 بلین روپے کے اضافے سے بینک کے کل ڈیپازٹ کی مالیت 51.5 بلین روپے تک جا پہنچی۔

اس زیر تجزیہ مدت کے دوران آمدنی بخش اثاثہ جات کی بڑھوتری نے بینک کے منافع پر مثبت اثر ڈالا تاہم گزشتہ سال کی پہلی ششماہی 605 ملین روپے کے قبل از محصولات منافع کی نسبت موجودہ ششماہی کے منافع قبل از محصولات میں 33 فیصد کمی واقع ہوئی ہے۔ اس تنزلی کی وجہ زیادہ منافع کی حامل تمسکات کی بالیدگی کے باعث ان کی فروخت سے حاصل شدہ منافع میں کمی ہے۔

بینک نے اپنے صارفین کی ضروریات کی تکمیل اور افراد کو اپنی پیش کردہ خدمات میں اضافہ کرتے ہوئے اپنی نئی قرضہ کی سہولت "سامبا پرسنل لون" کو موجودہ سال کی دوسری سہ ماہی میں کامیابی سے متعارف کروایا ہے جو کہ بینک کے قرضہ جات کی بڑھوتری میں اپنا تعمیری کردار ادا کر رہی ہے۔ اس کے ساتھ ساتھ الیس ایم ای (SME) بینکاری کاروبار، جس کا اجراء گزشتہ سال کی دوسری ششماہی کے دوران کیا گیا تھا، اجتماعی طور پر، بینک کے آمدنی بخش اثاثوں کو مضبوط کرنے والے عوامل میں ڈھل سکتے ہیں اور بینک کے مجموعی منافع کے لئے جامع کردار ادا کر سکتے ہیں۔

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

Introduction

We have reviewed the accompanying condensed interim statement of financial position of **Samba Bank Limited** as at June 30, 2017 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 condensed interim financial information 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 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, 2017 and 2016 have not been reviewed, as we are required to review only the cumulative figures for the half year ended June 30, 2017.

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 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 at and for the half year ended June 30, 2017 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: Shahbaz Akbar

Dated: August 24, 2017

Karachi

C

ondensed Interim Financial Information

for the half year ended June 30, 2017



CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2017

		(Rupees in '000)	
		(Un-audited)	(Audited)
		June 30, 2017	December 31, 2016
ASSETS			
Cash and balances with treasury banks		3,964,004	4,723,664
Balances with other banks		1,801,784	816,421
Lendings to financial institutions	9	-	5,277,254
Investments - net	10	77,614,777	57,237,456
Advances - net	11	33,006,358	28,789,980
Operating fixed assets	12	1,384,244	1,458,715
Deferred tax asset - net	13	296,882	409,641
Other assets - net		3,361,970	2,701,360
		121,430,019	101,414,491
LIABILITIES			
Bills payable		686,142	915,076
Borrowings from financial institutions	14	54,119,626	35,847,072
Deposits and other accounts	15	51,472,847	50,306,804
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities - net		-	-
Other liabilities		2,562,126	2,026,015
		108,840,741	89,094,967
NET ASSETS		12,589,278	12,319,524
REPRESENTED BY:			
Share capital		10,082,387	10,082,387
Reserves		454,141	407,680
Unappropriated profit		1,437,966	1,252,121
		11,974,494	11,742,188
Surplus on revaluation of assets - net of tax		614,784	577,336
		12,589,278	12,319,524

CONTINGENCIES AND COMMITMENTS

16

The annexed notes 1 to 22 form an integral part of this condensed interim financial information.

Chief Financial Officer

President & Chief Executive Officer

Chairman

Director

Director

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)

FOR THE QUARTER AND HALF YEAR ENDED JUNE 30, 2017

(Rupees in '000)

Note	Quarter ended		Half Year ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Mark-up / return / interest earned	1,809,166	1,383,822	3,505,328	2,845,993
Mark-up / return / interest expensed	1,222,648	818,101	2,382,502	1,719,451
Net mark-up / return / interest income	586,518	565,721	1,122,826	1,126,542
Provision against loans and advances - net	(95,857)	(57,274)	(121,063)	(69,309)
Reversal of provision for diminution in the value of investments - net	16,398	10,744	16,398	21,933
Recoveries against debts written - off	546	1,454	2,560	3,143
	(78,913)	(45,076)	(102,105)	(44,233)
Net mark-up / return / interest income after provisions	507,605	520,645	1,020,721	1,082,309
Non mark-up / interest income				
Fee, commission and brokerage income	51,075	36,103	101,293	75,469
Dividend income	11,385	3,700	18,160	9,003
Income from dealing in foreign currencies	23,879	40,977	48,790	68,288
Gain on sale of securities - net	36,011	319,859	167,847	617,087
Unrealised gain / (loss) on revaluation of investments classified as held for trading - net	158	(16,403)	(173)	236
Other income	177	3,415	177	21,552
Total non mark-up / interest income	122,685	387,651	336,094	791,635
	630,290	908,296	1,356,815	1,873,944
Non mark-up / interest expenses				
Administrative expenses	449,176	575,882	945,607	1,256,416
Workers' Welfare Fund	3,420	7,991	8,020	7,991
Other charges	-	18	6	4,356
Total non mark-up / interest expenses	452,596	583,891	953,633	1,268,763
	177,694	324,405	403,182	605,181
Extraordinary items / unusual items	-	-	-	-
Profit before taxation	177,694	324,405	403,182	605,181
Taxation - Current period	(28,835)	(20,171)	(47,850)	(36,003)
- Prior years	(30,430)	(26,468)	(30,430)	(26,468)
- Deferred	(32,690)	(66,903)	(92,596)	(153,557)
	(91,955)	(113,542)	(170,876)	(216,028)
Profit after taxation	85,739	210,863	232,306	389,153
Unappropriated profit brought forward	1,369,375	959,071	1,252,121	816,439
Transfer to statutory reserve	(17,148)	(42,173)	(46,461)	(77,831)
Unappropriated profits carried forward	1,437,966	1,127,761	1,437,966	1,127,761
Earnings per share - Basic and Diluted (Rupees)	0.09	0.21	0.23	0.39

The annexed notes 1 to 22 form an integral part of this condensed interim financial information.

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, 2017

(Rupees in '000)

	Quarter ended		Half Year ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Profit after taxation for the period	85,739	210,863	232,306	389,153
Other comprehensive income	-	-	-	-
Total comprehensive income for the period transferred to equity	85,739	210,863	232,306	389,153
Components of comprehensive income not reflected in equity				
Items that may be reclassified subsequently to profit and loss account				
(Deficit) / Surplus on revaluation of available for sale financial assets - net of tax	(3,690)	57,067	37,448	353,477
Total comprehensive income for the period	82,049	267,930	269,754	742,630

The annexed notes 1 to 22 form an integral part of this condensed interim financial information.

Chief Financial Officer

President & Chief Executive Officer

Chairman

Director

Director

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)

FOR THE HALF YEAR ENDED JUNE 30, 2017

(Rupees in '000)

CASH FLOWS FROM OPERATING ACTIVITIES

Profit before taxation
Less: Dividend income

Adjustments for non - cash charges and other items:

Depreciation
Amortisation of intangible assets
Provision against loans and advances - net
Unrealised loss / (gain) on revaluation of investments classified as held for trading - net
Operating fixed assets written off / adjusted
Reversal of provision for diminution in the value of investments
Gain on disposal of operating fixed assets
Gain on sale of securities - net

Decrease / (increase) in operating assets

Lendings to financial institutions
Investments - held for trading securities - net
Advances - net
Other assets (excluding current and advance taxation)

(Decrease) / increase in operating liabilities

Bills payable
Borrowings from financial institutions
Deposits and other accounts
Other liabilities

Income tax paid

Net cash generated from operating activities

CASH FLOWS FROM INVESTING ACTIVITIES

Investments in available for sale and held to maturity securities - net
Dividend income received
Investment in operating fixed assets
Sale proceeds from disposal of operating fixed assets
Net cash used in investing activities

CASH FLOWS FROM FINANCING ACTIVITIES

Increase in cash and cash equivalents during the period
Cash and cash equivalents at beginning of the period
Cash and cash equivalents at end of the period

Cash and cash equivalents comprise of:

Cash and balances with treasury banks
Balances with other banks

Half Year ended	
June 30, 2017	June 30, 2016
403,182	605,181
(18,160)	(9,003)
385,022	596,178
83,633	73,259
21,595	6,511
121,063	69,309
113	(236)
39,212	21,889
(16,398)	(21,933)
(177)	(21,552)
(167,847)	(617,087)
81,194	(489,840)
466,216	106,338
5,277,254	(946,095)
(8,423,925)	713,632
(4,337,441)	34,245
(722,502)	131,105
(8,206,614)	(67,113)
(228,934)	27,390
18,272,554	(2,130,508)
1,166,043	6,183,420
536,111	247,182
19,745,774	4,327,484
12,005,376	4,366,709
(18,538)	(2,534)
11,986,838	4,364,175
(11,711,653)	(3,775,780)
20,310	9,003
(70,515)	(357,081)
723	144,539
(11,761,135)	(3,979,319)
-	-
225,703	384,856
5,540,085	4,329,533
5,765,788	4,714,389
3,964,004	4,180,898
1,801,784	533,491
5,765,788	4,714,389

The annexed notes 1 to 22 form an integral part of this condensed interim financial information.

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, 2017

(Rupees in '000)

	Share capital	Capital reserve	Statutory reserve	Unappropriated profit	Total
Balance as at January 01, 2016	10,082,387	20,935	277,825	816,439	11,197,586
Profit after taxation for the half year ended June 30, 2016	-	-	-	389,153	389,153
Transfer to statutory reserve	-	-	77,831	(77,831)	-
Balance as at June 30, 2016	10,082,387	20,935	355,656	1,127,761	11,586,739
Profit after taxation for the half year ended December 31, 2016	-	-	-	155,449	155,449
Transfer to statutory reserve	-	-	31,089	(31,089)	-
Balance as at December 31, 2016	10,082,387	20,935	386,745	1,252,121	11,742,188
Profit after taxation for the half year ended June 30, 2017	-	-	-	232,306	232,306
Transfer to statutory reserve	-	-	46,461	(46,461)	-
Balance as at June 30, 2017	10,082,387	20,935	433,206	1,437,966	11,974,494

The annexed notes 1 to 22 form an integral part of this condensed interim financial information.

Chief Financial Officer

President & Chief Executive Officer

Chairman

Director

Director

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

FOR THE HALF YEAR ENDED JUNE 30, 2017

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 6th Floor, Sidco Avenue Centre, Maulana Deen Muhammad Wafai 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, 2017 (December 31, 2016: 84.51%). The Bank operates 37 branches (December 31, 2016: 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

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 this condensed interim financial information 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 interim 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 IFRSs, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the requirements of the above directives prevail. The Companies Ordinance, 1984 has been repealed after the enactment of the Companies Act, 2017. However, as allowed by the SECP vide its press release dated July 20, 2017, this condensed interim financial information has been prepared in accordance with the provisions of the repealed Companies Ordinance, 1984.
- 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, 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, 2016.

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, 2016.

7 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The basis and 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, 2016.

8 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, 2016.

9 LENDINGS TO FINANCIAL INSTITUTIONS

(Rupees in '000)

Call money lendings	9.2
Repurchase agreement lendings (reverse repo)	9.3

Note

June 30, 2017 (Un-audited)	December 31, 2016 (Audited)
-	3,500,000
-	1,777,254
-	5,277,254

9.1 All lendings to financial institutions are in local currency.

9.2 These represent lendings to commercial banks in the inter bank money market. These lendings carry mark-up at the rate of Nil (December 31, 2016: 6.20% per annum).

9.3 These represent short-term lendings to financial institutions against investment securities. These carry mark-up at the rate of Nil (December 31, 2016: 5.80% to 5.95% per annum).

10 INVESTMENTS - NET

(Rupees in '000)

Held for trading securities	10.1
Available for sale securities	10.2
Held to maturity securities	10.3
Provision for diminution in the value of investments	
Surplus / (deficit) on revaluation of held for trading securities - net	
Surplus on revaluation of available for sale securities - net	
Investments - net	

Note

June 30, 2017 (Un-audited)			December 31, 2016 (Audited)		
Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
4,419,850	4,017,430	8,437,280	11,548	-	11,548
19,164,757	44,455,243	63,620,000	25,833,922	25,886,058	51,719,980
4,630,138	-	4,630,138	4,652,465	-	4,652,465
28,214,745	48,472,673	76,687,418	30,497,935	25,886,058	56,383,993
(18,288)	-	(18,288)	(34,686)	-	(34,686)
(40)	(133)	(173)	(60)	-	(60)
378,138	567,682	945,820	378,833	509,376	888,209
28,574,555	49,040,222	77,614,777	30,842,022	26,395,434	57,237,456
4,219,410	-	4,219,410	3,979	-	3,979
200,440	4,017,430	4,217,870	-	-	-
-	-	-	7,569	-	7,569
4,419,850	4,017,430	8,437,280	11,548	-	11,548
6,779	-	6,779	2,068,064	-	2,068,064
17,241,231	44,455,243	61,696,474	22,732,974	25,886,058	48,619,032
750,000	-	750,000	-	-	-
250,000	-	250,000	-	-	-
896,247	-	896,247	1,012,384	-	1,012,384
20,500	-	20,500	20,500	-	20,500
19,164,757	44,455,243	63,620,000	25,833,922	25,886,058	51,719,980
4,630,138	-	4,630,138	4,652,465	-	4,652,465

10.1 Held for trading securities

Market Treasury Bills	4,219,410	-	4,219,410
Pakistan Investment Bonds	200,440	4,017,430	4,217,870
Ordinary shares - listed	-	-	-

10.2 Available for sale securities

Market Treasury Bills	6,779	-	6,779
Pakistan Investment Bonds	17,241,231	44,455,243	61,696,474
Sukuk Bonds:			
Listed	750,000	-	750,000
Un-listed	250,000	-	250,000
Ordinary shares - listed	896,247	-	896,247
Ordinary shares - unlisted	20,500	-	20,500

10.3 Held to maturity securities

Pakistan Investment Bonds	4,630,138	-	4,630,138
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11 ADVANCES - NET

(Rupees in '000)

	Note	June 30, 2017 (Un-audited)	December 31, 2016 (Audited)
Loans, cash credits, running finances, etc.			
- In Pakistan		32,888,715	29,348,877
Net investment in finance lease			
- In Pakistan		314,345	321,750
Bills discounted and purchased (excluding treasury bills)			
- Payable in Pakistan		2,065,494	1,301,571
- Payable outside Pakistan		54,687	15,754
Advances - gross		35,323,241	30,987,952
Less: Provision against advances			
- Specific provision	11.1	(2,312,399)	(2,092,064)
- General provision	11.2	(4,484)	(105,908)
		(2,316,883)	(2,197,972)
Advances - net of provision		33,006,358	28,789,980

11.1 Advances include Rs. 2,345,728 million (December 31, 2016: Rs. 2,372,926 million) which have been placed under non-performing status as detailed below:

(Rupees in '000)

Category of classification	June 30, 2017 (Un-audited)				
	Classified Advances		Total	Provision required	Provision held
	Domestic	Overseas			
Substandard	1,490	-	1,490	373	373
Doubtful	-	-	-	-	-
Loss	2,344,238	-	2,344,238	2,312,026	2,312,026
	2,345,728	-	2,345,728	2,312,399	2,312,399

(Rupees in '000)

Category of classification	December 31, 2016 (Audited)				
	Classified Advances		Total	Provision required	Provision held
	Domestic	Overseas			
Substandard	2,565	-	2,565	640	640
Doubtful	698,712	-	698,712	453,521	453,521
Loss	1,671,649	-	1,671,649	1,637,903	1,637,903
	2,372,926	-	2,372,926	2,092,064	2,092,064

11.2 General provision represents provision amounting to Rs. 4,484 million (December 31, 2016: Rs. 1,333 million) against consumer finance portfolio as required by the Prudential Regulations issued by the State Bank of Pakistan. The general provision of Rs. 104,575 million as at December 31, 2016 maintained against corporate and commercial advances for potential losses present in the portfolio has been utilised during the period by the Bank in meeting certain specific provision against identified non-performing customers.

12 OPERATING FIXED ASSETS

(Rupees in '000)

	June 30, 2017 (Un-audited)	June 30, 2016 (Un-audited)
Additions during the period (at cost)	70,515	357,081
Disposals / write-offs / adjustments during the period (at cost)	90,833	357,617

13 DEFERRED TAX ASSET - NET

This includes deferred tax asset recognised on unabsorbed tax losses (representing unabsorbed depreciation and amortisation). The Bank has unabsorbed tax losses (representing unabsorbed depreciation and amortisation) amounting to Rs. 332 million (December 31, 2016 unabsorbed tax losses including depreciation and amortisation Rs. 723 million) as at June 30, 2017. Based on this, the management has recognised deferred tax debit balance of Rs. 116 million (December 31, 2016: Rs. 253 million). The amount of this benefit has been determined based on the projected financial statements for the future periods.

14 BORROWINGS FROM FINANCIAL INSTITUTIONS

(Rupees in '000)

Secured

Borrowings from SBP under export refinance scheme
Borrowings from SBP under LTFF
Repurchase agreement borrowings
Bai Muajjal borrowing

Unsecured

Call money borrowings
Bankers Equity Limited (Under Liquidation)

Note

15 DEPOSITS AND OTHER ACCOUNTS

Customers

Fixed deposits
Savings deposits
Current accounts - non-remunerative
Others - non-remunerative

Financial Institutions

Remunerative deposits
Non-remunerative deposits

16 CONTINGENCIES AND COMMITMENTS

16.1 Direct credit substitutes

Favouring Banks and other financial institutions
Favouring others

16.2 Transaction-related contingent liabilities / commitments

Contingent liabilities in respect of performance bonds,
bid bonds, warranties, etc. given favouring
- Government
- Favouring Banks and other financial institutions
- Others

16.3 Trade-related contingent liabilities

Favouring others

16.4 Other contingencies

Claims against the Bank not acknowledged as debt

16.4.1

June 30, 2017 (Un-audited)	December 31, 2016 (Audited)
1,726,500	2,512,000
255,115	98,016
18,837,324	5,840,000
29,928,799	19,873,586
50,747,738	28,323,602
3,349,552	7,501,134
22,336	22,336
3,371,888	7,523,470
54,119,626	35,847,072
21,456,092	21,740,249
14,961,507	14,334,826
10,635,715	8,590,967
111,449	100,983
47,164,763	44,767,025
4,003,184	5,278,603
304,900	261,176
4,308,084	5,539,779
51,472,847	50,306,804
-	1,423,247
3,417,539	261,997
3,417,539	1,685,244
1,347,095	1,504,792
6,148	-
1,419,429	1,828,537
2,772,672	3,333,329
5,042,317	2,022,465
125,456	125,456

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 legal advice, management believes that the possibility of any outcome against the Bank is remote 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 (December 31, 2016: Rs. 426.787 million) for the tax 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, 2016: Rs. 645.337 million) for tax 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. Tax department has also raised demand of Rs. 29.052 million (December 31, 2016: 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. 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 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 this condensed interim financial information in respect of the above mentioned demands aggregating Rs. 1,145.766 million (December 31, 2016: 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)

	June 30, 2017 (Un-audited)	December 31, 2016 (Audited)
Purchase	36,172,990	21,528,476
Sale	33,831,164	22,013,341

16.8 Capital Commitments

Commitments for capital expenditure as at June 30, 2017 amounted to Rs. 18.72 million (December 31, 2016: Rs. 75.78 million).

17 EARNINGS PER SHARE

(Rupees in '000)
(Un-audited)

	Quarter ended		Half year ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Profit after taxation attributable to ordinary shareholders	85,739	210,863	232,306	389,153

(Number of Shares)

Weighted average number of shares outstanding during the period	1,008,238,648	1,008,238,648	1,008,238,648	1,008,238,648
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(Rupees)

Basic and diluted earnings per share	0.09	0.21	0.23	0.39
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18 RELATED PARTY TRANSACTIONS

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

Banking transactions with the related parties are executed substantially on the same terms, including mark-up rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties and do not involve more than a normal risk. Transactions with the executives are undertaken at terms in accordance with employment agreements and services rules.

Contributions to the contributory provident fund scheme are made in accordance with the terms of the contribution plan. Remuneration to the Chief Executive Officer and directors are determined in accordance with the terms of their appointment.

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 executive team, including the Chief Executive Officer to be key management personnel.

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

(Rupees in '000)

BALANCE OUTSTANDING - GROSS

Advances

At January 1
Disbursement during the period
Repaid during the period
At June 30 / December 31

Deposits

At January 1
Received during the period
Withdrawn during the period
At June 30 / December 31

Others

Guarantees
Balances in nostro accounts
Sundry receivable / (payable including Group Shared Service cost)
Balances in vostro accounts

June 30, 2017 (Un-audited)				December 31, 2016 (Audited)			
Directors	Key management personnel	Parent Company	Others	Directors	Key management personnel	Parent Company	Others
-	143,964	-	-	-	107,403	-	-
-	4,638	-	-	-	60,041	-	-
-	(9,970)	-	-	-	(23,480)	-	-
-	138,632	-	-	-	143,964	-	-
28,987	27,556	-	6,665	15,700	23,546	-	1,767
108,444	131,510	-	65,827	681,298	404,735	-	201,527
(100,890)	(130,163)	-	(44,436)	(668,011)	(400,725)	-	(196,629)
36,541	28,903	-	28,056	28,987	27,556	-	6,665
-	-	251,626	-	-	-	195,209	-
-	-	81,132	-	-	-	28,677	-
-	-	3,934	-	-	-	(105,304)	-
-	-	109,310	-	-	-	115,261	-

(Rupees in '000)

Transactions during the period

Remuneration and benefits
Directors' fee
Mark-up / return / interest expensed
Mark-up / return / interest income
Group shared services cost (including foreign exchange revaluation impact)

June 30, 2017 (Un-audited)				June 30, 2016 (Un-audited)			
Directors	Key management personnel	Parent Company	Others	Directors	Key management personnel	Parent Company	Others
-	165,970	-	-	-	146,740	-	-
5,243	-	-	-	4,192	-	-	-
108	330	-	440	12	310	-	312
-	3,414	-	-	-	3,127	-	-
-	-	-	-	-	-	73,168	-

Forex transactions during the period - Samba Financial Group

(Currency in '000)

For the period ended June 30, 2017 (Un-audited)				
Currency	READY / SPOT / TOM		Forward	
	Buy	Sell	Buy	Sell
AED	-	-	-	-
AUD	-	-	-	-
CAD	-	-	-	-
CHF	-	-	10	-
EUR	1,400	6,900	3,850	1,200
GBP	4,944	6,825	5,500	800
JPY	26,000	-	57,000	-
SAR	-	16,127	-	-
SEK	-	-	-	-
SGD	-	-	-	-
USD	45,684	7,872	2,324	11,591
PKR	-	2,663,864	-	-

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

(Currency in '000)

As at June 30, 2017 (Un-audited)				
Currency	READY / SPOT / TOM		Forward	
	Buy	Sell	Buy	Sell
EUR	-	-	1,200	-
GBP	-	-	-	-
USD	-	-	-	1,371

Forex transactions during the period - Samba Financial Group

(Currency in '000)

For the period ended June 30, 2016 (Un-audited)				
Currency	READY / SPOT / TOM		Forward	
	Buy	Sell	Buy	Sell
AED	700	-	-	-
AUD	-	-	-	-
CAD	1,421	1,416	-	-
CHF	-	-	-	-
EUR	10,965	6,400	2,800	1,950
GBP	3,140	15,950	9,200	2,340
JPY	11,000	-	-	-
SAR	22,688	54,025	13,128	-
SEK	-	-	-	-
SGD	25	-	-	-
USD	72,829	24,085	5,523	19,839
PKR	-	-	-	-

Forex deals outstanding as at the year end - Samba Financial Group

(Currency in '000)

As at December 31, 2016 (Audited)				
Currency	READY / SPOT / TOM		Forward	
	Buy	Sell	Buy	Sell
EUR	-	-	300	-
GBP	-	-	725	-
USD	-	-	-	1,210

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, 2017 (Un-audited)					
	Corporate Banking	Global Markets	Retail Banking	Commercial Banking	Senoff	Total
Total income (net of interest expense and provisions)	(141,915)	558,284	345,194	81,786	513,466	1,356,815
Total operating expenses	(174,420)	(96,953)	(663,454)	(80,977)	62,170	(953,634)
Net (loss) / profit (before tax)	(316,335)	461,331	(318,260)	809	575,636	403,181
Depreciation of Fixed Assets	638	458	46,432	118	35,987	83,633
Amortisation of Intangible Assets	286	746	4,709	55	15,799	21,595

(Rupees in '000)

Particulars	For the half year ended June 30, 2016 (Un-audited)					
	Corporate Banking	Global Markets	Retail Banking	Commercial Banking	Senoff	Total
Total income (net of interest expense and provisions)	142,406	1,052,500	368,762	21,250	289,026	1,873,944
Total operating expenses	(191,735)	(89,425)	(564,820)	(12,299)	(410,484)	(1,268,763)
Net (loss) / profit (before tax)	(49,329)	963,075	(196,058)	8,951	(121,458)	605,181
Depreciation of Fixed Assets	861	413	43,182	60	28,743	73,259
Amortisation of Intangible Assets	33	585	1,220	-	4,673	6,511

(Rupees in '000)

Particulars	As at June 30, 2017 (Un-audited)					
	Corporate Banking	Global Markets	Retail Banking	Commercial Banking	Senoff	Total
Segment assets - Gross	24,396,288	86,458,921	3,355,510	6,975,561	2,752,451	123,938,731
Segment non-performing loans	1,827,566	-	518,162	-	-	2,345,728
Segment provision held	(1,918,610)	(18,288)	(407,230)	-	(164,583)	(2,508,711)
Segment liabilities	7,970,591	55,358,132	43,564,173	1,159,014	788,831	108,840,741

(Rupees in '000)

Particulars	As at December 31, 2016 (Audited)					
	Corporate Banking	Global Markets	Retail Banking	Commercial Banking	Senoff	Total
Segment assets	25,854,752	68,889,783	2,440,518	3,937,665	2,699,564	103,822,282
Segment non-performing loans	1,845,562	-	527,364	-	-	2,372,926
Segment provision held	(1,693,254)	(34,686)	(410,552)	-	(269,299)	(2,407,791)
Segment liabilities	13,521,372	33,858,289	40,189,122	549,010	977,174	89,094,967

20 FAIR VALUE OF FINANCIAL INSTRUMENTS AND DERIVATIVE INSTRUMENTS

20.1 On-balance sheet financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

The fair value of traded investments is based on quoted market prices, except for tradeable securities classified as 'held to maturity'. Held to maturity securities are carried at amortised cost in order to comply with the requirements of BSD Circular No. 14 dated September 24, 2004. The fair value of held to maturity investments amounts to Rs. 4,941.252 million (December 31, 2016: Rs. 4,895.976 million).

The fair value of unquoted equity investments is determined as lower of carrying value and break up value of these investments as per the latest available audited financial statements.

Fair value of fixed term loans, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments.

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

The table below analyses the traded investments, except for tradeable securities classified as held to maturity by their respective valuation methods. Valuation of investments is carried out as per guidelines specified by the State Bank of Pakistan.

The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- Inputs for the assets or liabilities that are not based on observable market data (that is, unobservable inputs e.g. estimated future cash flows) (level 3).

RECURRING FAIR VALUE MEASUREMENT

FINANCIAL INSTRUMENTS - ON BALANCE SHEET INVESTMENTS - NET

Held for trading securities

Pakistan Investment Bonds
Market Treasury Bills
Ordinary shares - listed

Available for sale securities

Pakistan Investment Bonds
Market Treasury Bills
Sukuk Bonds
Ordinary shares - listed
Total

FINANCIAL INSTRUMENTS - OFF BALANCE SHEET

Forward purchase of foreign exchange contracts
Forward sale of foreign exchange contracts

(Rupees in '000)

As at June 30, 2017 (Un-audited)

Level 1	Level 2	Level 3	Total
Held for trading securities			
-	4,217,736	-	4,217,736
-	4,219,371	-	4,219,371
-	-	-	-
Available for sale securities			
-	62,661,425	-	62,661,425
-	6,779	-	6,779
750,000	-	-	750,000
869,329	-	-	869,329
1,619,329	71,105,311	-	72,724,640
FINANCIAL INSTRUMENTS - OFF BALANCE SHEET			
-	36,079,083	-	36,079,083
-	33,718,199	-	33,718,199

RECURRING FAIR VALUE MEASUREMENT

FINANCIAL INSTRUMENTS - ON BALANCE SHEET INVESTMENTS - NET

Held for trading securities

Pakistan Investment Bonds
Market Treasury Bills
Ordinary shares - listed

Available for sale securities

Pakistan Investment Bonds
Market Treasury Bills
Sukuk Bonds
Ordinary shares - listed
Total

FINANCIAL INSTRUMENTS OFF BALANCE SHEET Forward purchase of foreign exchange contracts Forward sale of foreign exchange contracts

(Rupees in '000)

As at December 31, 2016 (Audited)

Level 1	Level 2	Level 3	Total
-	-	-	-
-	3,979	-	3,979
7,509	-	-	7,509
-	49,426,993	-	49,426,993
-	2,068,040	-	2,068,040
-	-	-	-
1,068,470	-	-	1,068,470
1,075,979	51,499,012	-	52,574,991
-	21,401,375	-	21,401,375
-	21,855,179	-	21,855,179

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 occurs. There were no transfers between levels 1 and 2 during the period.

(a) Financial instruments in level 1

Financial instruments included in level 1 comprise of investments in listed ordinary shares and listed Sukuk Bonds.

(b) Financial instruments in level 2

Financial instruments included in level 2 comprise of Treasury Bills and Pakistan Investment Bonds.

(c) Financial instruments in level 3

Currently, no Financial Instruments are included in level 3.

Valuation techniques and inputs used in determination of fair values within level 1 and 2

Item	Valuation techniques and input used
Pakistan Investment Bonds / Market Treasury Bills	Fair values of Pakistan Investment Bonds and Market Treasury Bills are derived using the PKRV rates (MUFAP page). These rates denote an average of quotes received from eight different pre-defined / approved dealers / brokers.
Listed Ordinary Shares / Sukuk Bonds	Fair values of investments in listed equity securities is determined on the basis of closing quoted market prices available at the stock exchange. The sukuk bond issuer is in process of getting these bonds listed, currently these are held at par value and will be marked to market once the listing process is complete.
Forward foreign exchange contracts	The fair value has been determined by interpolating the mid rates announced by State Bank of Pakistan.

21 GENERAL

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

21.2 Figures as of and for the period ended June 30, 2017 and June 30, 2016, wherever used in this condensed interim financial information are unaudited figures; however figures as of and for the period relating to December 31, 2016 used in this condensed interim financial information are audited figures.

22 DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue on August 24, 2017 by the Board of Directors of the Bank.

Chief Financial Officer

President & Chief Executive Officer

Chairman

Director

Director



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