

Samba Bank Limited
HALF YEARLY REPORT
JUNE 30, 2011



SambaPhone Banking 11 11 SAMBA (72622)

www.samba.com.pk

Samba Bank Limited

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World Class Banking

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Company Information



Board of Directors

Syed Sajjad Razvi
Mr. Zaki Abdulmohsen Al-Mousa
Mr. Beji Tak - Tak
Dr. Shujaat Nadeem
Mr. Farhat Abbas Mirza
Mr. Humayun Murad
Mr. Javed Iqbal
Mr. Zahid Zaheer
Mr. Tawfiq A. Husain

Chairman
Executive Director
Executive Director
Executive Director
Independent Non Executive Director
Independent Non Executive Director
Independent Non Executive Director
Independent Non Executive Director
President & CEO

Audit Committee

Mr. Javed Iqbal
Mr. Beji Tak - Tak
Mr. Zahid Zaheer

Chairman
Member
Member

Board Risk Committee

Mr. Beji Tak - Tak
Syed Sajjad Razvi
Mr. Humayun Murad
Mr. Tawfiq A. Husain

Chairman
Member
Member
Member

President & Chief Executive Officer

Mr. Tawfiq A. Husain

Company Secretary

Salma Kamila Khan

Auditors

A. F. Ferguson & Co.

Chartered Accountants

Legal Advisors

Mohsin Tayebaly & Co.

Advocates & Legal Consultants

Head Office & Registered Office

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

Share Registrar

Famco Associates (Pvt.) Limited
1st Floor, State Life Building No. 1-A, 11, Chundrigar Road, Karachi - 74000

Help Line

11 11 SAMBA (72622)

Website

www.samba.com.pk

Credit Rating by JCR-VIS

Medium to Long Term Credit Rating
Short Term Rating

A+ (A-Plus)
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
- DHA Ittehad
- DHA Phase VI
- Rashid Minhas
- Clifton
- Hyderi
- Fountain
- S.I.T.E.
- Shahra-e-Faisal
- Bahadurabad
- Gulshan-e-Iqbal



LAHORE

- Mall Road
- DHA
- Gulberg
- Circular Road
- Montgomery
- Sarwar Road
- Cavalry Ground
- Garden Town



ISLAMABAD / RAWALPINDI

- F-10
- F-7
- Razia Sharif Plaza
- Rawalpindi Cantt.



SIALKOT

- Paris Road



MULTAN

- Nusrat Road



GUJRANWALA

- G.T. Road



FAISALABAD

- Liaquat Road



PESHAWAR

- Saddar Road

Directors' Report



On behalf of the Board of Directors, I wish to present the half yearly report of your bank along with the financial statements and auditor's review report thereon for the half year ended June 30, 2011.

Financial Results

The financials highlights of your bank for the six month period ended June 30, 2011 under review are summarized below:

	For the Six Month Period Ended Jun 30, 2011	For the Six Month Period Ended Jun 30, 2010
	(Rupees in million)	
Profit / (Loss) before taxation	90,809	(96,450)
Taxation (including deferred)	(50,408)	(0.50)
Profit / (Loss) after taxation	40,401	(96,500)
Profit / (Loss) per share - in Rupees	0.03	(0.10)

	Jun 30, 2011	Dec 31, 2010
	(Rupees in million)	
Total assets	35,704	30,511
Investments	13,574	11,091
Advances	13,834	12,138
Deposits	15,506	14,872
Paid up capital & reserves (before revaluation reserve)	7,977	7,936
(Deficit) / surplus on revaluation of securities - net of tax	(25)	(1)

Financial Overview

Samba Bank Limited (SBL) generated profit before tax of Rs. 90.8 million for the half year ended June 30, 2011, as compared to a loss

before tax of Rs. 96.5 million for the corresponding period of last year. Despite the challenging economic and business conditions, your bank managed the turnaround through lower cost of funds, improved yields on earning assets and operational efficiencies.

Net mark-up income registered growth of Rs. 213 million, or 45% over the corresponding period of last year. This was achieved by management's relentless efforts to reduce the cost of funds and its focused approach to build good quality and better yielding corporate loan portfolio and other earning assets. Non mark-up interest income also registered an impressive growth of 41% over the corresponding period of last year. Similar focus was also on achieving operational efficiencies, whereby the bank managed to contain the operating expense growth to within 8%. Additionally, owing to higher recoveries against the legacy bad loan portfolio, bank posted the reversal of provision amounting to Rs. 21.9 million against the charge of Rs. 1.5 million for the corresponding period of 2010.

Your bank grew its loan book to Rs. 13.8 billion, a growth of 14% compared to December 31, 2010. On the funding side, the growth was achieved by increasing deposits by Rs. 634 million from Rs. 14.87 billion to Rs. 15.50 billion, a 4% growth over December 31, 2010. Overall balance sheet of your bank was at Rs. 35.7 billion, compared to Rs. 30.5 billion, showing an increase of 17% over December 31, 2010.

Credit Rating

JCR-VIS Credit Rating Company has upgraded the medium to long term rating of the bank from A to A+ (A to A plus) and reaffirmed its short term rating at A-1 (A-One). The outlook on the above rating has also been confirmed as stable. These short and medium to long term ratings denote low credit risk of the bank due to adequate credit quality with reasonable protection and strong capacity for timely payment of all financial commitments.



The improvement in the rating is a testament to bank's overall financial performance, which continues to improve with sustainable growth in its Corporate & Investment Banking, Consumer Banking & Treasury businesses.

Future Outlook

Economic & business challenges in the form of rising costs of doing business, energy deficit, lingering high inflation and poor law & order situation do affect the business environment. Despite these challenges, the management of your bank is focused on growing the franchise in a sustainable manner by growing the revenue and managing its expenses, thereby increasing the profits. The last three quarters have generated profits, which show an encouraging trend line and demonstrate a solid momentum and sustainable profitability. Offering new innovative products and services, acquiring new to bank customers and deepening the existing relationships will ensure consistent business and revenue growth.

Acknowledgment

On behalf of Board of Directors, I would like to thank our customers, business partners and shareholders for their patronage and trust and our parent, Samba Financial Group, for their unwavering support. The board and management thank State Bank of Pakistan and other regulatory authorities for their continuous guidance and support. Lastly, but most importantly, I wish to thank our employees for their commitment, dedication and team work.

On behalf of Board of Directors,

Tawfiq A. Husain
President & Chief Executive Officer

Dated: August 22, 2011
Karachi



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, 2011 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 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, 2011 and 2010 have not been reviewed, as we are required to review only the cumulative figures for the half year ended June 30, 2011.

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 of and for the half year ended June 30, 2011 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Chartered Accountants
Dated: August 24, 2011
Karachi

Financial Statements



for the six months period ended June 30, 2011



CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2011

	Note	2011	2010
		(Un-audited) June 30	(Audited) December 31
(Rupees in thousand)			
ASSETS			
Cash and balances with treasury banks		1,357,900	1,250,011
Balances with other banks		56,201	1,195,948
Lendings to financial institutions		3,452,368	1,389,003
Investments - net	9	13,574,172	11,090,905
Advances - net	10	13,834,198	12,137,786
Operating fixed assets	11	944,261	1,001,413
Deferred tax assets - net	12	1,558,472	1,601,463
Other assets		926,824	844,591
		35,704,396	30,511,120
LIABILITIES			
Bills payable		181,631	115,759
Borrowings	13	11,136,580	6,534,994
Deposits and other accounts	14	15,505,700	14,871,806
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		279	279
Deferred tax liabilities - net		-	-
Other liabilities		928,118	1,062,604
		27,752,308	22,585,442
		7,952,088	7,925,678
NET ASSETS			
REPRESENTED BY:			
Share capital		14,334,734	14,334,734
Reserves		43,080	43,080
Accumulated losses		(6,401,158)	(6,441,559)
		7,976,656	7,936,255
Deficit on revaluation of assets - net of tax		(24,568)	(10,577)
		7,952,088	7,925,678
CONTINGENCIES AND COMMITMENTS			
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The annexed notes 1 to 20 form an integral part of this condensed interim financial information.

President and Chief Executive Officer

Chairman

Director

Director



CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE QUARTER AND HALF YEAR ENDED JUNE 30, 2011

	Quarter ended		Half year ended	
	JUNE 30, 2011	JUNE 30, 2010	JUNE 30, 2011	JUNE 30, 2010
	(Rupees in thousand)			
Mark-up / return / interest earned	851,105	583,352	1,569,598	1,138,639
Mark-up / return / interest expensed	501,675	340,852	881,474	663,793
Net mark-up / return / interest income	349,430	242,500	688,124	474,846
(Reversal) / provision against loans and advances - net	(10,475)	2,643	(21,917)	1,592
Provision for diminution in the value of investments - net	-	-	-	11,794
Recoveries against debts written-off	(327)	(1,457)	(961)	(2,362)
	(10,802)	1,186	(22,878)	11,024
Net mark-up / return / interest income after provisions	360,232	241,314	711,002	463,822
Non mark-up / return / interest income				
Fee, commission and brokerage income	15,911	18,839	33,744	39,308
Dividend income	436	-	436	8
Income / (loss) from dealing in foreign currencies	17,535	23,364	23,547	32,422
Gain on sale of securities	4,388	848	5,825	856
Unrealised loss on revaluation of investments classified as held for trading	(89)	(39)	(89)	(39)
Other income	7,568	2,876	45,865	4,692
Total non mark-up / return / interest income	45,749	45,888	109,328	77,247
	405,981	287,202	820,330	541,069
Non mark-up / return / interest expenses				
Administrative expenses	363,198	350,417	725,682	673,574
(Reversal of provisions) / other provisions / write offs- net	-	(19,462)	3,802	(27,462)
(Reversal of charges) / other charges	5	(8,700)	37	(8,593)
Total non mark-up / return / interest expenses	363,203	322,255	729,521	637,519
	42,778	(35,053)	90,809	(96,450)
Extra ordinary / unusual items	-	-	-	-
Profit / (loss) before taxation	42,778	(35,053)	90,809	(96,450)
Taxation - Current year	10,217	8,911	18,207	11,815
- Prior years	-	-	-	-
- Deferred	14,544	(11,765)	32,201	(11,765)
	24,761	(2,854)	50,408	50
Profit / (loss) after taxation	18,017	(32,199)	40,401	(96,500)
Basic and diluted earnings / (loss) per share (Rupees)	0.01	(0.03)	0.03	(0.10)

Note

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The annexed notes 1 to 20 form an integral part of this condensed interim financial information.

President and Chief Executive Officer

Chairman

Director

Director



CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE QUARTER AND HALF YEAR ENDED JUNE 30, 2011

	Quarter ended		Half year ended	
	JUNE 30, 2011	JUNE 30, 2010	JUNE 30, 2011	JUNE 30, 2010
	(Rupees in thousand)			
Profit / (Loss) for the period	18,017	(32,199)	40,401	(96,500)
Other comprehensive income	-	-	-	-
Comprehensive income transferred to condensed interim statement of changes in equity	18,017	(32,199)	40,401	(96,500)
Components of comprehensive income / (loss) not reflected in equity				
Surplus / (deficit) on revaluation of available for sale financial assets - net of tax	(16,906)	(2,769)	(13,991)	(4,778)
Total comprehensive income / (loss) for the period	1,111	(34,968)	26,410	(101,278)

The annexed notes 1 to 20 form an integral part of this condensed interim financial information.



**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2011**

CASH FLOWS FROM OPERATING ACTIVITIES

Profit / (loss) before taxation
Less: dividend income

Adjustments for non-cash charges and other items:

Depreciation
Amortization of intangible assets
(Reversal) / provision against loans and advances - net
Provision for diminution in the value of investments - net
Gain on sale of fixed assets
Adjustments / written off of operating fixed assets
Gain on sale of securities - net
Unrealized loss on reduction of investments classified as
held for trading
Reversal of provisions against bad and doubtful - other assets
(Reversal) / other provisions / write offs - net

(Increase) / decrease in operating assets

Lendings to financial institutions
Held for trading securities
Advances
Other assets (excluding advance taxation)

Increase/ (decrease) in operating liabilities

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

Income tax paid

Net cash outflows on operating activities

	2011	2010
	Half Year ended June 30	Half Year ended June 30
(Rupees in thousand)		
	90,809	(96,450)
	(436)	(8)
	90,373	(96,458)
	68,025	80,370
	2,636	3,129
	(21,917)	1,592
	-	11,794
	(44,051)	(1,799)
	682	1,126
	(5,825)	(856)
	89	39
	(1,750)	(7,000)
	3,802	(21,500)
	1,691	66,895
	92,064	(29,563)
	(2,063,365)	(1,984,315)
	(2,490,319)	(246,640)
	(1,674,495)	(297,212)
	(96,083)	(61,170)
	(6,324,262)	(2,589,337)
	65,872	36,151
	4,601,586	1,584,910
	633,894	732,629
	(138,288)	54,349
	5,163,064	2,408,039
	(1,069,134)	(210,861)
	(2,609)	2,267
	(1,071,743)	(208,594)



CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2011

CASH FLOWS FROM INVESTING ACTIVITIES

Net investment in available for sale securities
Dividend income
Investment in operating fixed assets
Sale proceeds from disposal of operating fixed assets
Net cash inflows from / (outflows on) investing activities

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from issue of right shares
Cost incurred on issuance of shares

Net cash inflows from financing activities

Decrease in cash and cash equivalents

Cash and cash equivalents at the beginning of the period

Cash and cash equivalents at the end of the period

	2011	2010
	Half Year ended June 30	Half Year ended June 30
(Rupees in thousand)		
	9,589	(1,308,209)
	436	8
	(30,526)	(29,949)
	60,386	5,645
	39,885	(1,332,505)
	-	1,010,560
	-	(27,428)
	-	983,132
	(1,031,858)	(557,967)
	2,445,959	1,669,192
	1,414,101	1,111,225

The annexed notes 1 to 20 form an integral part of this condensed interim financial information.

President and Chief Executive Officer

Chairman

Director

Director



CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2011

	Share capital	Capital reserve	Statutory reserve*	Advance share subscription money received against proposed issue of right shares	Accumulated losses	Total
(Rupees in thousand)						
Balance as at January 01, 2010	8,769,517	20,935	22,145	2,189,440	(3,929,320)	7,072,717
Changes in equity for the half year ended June 30, 2010						
Comprehensive loss after taxation for the half year ended June 30, 2010	-	-	-	-	(96,500)	(96,500)
Issue of right shares	5,565,217			(2,189,440)		3,375,777
Discount on issue of right shares					(2,365,217)	(2,365,217)
Share issue cost	-	-	-	-	(27,428)	(27,428)
Balance as at June 30, 2010	14,334,734	20,935	22,145	-	(6,418,465)	7,959,349
Changes in equity for the half year ended December 31, 2010						
Comprehensive loss after taxation for the half year ended December 31, 2010	-	-	-	-	(23,094)	(23,094)
Balance as at December 31, 2010	14,334,734	20,935	22,145	-	(6,441,559)	7,936,255
Changes in equity for the half year ended June 30, 2011						
Comprehensive profit after taxation for the half year ended June 30, 2011	-	-	-	-	40,401	40,401
Balance as at June 30, 2011	14,334,734	20,935	22,145	-	(6,401,158)	7,976,656

* The statutory reserve is created under section 21 (i) (a) of the Banking Companies Ordinance, 1962.

The annexed notes 1 to 20 form an integral part of this condensed interim financial information.

President and Chief Executive Officer

Chairman

Director

Director



NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE HALF YEAR ENDED JUNE 30, 2011

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 and registered office is located at 6th Floor, Sidco Avenue Centre, Maulana Deen Muhammad Wafai Road, Karachi. The Bank is a subsidiary of SAMBA Financial Group of Saudi Arabia, which holds 80.68% shares of the Bank as at June 30, 2011 (2010: 80.68%). The Bank operates 28 branches (December 31, 2010: 28 branches) inside Pakistan.

Based on the financial statements of the Bank for the year ended December 31, 2010, the JCR-VIS has determined the Bank's medium to long-term rating as A+ 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 (SBP) 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 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, Banking Companies Ordinance, 1962 or 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, Banking Companies Ordinance, 1962 or the directives issued by the SECP and SBP differ with the requirements of IFRS, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or 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, the Surplus / (Deficit) on Revaluation of Available for sale (AFS) Securities only, 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 full annual financial statements, and should be read in conjunction with the financial statements of the Bank for the year ended December 31, 2010.
- 3.5 New and amended standards and interpretations that are effective in the current year:

The following standards and amendments to existing standards and interpretations have been published and are mandatory for the Bank's accounting period beginning on or after January 1, 2011:



IAS 1 (amendment), 'Presentation of financial statements'. The amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial information. The management of the Bank believes that presently this amendment does not have any impact on the Bank's financial information.

IAS 24 (revised), 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The management of the Bank believes that this amendment does not have any impact on the Bank's financial information.

IFRIC 14 (amendments), 'Prepayments of a minimum funding requirement'. The amendments correct an unintended consequence of IFRIC 14, 'IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct this. The amendments are effective for annual periods beginning January 1, 2011. Earlier application is permitted. The amendments should be applied retrospectively to the earliest comparative period presented. The amendment does not have any impact on the Bank's financial information as the Bank currently does not operate any defined benefit scheme.

IFRIC 19, 'Extinguishing Financial Liabilities with Equity Instruments' (effective for annual periods beginning on or after July 1, 2010). This interpretation provides guidance on the accounting for debt for equity swaps. This interpretation has no impact on the Bank's financial information.

There are other new and amended standards and interpretations that are mandatory for accounting periods beginning on or after January 1, 2011 but are considered not to be relevant or do not have any significant effect on the Bank's operations and are therefore not detailed in these financial information.

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 PRESENTATION 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 presentation 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, 2010.

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 same as those applied in the preparation of the annual financial statements of the Bank for the year ended December 31, 2010.

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, 2010.



9 INVESTMENTS

Note

	Note	June 30, 2011 (Un-audited)			December 31, 2010 (Audited)		
		Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
(Rupees in thousand)							
Held for trading securities	9.1	2,017,403	472,916	2,490,319	-	-	-
Available for sale securities	9.2	2,582,350	8,341,598	10,923,948	6,442,050	4,486,612	10,928,662
Held to maturity securities	9.3	312,457	-	312,457	315,060	-	315,060
Associates	9.4	103,383	-	103,383	103,383	-	103,383
		<u>5,015,593</u>	<u>8,814,514</u>	<u>13,830,107</u>	<u>6,860,493</u>	<u>4,486,612</u>	<u>11,347,105</u>
Provision for diminution in the value of investments	9.5	(237,176)	-	(237,176)	(240,729)	-	(240,729)
Deficit on revaluation of held for trading securities		(187)	98	(89)	-	-	-
Deficit on revaluation of available for sale securities		(13,676)	(4,994)	(18,670)	(13,321)	(2,150)	(15,471)
Investments - net		<u>4,764,554</u>	<u>8,809,618</u>	<u>13,574,172</u>	<u>6,606,443</u>	<u>4,484,462</u>	<u>11,090,905</u>
9.1 Held for trading securities							
Market Treasury Bills		2,017,403	472,916	2,490,319	-	-	-
9.2 Available-for-sale securities							
Market Treasury Bills		1,820,545	8,341,598	10,162,143	6,153,707	4,486,612	10,640,319
Pakistan Investment Bonds		594,132	-	594,132	117,117	-	117,117
Sukuk Bond		10,000	-	10,000	10,000	-	10,000
Ordinary shares and certificates - listed		85,817	-	85,817	85,817	-	85,817
Ordinary shares - unlisted		61,856	-	61,856	65,409	-	65,409
Preference shares - listed		10,000	-	10,000	10,000	-	10,000
		<u>2,582,350</u>	<u>8,341,598</u>	<u>10,923,948</u>	<u>6,442,050</u>	<u>4,486,612</u>	<u>10,928,662</u>
9.3 Held-to-maturity securities							
Pakistan Investment Bonds		312,457	-	312,457	315,060	-	315,060
9.4 Associates							
Ordinary shares - listed		103,383	-	103,383	103,383	-	103,383



9.5 Particulars of provision for diminution in the value of investments

Opening balance	
Charge for the period / year	
Reversals	
Provision written off during the period / year	
Closing balance	

10 ADVANCES - NET

Loans, cash credits, running finances, etc.	
- In Pakistan	
Net investment in finance lease	
- In Pakistan	
Bills discounted and purchased (excluding treasury bills)	
- Payable in Pakistan	
- Payable outside Pakistan	
Advances gross	
Less: provision for loans and advances	
- Specific provision	
- General provision	

Advances -net of provision

10.1 Advances include Rs 2,647.452 million (December 31, 2010: Rs 2,711.299 million) which have been placed under non-performing status as detailed below:

Category of classification	
Classified portfolio	
Substandard	
Doubtful	
Loss	

Category of classification	
Classified portfolio	
Substandard	
Doubtful	
Loss	

Note

	2011 (Un-audited) June 30	2010 (Audited) December 31
(Rupees in thousand)		
	240,729	416,424
	-	11,794
	(3,553)	(187,489)
	-	-
	<u>237,176</u>	<u>240,729</u>
	15,878,748	14,160,908
	475,889	491,583
	46,608	46,608
	4,731	48,222
	<u>16,405,976</u>	<u>14,747,321</u>
	(2,551,578)	(2,581,434)
	(20,200)	(28,101)
	<u>(2,571,778)</u>	<u>(2,609,535)</u>
	<u>13,834,198</u>	<u>12,137,786</u>

10.2

June 30, 2011 (Un-audited)				
Classified Advances		Total	Provision Required	Provision Held
Domestic	Overseas			
(Rupees in thousand)				
42,634	-	42,634	10,658	10,658
10,901	-	10,901	3,950	3,950
2,593,917	-	2,593,917	2,536,970	2,536,970
<u>2,647,452</u>	<u>-</u>	<u>2,647,452</u>	<u>2,551,578</u>	<u>2,551,578</u>
December 31, 2010 (Audited)				
Classified Advances		Total	Provision Required	Provision Held
Domestic	Overseas			
(Rupees in thousand)				
87,352	-	87,352	21,087	21,087
2,098	-	2,098	1,049	1,049
2,621,849	-	2,621,849	2,559,298	2,559,298
<u>2,711,299</u>	<u>-</u>	<u>2,711,299</u>	<u>2,581,434</u>	<u>2,581,434</u>



10.2 The general provision amounting to Rs 20.2 million (December 31, 2010: Rs. 28.101 million) has been made against consumer financing portfolio as required by the Prudential Regulations issued by the SBP.

10.3 The State Bank of Pakistan vide BSD circular No. 10 of 2009 dated October 20, 2009 has allowed banks to avail the benefit of 40% of the forced sales values of certain collaterals held by them while determining provisioning requirement against non-performing advances. However, as per the circular, the banks may avail the benefit of provisioning subject to the condition that it shall not be available for the payment of cash or stock dividend. As allowed under the circular, the Bank has obtained benefit of forced sale values amounting to Rs 0.751 million (2010: Rs 0.751 million) in determining the provisioning against non performing advances as at June 30, 2011.

11 OPERATING FIXED ASSETS

Additions during the period - including transfers from capital work-in-progress (at cost)

Disposals during the period (at cost)

2011	2010
(Un-audited) June 30	(Un-audited) June 30
(Rupees in thousand)	
52,249	54,675
24,571	10,143

12 DEFERRED TAX ASSET - NET

This includes deferred tax asset recognized on unabsorbed tax losses. The Bank has unabsorbed tax losses amounting to Rs 4,294.217 million as at June 30, 2011. The aforementioned unabsorbed losses have been determined after taking into account assessments finalised during the year. The Bank has contented certain add backs made by the taxation authorities in finalising these assessments. However, out of this amount, the management has recognised deferred tax debit balance of Rs. 856.161 million on losses amounting to Rs. 2,446.174 million. The deferred tax debit balance recognised in the special purpose condensed interim financial information represents the management's best estimate of the potential benefit which is expected to be realised in future years in the form of reduced tax liability as the Bank would be able to set off the profits earned in these years against losses carried forward from prior years. The amount of this benefit has been determined based on the projections of the Bank for the next five years.

13 BORROWINGS FROM FINANCIAL INSTITUTIONS

Secured

Borrowings from SBP under Export Refinance Scheme
Borrowing from SBP under LTFF
Repurchase agreement borrowings

Unsecured

Call money borrowings
Bankers Equity Limited (under liquidation)

2011	2010
(Un-audited) June 30	(Audited) December 31
(Rupees in thousand)	
2,265,216	1,075,216
78,718	78,718
7,270,310	4,858,724
9,614,244	6,012,658
1,500,000	500,000
22,336	22,336
1,522,336	522,336
11,136,580	6,534,994



14 DEPOSITS AND OTHER ACCOUNTS

Customers

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

Financial Institutions

Remunerative deposits	
Non-remunerative deposits	

15 CONTINGENCIES AND COMMITMENTS

15.1 Direct credit substitutes

Favouring government	
Favouring banks and other financial institutions	
Favouring others	

15.2 Transaction-related contingent liabilities / commitments

Contingent liabilities in respect of performance bonds, bid bonds, warranties, etc. given favouring	
- Government	
- Others	

15.3 Trade-related contingent liabilities

Favouring others	
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15.4 Other contingencies

Claims against the Bank not acknowledged as debt	
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15.5 Contingencies in respect of taxation

The Income Tax Department has raised demands 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.

	2011 (Un-audited) June 30	2010 (Audited) December 31
(Rupees in thousand)		
	7,464,096	6,318,286
	3,474,559	3,850,144
	4,390,632	4,304,634
	6,196	9,946
	15,335,483	14,483,010
	90,618	367,917
	79,599	20,879
	170,217	388,796
	15,505,700	14,871,806
	5,566,797	800,000
	338,028	312,914
	215,325	214,502
	6,120,150	1,327,416
	222,767	216,918
	33,797	-
	256,564	216,918
	4,288,230	184,583
	4,288,230	184,583
	161,733	180,535



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 favour of the Bank. Accordingly, no provision has been made in this condensed interim financial information in respect of the above mentioned demands of Rs 1,072.124 million raised by the income tax authorities.

15.6 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. However, during the period the Bank made one irrevocable commitment of Rs 350 million.

15.7 Commitments in respect of forward foreign exchange contracts

Purchase

Sale

2011 (Un-audited) June 30	2010 (Audited) December 31
(Rupees in thousand)	
4,527,620	8,097,341
4,092,753	7,198,402

15.8 Capital commitments

Commitments for capital expenditure as at June 30, 2011 amounted to Rs 16.067 million (December 31, 2010: Rs 7.686 million).

16 BASIC / DILUTED EARNINGS / (LOSS) PER SHARE

Profit / (loss) after taxation attributable to ordinary shareholders

Weighted average number of shares outstanding during the period

Basic and diluted earnings / (loss) per share

2011 (Un-audited) June 30	2010 (Un-audited) June 30
(Rupees in thousand)	
40,401	(96,500)
Number of Shares	
1,433,473,414	1,015,313,433
Rupees	
0.03	(0.10)

16.1 There were no convertible dilutive potential ordinary shares in issue as at June 30, 2011 and 2010.

17 RELATED PARTY TRANSACTIONS

The Bank has related party relationship with its holding company, associates, employee 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 and includes 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 executives are determined in accordance with the term of their 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 with related parties are given below:

	June 30, 2011 (Un-audited)				December 31, 2010 (Audited)			
	Key management personnel	Parent Company	Associates	Others	Key management personnel	Parent Company	Associates	Others
BALANCE OUTSTANDING - GROSS								
Advances	(Rupees in thousand)							
At January 01	62,798	-	45,500	-	65,129	-	45,500	-
Given during the period / year	15,450	-	-	-	16,287	-	-	-
Repaid during the period / year	(3,384)	-	(3,000)	-	(8,050)	-	-	-
Adjustments	(6,533)	-	-	-	(10,568)	-	-	-
At June 30 / December 31	68,331	-	42,500	-	62,798	-	45,500	-
Provision held against advances	-	-	42,500	-	-	-	45,500	-
Deposits								
At January 01	133,707	-	3,222	122,679	102,926	-	3,222	92,650
Received during the period / year	226,815	-	-	226,278	440,260	-	-	55,759
Withdrawn during the period / year	(207,950)	-	-	(340,464)	(417,465)	-	-	(25,730)
Adjustments	(7)	-	-	-	7,986	-	-	-
At June 30 / December 31	152,565	-	3,222	8,493	133,707	-	3,222	122,678
Others								
Guarantees	-	38,463	3,733	-	-	38,463	3,733	-
Provision against guarantees	-	-	3,733	-	-	-	3,733	-
Balances in nostro accounts	-	12,873	-	-	-	9,803	-	-
Investment in shares	-	-	103,383	-	-	-	103,383	-
Sundry receivables	-	-	32,791	-	-	-	32,791	-
Sundry payable	-	98,765	-	-	-	168,490	-	-
Group service cost	-	152,802	-	-	-	100,000	-	-
Other liabilities	-	-	5,000	-	-	-	5,000	-
Balances in vostro accounts	-	42,733	-	-	-	10,659	-	-
Provision against diminution in the value of investments	-	-	98,383	-	-	-	98,383	-



	Half year ended June 30, 2011 (Un-audited)				Half year ended June 30, 2010 (Un-audited)			
	Key management personnel	Parent Company	Associates	Others	Key management personnel	Parent Company	Associates	Others
	(Rupees in thousand)							
Transactions for the period								
Remuneration and benefits	84,995	-	-	-	51,130	-	-	-
Directors fee	1,498	-	-	-	3,189	-	-	-
Commission on guarantee	-	-	-	-	-	50	-	-
Counter confirmation charges on guarantees	-	5,042	-	-	-	4,363	-	-
Mark-up / return / interest expense	4,242	-	-	5,044	3,400	-	-	4,745
Mark-up / return / interest income	1,210	-	-	-	1,282	-	-	-
Disposal of fixed assets	-	-	-	-	537	-	-	-
Group service cost	-	52,802	-	-	-	30,000	-	-
Received against unsubscribed portion of right issue	-	-	-	-	-	1,010,184	-	-
Share capital issued (net of discount)	-	-	-	-	-	3,199,624	-	-

18 SEGMENTAL INFORMATION

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

Particulars	For the half year ended June 30, 2011 (Un-audited)				
	Corporate finance	Trading & sales	Retail banking	Commercial banking	Total
	(Rupees in thousand)				
Total income (net of interest expense and provisions)	3,500	172,800	415,314	224,914	816,528
Total operating expenses	(6,196)	(66,136)	(501,546)	(151,841)	(725,719)
Net (loss) / income (before tax)	(2,696)	106,664	(86,232)	73,073	90,809

Particulars	For the half year ended June 30, 2010 (Un-audited)				
	Corporate finance	Trading & sales	Retail banking	Commercial banking	Total
	(Rupees in thousand)				
Total income (net of interest expense and provisions)	2,000	68,793	198,026	299,712	568,531
Total operating expenses	(5,994)	(60,689)	(483,278)	(115,020)	(664,981)
Net (loss) / income (before tax)	(3,994)	8,104	(285,252)	184,692	(96,450)



As at June 30, 2011 (Un-audited)					
Particulars	Corporate finance	Trading & sales	Retail banking	Commercial banking	Total
(Rupees in thousand)					
Segment assets	20,245	19,575,883	2,480,720	16,533,596	38,610,444
Segment non-performing loans	-	-	707,060	1,940,392	2,647,452
Segment provision held *	-	(240,564)	(673,558)	(1,991,926)	(2,906,048)
Segment liabilities	1,627	8,956,864	13,600,783	5,193,034	27,752,308
As at December 31, 2010 (Audited)					
Particulars	Corporate finance	Trading & sales	Retail banking	Commercial banking	Total
(Rupees in thousand)					
Segment assets	23,511	16,196,025	2,459,696	14,780,997	33,460,229
Segment non-performing loans	-	-	762,438	1,948,861	2,711,299
Segment provision held *	-	(244,117)	(703,591)	(2,001,401)	(2,949,109)
Segment liabilities	1,368	5,599,764	12,590,309	4,394,001	22,585,442

* The provision against each segment represents provision held against advances, investments and other assets.

19 GENERAL

Corresponding figures have been re-arranged, reclassified and additionally incorporated in this condensed interim financial information, wherever necessary, to facilitate comparison. However, no significant rearrangements or reclassifications have been made in this condensed interim financial information other than the following:

Reclassification from component	Reclassification to component	(Rupees '000)
Income from dealing in foreign currencies	Mark-up / return / interest expensed - Others	55,121

Figures have been rounded off to the nearest thousand rupees.

20 DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue on August 22, 2011 by the Board of Directors of the Bank.

President and Chief Executive Officer

Chairman

Director

Director