

A series of smooth, rounded stepping stones are arranged in a path across a body of water. Each stone features a different image: a large white stone with various colored diamonds, a blue stone with a paperclip, a stone with a person in a red and blue suit, a stone with a colorful striped pattern, and a stone with a colorful circular pattern. The water is dark and reflects the stones and the sky.

Our core values defining the path to success

Samba Bank Limited
Half Yearly Report June 30, 2012

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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 Director Director Director Director Director Director Director President & CEO
Board 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
Board Nomination & Remuneration Committee	Mr. Beji Tak- Tak Mr. Zaki Abdulmohsen Al-Mousa Mr. Humayun Murad	Chairman Member Member
President & Chief Executive Officer	Mr. Tawfiq A. Husain	
Company Secretary	Ms. Saima Kamila Khan	
Auditors	A. F. Ferguson & Co.	Chartered Accountants
Legal Advisors	Mohsin Tayebaly & Co.	Advocates & Legal Consultants
Head Office & Registered Office	6 th Floor, Sidco Avenue Centre, M.D.M. Wafai Road, Karachi	
Share Registrar	Famco Associates (Pvt.) Limited 1 st Floor, State Life Building No. 1-A, I.I. Chundrigar Road, Karachi - 74000	
Help Line	11 11 SAMBA (72622)	
Website	www.samba.com.pk	
Credit Rating by JCR-VIS	Medium to Long Term Short Term	AA- (AA Minus) 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
Bahadurabad
Clifton
DHA Ittehad
DHA Phase VI
Fountain
Gulshan-e-Iqbal
Hyderi
Rashid Minhas
S.I.T.E.
Shahra-e-Faisal

LAHORE
Mall Road
DHA
Gulberg
Circular Road
Allama Iqbal Town
Sarwar Road
Cavalry Ground
Garden Town

ISLAMABAD / RAWALPINDI
F-10
F-7
Razia Sharif Plaza
Rawalpindi Cantt.

GUJRANWALA
G.T. Road

FAISALABAD
Liaquat Road

MULTAN
Nusrat Road

SIALKOT
Paris Road

PESHAWAR
Saddar Road

Directors' Report



On behalf of the Board of Directors, I would like to present the Directors' Review of Samba Bank Limited along with the interim condensed financial statements for the half year ended June 30, 2012.

Financial Results and Overview

The financials highlights of your bank for the Half-year ended June 30, 2012 under review are summarized below:

	For the period ended Jun 30, 2012	For the period ended Jun 30, 2011
	(Rupees in million)	
Profit before taxation	118,344	90,809
Taxation (including deferred)	(58,678)	(50,408)
Profit after taxation	59,666	40,401
Earnings per share - in Rupees	0.04	0.03

	Jun 30, 2012	Dec 31, 2011
	(Rupees in million)	
Total assets	32,443	31,331
Investments	8,967	9,664
Advances	13,719	15,831
Deposits	20,477	17,669
Paid up capital & reserves (before revaluation reserve)	8,232	8,173
Surplus on revaluation of assets - net of tax	1	9

During the six months period under review, your bank generated profit before tax of Rs. 118.3 million as compared to the profit before tax of Rs. 90.81 million for the corresponding period of last year, thereby showing an increase of 30% over last reporting period.



Your bank posted net mark-up income of Rs. 684.9 million, as against Rs. 688.1 million in the corresponding period of last year. Non mark-up income registered a decline over the corresponding period of last year mainly because there was a one off capital gain on the disposal of property during the corresponding period of last year. In spite of the growth in business and inflationary pressure, the administrative expenses have been efficiently managed and actually registered a decline of 1.3% over the corresponding period of last year. Furthermore, through persistent efforts, your bank was able to make recoveries, including reversal of provisioning, from the legacy bad portfolio of Rs. 102.5 million, which is higher by Rs. 83 million in the corresponding period of 2011.

Regarding the balance sheet, your bank remained focused on deposit mobilization, with focus on CASA, to facilitate overall business growth. This focused approach resulted in an impressive growth in deposits of 16% over December 2011 and the bank achieved the milestone of crossing Rs. 20+ billion mark. On the asset side, your bank's loan book reduced by 13% from December 2011, largely due to cyclical/seasonal repayments, and closed at Rs. 13.7 billion. Total assets of the bank increased by Rs. 1.1 billion.

Credit Rating

One of the most important and significant achievements of your bank during the first six months of 2012 is the upgradation of its credit rating. JCR-VIS Credit Rating Agency has upgraded the medium to long term credit rating of the bank from A+ to AA- (Double A negative) and reaffirmed its short term rating 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 continuous improvement in the rating over the last two years 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

The macroeconomic situation, cost of doing business, power outages and security issues continue to pose challenges for the banking industry. Accordingly, the primary focus of management will continue to be on maintaining asset quality, bringing efficiency in operating costs, growing low cost deposits, acquiring new customers, introducing value added products and ensuring the MCR of SBP continues to be met. Your bank continues to enjoy the trust and confidence of all stakeholders in achieving sustainable growth in future, thus building goodwill and increasing the franchise value.

Acknowledgment

I would also like to take this opportunity to thank our valued customers and shareholders for their continuing patronage and support and assure them that we will remain committed to maintaining high quality service standards and ensuring high business ethics under a strong culture of corporate governance. I also thank all our staff members for their hard work and dedication which has enabled SBL to turnaround and deliver continuously improving results.

On behalf of Board of Directors,

Tawfiq A. Husain
President & Chief Executive Officer

Dated: August 8, 2012
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, 2012 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, 2012 and 2011 have not been reviewed, as we are required to review only the cumulative figures for the half year ended June 30, 2012.

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, 2012 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: Salman Hussain

Dated: August 17, 2012
Karachi



Financial Statements

for the six months period ended June 30, 2012





CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2012

ASSETS

Cash and balances with treasury banks
Balances with other banks
Lendings to financial institutions
Investments - net
Advances - net
Operating fixed assets
Deferred tax assets - net
Other assets

LIABILITIES

Bills payable
Borrowings from financial institutions
Deposits and other accounts
Sub-ordinated loans
Liabilities against assets subject to finance lease
Deferred tax liabilities - net
Other liabilities

NET ASSETS

REPRESENTED BY:

Share capital
Reserves
Accumulated losses

Surplus on revaluation of assets - net of tax

CONTINGENCIES AND COMMITMENTS

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

President and Chief Executive Officer

Note	2012	2011
	(Un-audited) June 30	(Audited) December 31
(Rupees in thousand)		
	1,528,558	1,463,306
	105,788	59,384
9	4,676,688	803,459
10	8,967,328	9,663,613
11	13,718,696	15,831,327
12	871,266	903,608
13	1,399,783	1,436,135
	1,175,030	1,170,140
	<u>32,443,137</u>	<u>31,330,972</u>
	450,533	529,005
14	2,396,606	3,996,032
15	20,477,207	17,669,297
	-	-
	-	-
	-	-
	885,220	954,371
	<u>24,209,566</u>	<u>23,148,705</u>
	<u>8,233,571</u>	<u>8,182,267</u>
	14,334,734	14,334,734
	102,316	90,383
	(6,204,614)	(6,252,347)
	<u>8,232,436</u>	<u>8,172,770</u>
	1,135	9,497
	<u>8,233,571</u>	<u>8,182,267</u>

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Chairman

Director

Director

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE QUARTER AND HALF YEAR ENDED JUNE 30, 2012

	Note	Quarter ended		Half year ended	
		JUNE 30, 2012	JUNE 30, 2011	JUNE 30, 2012	JUNE 30, 2011
(Rupees in thousand)					
Mark-up / return / interest earned		746,670	851,105	1,520,138	1,569,598
Mark-up / return / interest expensed		398,175	501,675	835,188	881,474
Net mark-up / return / interest income		348,495	349,430	684,950	688,124
(Reversal) / provision against loans and advances - net		(10,529)	(10,475)	(43,071)	(21,917)
Provision for diminution in the value of investments - net		-	-	-	-
Recoveries against debts written-off		(269)	(327)	(3,422)	(961)
Net mark-up / return / interest income after provisions		359,293	360,232	731,443	711,002
Non mark-up / return / interest income					
Fee, commission and brokerage income		21,885	15,911	37,814	33,744
Dividend income		-	436	-	436
Income from dealing in foreign currencies		4,080	17,535	7,141	23,547
Gain on sale of securities		1,111	4,388	2,633	5,825
Unrealised loss on revaluation of investments classified as held for trading		(480)	(89)	(291)	(89)
Other income		3,304	7,568	3,049	45,865
Total non mark-up / return / interest income		29,900	45,749	50,346	109,328
Non mark-up / return / interest expenses		389,193	405,981	781,789	820,330
Administrative expenses		357,162	363,198	716,044	725,682
(Reversal of provisions) / other provisions / write offs - net		(55,965)	-	(55,965)	3,802
Workers' welfare fund		1,791	-	2,465	-
Other charges		900	5	901	37
Total non mark-up / return / interest expenses		303,888	363,203	663,445	729,521
Extra ordinary / unusual items		85,305	42,778	118,344	90,809
Profit before taxation		85,305	42,778	118,344	90,809
Taxation - Current year		7,733	10,217	15,666	18,207
- Prior years		-	-	-	-
- Deferred		34,005	14,544	43,012	32,201
Profit after taxation		41,738	24,761	58,678	50,408
Basic and diluted earnings per share (Rupees)	17	0.03	0.01	0.04	0.03

The annexed notes 1 to 21 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, 2012

	Quarter ended		Half year ended	
	JUNE 30, 2012	JUNE 30, 2011	JUNE 30, 2012	JUNE 30, 2011
(Rupees in thousand)				
Profit after taxation for the period	43,567	18,017	59,666	40,401
Other comprehensive income	-	-	-	-
Comprehensive income transferred to condensed interim statement of changes in equity	43,567	18,017	59,666	40,401
Components of comprehensive income / (loss) not reflected in equity				
Surplus / (deficit) on revaluation of 'available for sale' financial assets - net of tax	(1,739)	(16,906)	(8,362)	(13,991)
Total comprehensive income for the period	41,828	1,111	51,304	26,410

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

President and Chief Executive Officer

Chairman

Director

Director

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES

Profit before taxation
Less: dividend income

Adjustments for non-cash charges and other items:

Depreciation
Amortization of intangible assets
Reversal against loans and advances - net
Provision for diminution in the value of investments - net
Gain on sale of fixed assets
Adjustments / written off operating fixed assets
Gain on sale of securities - net
Unrealized loss on revaluation 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

	2012	2011
	Half year ended June 30	Half Year ended June 30
(Rupees in thousand)		
	118,344	90,809
	-	(436)
	118,344	90,373
	57,125	68,025
	2,827	2,636
	(43,071)	(21,917)
	-	-
	(2,014)	(44,051)
	-	682
	(2,633)	(5,825)
	291	89
	-	(1,750)
	(55,965)	3,802
	(43,440)	1,691
	74,904	92,064
	(3,873,229)	(2,063,365)
	(4,757,864)	(2,490,319)
	2,155,702	(1,674,495)
	(13,896)	(96,083)
	(6,489,287)	(6,324,262)
	(78,472)	65,872
	(1,599,426)	4,601,586
	2,807,910	633,894
	(13,182)	(138,288)
	1,116,830	5,163,064
	(5,297,553)	(1,069,134)
	(6,660)	(2,609)
	(5,304,213)	(1,071,743)



CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2012

CASH FLOWS FROM INVESTING ACTIVITIES

Net investments in 'available for sale' securities
Dividend Income
Investment in operating fixed assets
Sales proceeds from disposal of operating fixed assets
Net cash inflows from investing activities

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from issue of right shares
Cost incurred on issuance of shares
Net cash flows from financing activities

Increase / (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

2012	2011
Half year ended June 30	Half Year ended June 30
(Rupees in thousand)	
5,441,465	9,589
-	436
(30,462)	(30,526)
4,866	60,386
5,415,869	39,885
-	-
-	-
-	-
111,656	(1,031,858)
1,522,690	2,445,959
1,634,346	1,414,101

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

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2012

	Share capital	Capital reserve	Statutory reserve*	Accumulated losses	Total
(Rupees in thousand)					
Balance as at January 01, 2011	14,334,734	20,935	22,145	(6,441,559)	7,936,255
Changes in equity for the half year ended June 30, 2011					
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
Changes in equity for the half year ended December 31, 2011					
Profit after taxation for the half year ended December 31, 2011	-	-	-	196,114	196,114
Transfer to statutory reserve	-	-	47,303	(47,303)	-
Balance as at December 31, 2011	14,334,734	20,935	69,448	(6,252,347)	8,172,770
Changes in equity for the half year ended June 30, 2012					
Profit after taxation for the half year ended June 30, 2012	-	-	-	59,666	59,666
Transfer to statutory reserve	-	-	11,933	(11,933)	-
Balance as at June 30, 2012	14,334,734	20,935	81,381	(6,204,614)	8,232,436

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

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

President and 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, 2012

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, 2012 (2011: 80.68%). The Bank operates 28 branches (December 31, 2011: 28 branches) inside Pakistan.

Based on the financial statements of the Bank for the year ended December 31, 2011, the JCR-VIS has determined the Bank's long-term rating as AA- (stable outlook) and the short-term rating as A-1.

2 BASIS OF PRESENTATION

In accordance with the directives of the Federal Government regarding the shifting of the Banking system to Islamic modes, the State Bank of Pakistan (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, 2011.

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, 2011.

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, 2011.

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, 2011.

9 LENDINGS TO FINANCIAL INSTITUTIONS

Call money lendings
Repurchase agreement lendings (reverse repo)

2012 (Un-audited) June 30	2011 (Audited) December 31
(Rupees in thousand)	
-	400,000
4,676,688	403,459
<u>4,676,688</u>	<u>803,459</u>

9.1 All lendings to financial institutions are in local currency.

9.2 These represent lendings to various commercial banks in the inter bank money market. These lendings carry mark-up at rates ranging from 11.75% to 11.95% per annum (2011: 13.05% to 13.15% per annum) and have a maturity period of upto one month (2011: three months) from the date of lending.

10 INVESTMENTS

	Note	June 30, 2012 (Un-audited)			December 31, 2011 (Audited)		
		Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
(Rupees in thousand)							
Held for trading securities	10.1	4,757,864	-	4,757,864	-	-	-
Available for sale securities	10.2	4,032,264	-	4,032,264	8,785,997	683,535	9,469,532
Held - to - maturity securities	10.3	306,977	-	306,977	309,747	-	309,747
Associates	10.4	103,381	-	103,381	103,381	-	103,381
		<u>9,200,486</u>	<u>-</u>	<u>9,200,486</u>	<u>9,199,125</u>	<u>683,535</u>	<u>9,882,660</u>
Provision for diminution in the value of investments	10.5	(233,472)	-	(233,472)	(234,676)	-	(234,676)
Deficit on revaluation of 'held for trading' securities		(291)	-	(291)	-	-	-
Surplus on revaluation of 'available for sale' securities		605	-	605	14,148	1,481	15,629
Investments-net		<u>8,967,328</u>	<u>-</u>	<u>8,967,328</u>	<u>8,978,597</u>	<u>685,016</u>	<u>9,663,613</u>
10.1 Held for trading securities							
Market Treasury Bills		4,757,864	-	4,757,864	-	-	-
10.2 Available for sale securities							
Market Treasury Bills		3,221,056	-	3,221,056	8,123,938	683,535	8,807,473
Pakistan Investment Bonds		657,239	-	657,239	506,885	-	506,885
Ordinary shares and certificates - listed		84,612	-	84,612	85,818	-	85,818
Ordinary shares - unlisted		59,357	-	59,357	59,356	-	59,356
Preference shares - listed		10,000	-	10,000	10,000	-	10,000
		<u>4,032,264</u>	<u>-</u>	<u>4,032,264</u>	<u>8,785,997</u>	<u>683,535</u>	<u>9,469,532</u>
10.3 Held to maturity securities							
Pakistan Investment Bonds		306,977	-	306,977	309,747	-	309,747
10.4 Associates							
Ordinary shares - listed		103,381	-	103,381	103,381	-	103,381

10.5 Particulars of provision for diminution in the value of investments

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

11 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

Note	2012	2011
	(Un-audited) June 30	(Audited) December 31
(Rupees in thousand)		
	234,676	240,729
	-	-
	(1,204)	(6,053)
	-	-
	<u>233,472</u>	<u>234,676</u>
	15,415,305	17,697,032
	464,495	471,753
	209,415	175,362
	98,358	30,758
	<u>16,187,573</u>	<u>18,374,905</u>
	(2,462,777)	(2,532,178)
	(6,100)	(11,400)
	<u>(2,468,877)</u>	<u>(2,543,578)</u>
	<u>13,718,696</u>	<u>15,831,327</u>

11.2

11.1 Advances include Rs 2,532.142 million (December 31, 2011: Rs. 2,619.410 million) which have been placed under non-performing status as detailed below:

Category of classification

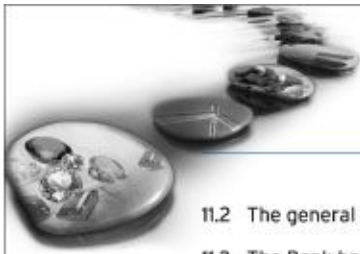
Substandard	
Doubtful	
Loss	

June 30, 2012 (Un-audited)				
Classified Advances		Total	Provision Required	Provision Held
Domestic	Overseas			
(Rupees in thousand)				
19,385	-	19,385	4,766	4,766
-	-	-	-	-
2,512,757	-	2,512,757	2,458,011	2,458,011
<u>2,532,142</u>	<u>-</u>	<u>2,532,142</u>	<u>2,462,777</u>	<u>2,462,777</u>

Category of classification

Substandard	
Doubtful	
Loss	

December 31, 2011 (Audited)				
Classified Advances		Total	Provision Required	Provision Held
Domestic	Overseas			
(Rupees in thousand)				
37,316	-	37,316	9,248	9,248
-	-	-	-	-
2,582,094	-	2,582,094	2,522,930	2,522,930
<u>2,619,410</u>	<u>-</u>	<u>2,619,410</u>	<u>2,532,178</u>	<u>2,532,178</u>



- 11.2 The general provision has been made against consumer financing portfolio as required by the Prudential Regulations issued by the SBP.
- 11.3 The Bank has availed benefit of forced sale values amounting to Rs. 0.080 million (December 31, 2011: 0.730 million) while determining the provisioning requirements against non-performing advances as at June 30, 2012.

12 OPERATING FIXED ASSETS

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

Disposals during the period (at cost)

2012	2011
(Un-audited) June 30	(Un-audited) June 30
(Rupees in thousand)	
48,985	52,249
9,569	24,571

13 DEFERRED TAX ASSET - NET

This includes deferred tax asset recognized on unabsorbed tax losses. The Bank has unabsorbed tax losses amounting to Rs 3,494.926 million (December 31, 2011: Rs 3,573.632 million) as at June 30, 2012. However, out of this amount, the management has recognised deferred tax debit balance of Rs 707.805 million (December 31, 2011: Rs 735.354 million) on losses amounting to Rs 2,022.300 million (December 31, 2011: Rs. 2,101.011 million). The deferred tax debit balance recognised in the 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.

14 BORROWINGS FROM FINANCIAL INSTITUTIONS

Secured

- Borrowings from SBP under export refinance scheme
- Borrowings from SBP under LTFF
- Repurchase agreement borrowings

Unsecured

- Call money borrowings
- Bankers Equity Limited (under liquidation)

2012	2011
(Un-audited) June 30	(Audited) December 31
(Rupees in thousand)	
2,315,231	2,345,231
59,039	68,878
-	684,587
2,374,270	3,098,696
-	875,000
22,336	22,336
22,336	897,336
2,396,606	3,996,032

15 DEPOSITS AND OTHER ACCOUNTS

Customers

Fixed deposits	9,565,989	8,483,471
Savings deposits	4,477,423	4,401,589
Current accounts - non-remunerative	5,757,096	4,316,574
Others - non-remunerative	34,561	39,903
	19,835,069	17,241,537

Financial Institutions

Remunerative deposits	548,346	388,027
Non-remunerative deposits	93,792	39,733
	642,138	427,760
	20,477,207	17,669,297

16 CONTINGENCIES AND COMMITMENTS

16.1 Direct credit substitutes

Favouring government	400,000	400,000
Favouring banks and other financial institutions	161,694	172,654
Favouring others	5,855,513	5,391,776
	6,417,207	5,964,430

16.2 Transaction-related contingent liabilities /commitments

Contingent liabilities in respect of performance bonds, bid bonds, warranties, etc. given favouring		
- Government	2,478,689	416,050
- Favouring Banks and other financial institutions	590	-
- Others	28,320	31,046
	2,507,599	447,096

16.3 Trade-related contingent liabilities

Favouring others	4,513,865	4,171,259
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16.4 Other Contingencies

Claims against the Bank not acknowledged as debt	16.4.1	161,733	161,733
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16.4.1 These represent various cases filed against the Bank for recovery of damages / settlement of deposit balances by various parties. Based on the Bank's legal counsel advice, the management is confident for a positive outcome and accordingly no provision has been made in this condensed interim financial information.

16.5 Contingencies in respect of taxation

The Income Tax Department has raised 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

	2012 (Un-audited) June 30	2011 (Audited) December 31	
(Rupees in thousand)			
15 DEPOSITS AND OTHER ACCOUNTS			
Customers			
Fixed deposits	9,565,989	8,483,471	
Savings deposits	4,477,423	4,401,589	
Current accounts - non-remunerative	5,757,096	4,316,574	
Others - non-remunerative	34,561	39,903	
	19,835,069	17,241,537	
Financial Institutions			
Remunerative deposits	548,346	388,027	
Non-remunerative deposits	93,792	39,733	
	642,138	427,760	
	20,477,207	17,669,297	
16 CONTINGENCIES AND COMMITMENTS			
16.1 Direct credit substitutes			
Favouring government	400,000	400,000	
Favouring banks and other financial institutions	161,694	172,654	
Favouring others	5,855,513	5,391,776	
	6,417,207	5,964,430	
16.2 Transaction-related contingent liabilities /commitments			
Contingent liabilities in respect of performance bonds, bid bonds, warranties, etc. given favouring			
- Government	2,478,689	416,050	
- Favouring Banks and other financial institutions	590	-	
- Others	28,320	31,046	
	2,507,599	447,096	
16.3 Trade-related contingent liabilities			
Favouring others	4,513,865	4,171,259	
16.4 Other Contingencies			
Claims against the Bank not acknowledged as debt	16.4.1	161,733	161,733

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.

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.

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.

	2012 (Un-audited) June 30	2011 (Audited) December 31
(Rupees in thousand)		
Purchase	6,458,822	10,387,618
Sale	5,239,181	8,846,821

16.7 Commitments in respect of forward foreign exchange contracts

Purchase

Sale

16.8 Capital commitments

Commitments for capital expenditure as at June 30, 2012 amounted to Rs. 7.545 million (December 31, 2011: Rs. 18.799 million).

17 BASIC / DILUTED EARNINGS PER SHARE

	Quarter ended		Half year ended	
	2012 (Un-audited) June 30	2011 (Un-audited) June 30	2012 (Un-audited) June 30	2011 (Un-audited) June 30
(Rupees in thousand)				
Profit after taxation attributable to ordinary shareholders	43,567	18,017	59,666	40,401
Number of Shares				
Weighted average number of shares outstanding during the period	1,433,473,414	1,433,473,414	1,433,473,414	1,433,473,414
(Rupees)				
Basic and diluted earnings per share	0.03	0.01	0.04	0.03

17.1 There were no convertible dilutive potential ordinary shares in issue as at June 30, 2012 and 2011.

18 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, 2012 (Un-audited)				December 31, 2011 (Audited)			
	Key management personnel	Parent Company	Associates	Others	Key management personnel	Parent Company	Associates	Others
BALANCE OUTSTANDING - GROSS								
(Rupees in thousand)								
Advances								
At January 01	66,438	-	41,500	-	62,798	-	45,500	-
Given during the period / year	1,404	-	-	-	16,390	-	-	-
Repaid during the period / year	(28,407)	-	(10,000)	-	(6,217)	-	(4,000)	-
Adjustments	(1,847)	-	-	-	(6,533)	-	-	-
At June 30 / December 31	<u>37,588</u>	<u>-</u>	<u>31,500</u>	<u>-</u>	<u>66,438</u>	<u>-</u>	<u>41,500</u>	<u>-</u>
Provision held against advances	-	-	31,500	-	-	-	41,500	-
Deposits								
At January 01	128,537	-	3,222	16,149	133,707	-	3,222	122,679
Received during the period / year	206,977	-	-	336,776	532,545	-	-	247,953
Withdrawn during the period / year	(206,624)	-	-	(343,895)	(538,995)	-	-	(354,483)
Adjustments	(491)	-	-	-	1,280	-	-	-
At June 30 / December 31	<u>128,399</u>	<u>-</u>	<u>3,222</u>	<u>9,030</u>	<u>128,537</u>	<u>-</u>	<u>3,222</u>	<u>16,149</u>
Others								
Guarantees	-	24,031	3,733	-	-	38,463	3,733	-
Provision against guarantees	-	-	3,733	-	-	-	3,733	-
Balances in nostro accounts	-	15,796	-	-	-	14,880	-	-
Investment in shares	-	-	103,381	-	-	-	103,381	-
Sundry receivables	-	-	32,791	-	-	-	32,791	-
Mark-up income suspended	-	-	32,791	-	-	-	32,791	-
Sundry payable	-	50,721	-	-	-	83,596	-	-
Group service cost	-	157,687	-	-	-	115,065	-	-
Other liabilities	-	-	5,000	-	-	-	5,000	-
Balances in vostro accounts	-	82,373	-	-	-	30,970	-	-
Provision against diminution in the value of investments	-	-	98,383	-	-	-	98,383	-



	Half year ended June 30, 2012 (Un-audited)				Half year ended June 30, 2011 (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	87,953	-	-	-	84,995	-	-	-
Directors fee	2,815	-	-	-	1,498	-	-	-
Commission on guarantee	-	177	-	-	-	-	-	-
Counter confirmation charges on guarantees	-	4,579	-	-	-	5,042	-	-
Mark-up / return / interest expense	3,046	-	-	-	4,242	-	-	5,044
Mark-up / return / interest income	976	-	-	-	1,210	-	-	-
Disposal of fixed assets	1,100	-	-	-	-	-	-	-
Group service cost (including exchange impact on revaluation)	-	42,622	-	-	-	52,802	-	-

19 BUSINESS SEGMENTS

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

Particulars	For the half year ended June 30, 2012 (Un-audited)				
	Corporate finance	Trading & sales	Retail banking	Commercial banking	Total
(Rupees in thousand)					
Total income (net of interest expense and provisions)	2,500	62,378	435,898	336,978	837,754
Total operating expenses	(6,444)	(58,491)	(508,181)	(146,294)	(719,410)
Net (loss) / income (before tax)	(3,944)	3,887	(72,283)	190,684	118,344
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

As at June 30, 2012 (Un-audited)					
Particulars	Corporate finance	Trading & sales	Retail banking	Commercial banking	Total
(Rupees in thousand)					
Segment assets (gross)	12,431	16,265,102	2,074,857	16,899,178	35,251,568
Segment non-performing loans	-	-	673,613	1,858,529	2,532,142
Segment provision held*	-	(237,783)	(648,750)	(1,921,898)	(2,808,431)
Segment liabilities	43	37,298	17,454,064	6,718,161	24,209,566

As at December 31, 2011 (Audited)					
Particulars	Corporate finance	Trading & sales	Retail banking	Commercial banking	Total
(Rupees in thousand)					
Segment assets (gross)	15,660	12,734,953	2,429,780	19,034,915	34,215,308
Segment non-performing loans	-	-	706,725	1,912,685	2,619,410
Segment provision held*	-	(238,894)	(669,754)	(1,975,688)	(2,884,336)
Segment liabilities	308	1,613,426	14,760,017	6,774,954	23,148,705

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

20 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.

Figures have been rounded off to the nearest thousand rupees.

21 DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue on August 08, 2012 by the Board of Directors of the Bank.

President and Chief Executive Officer

Chairman

Director

Director