

Samba Bank Limited

Quarterly Report

September 30, 2023

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OUR BRANCH NETWORK

Currently, SBL has a network of 47 branches located in 15 major cities across the country.

Karachi

I.I. Chundrigar Road
Clifton, Park Towers
Rashid Minhas
Hyderi
S.M.C.H.S.
Bahria Complex I
Shahra-e-Faisal
Gulshan
Bahadurabad
DHA Phase VI (Shahbaz)
DHA Phase VIII
Ittehad
Saba Avenue
Tauheed Commercial

Lahore

Gulberg
Shadman
Allama Iqbal Town
Johar Town
New Garden Town
Tufail Sarwar Road
Cavalry Ground
Faisal Town
Model Town
Bahria Town
DHA Phase III
DHA Phase V
DHA Phase VI

Islamabad

F-7
F-11
Jinnah Avenue
DHA Phase II

Rawalpindi

Murree Road
Bahria Town
Wah Cantt.

Gujranwala

G.T. Road

Faisalabad

Liaquat Road
Susan Road

Multan

Nusrat Road
Mauza Gith Brabar (DHA)

Sahiwal

Sahiwal

Sialkot

Paris Road

Peshawar

Islamia Road

Quetta

M.A. Jinnah Road

Gwadar

Airport Road

AJK - Bagh

Bagh

Jhelum

Jhelum Cantt.

Nowshera

Rashakai



COMPANY INFORMATION

Board of Directors

Mr. Mustafa Ilyas	Chairman/Non-Executive Director
Mr. Nasser Al-Fraih	Non-Executive Director
Mr. Hussein Eid	Non-Executive Director
Mr. Timour Pasha	Non-Executive Director
Hafiz Mohammad Yousaf	Independent Director
Mr. Javed Kureishi	Independent Director
Ms. Zeeba Ansar	Independent Director

Board Audit Committee

Hafiz Mohammad Yousaf	Chairman
Mr. Hussain Eid	Member
Mr. Javed Kureishi	Member

Board Risk Committee

Mr. Timour Pasha	Chairman
Mr. Javed Kureishi	Member
Ms. Zeeba Ansar	Member
Mr. Ahmad Tariq Azam	Member

Board Nominations & Remuneration Committee

Ms. Zeeba Ansar	Chairperson
Hafiz Mohammad Yousaf	Member
Mr. Mustafa Ilyas	Member
Mr. Hussein Eid	Member

Board IT Committee

Mr. Mustafa Ilyas	Chairman
Mr. Javed Kureishi	Member
Hafiz Mohammad Yousaf	Member

President & Chief Executive Officer

Mr. Ahmad Tariq Azam

Deputy Chief Executive Officer

Mr. Rashid Jahangir

Company Secretary

Syed Zia-ul-Husnain Shamsi

Chief Financial Officer (Acting)

Mr. Basit Hamanyun

Auditors

KPMG Taseer Hadi & Co. Chartered Accountants

Legal Advisors

Mohsin Tayebaly & Co.
Advocates & Legal Consultants

Head Office

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

Registered Office

1st Floor, 19-Saleem Plaza, Blue Area, Jinnah Avenue,
Islamabad - Pakistan.

Share Registrar

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

Website

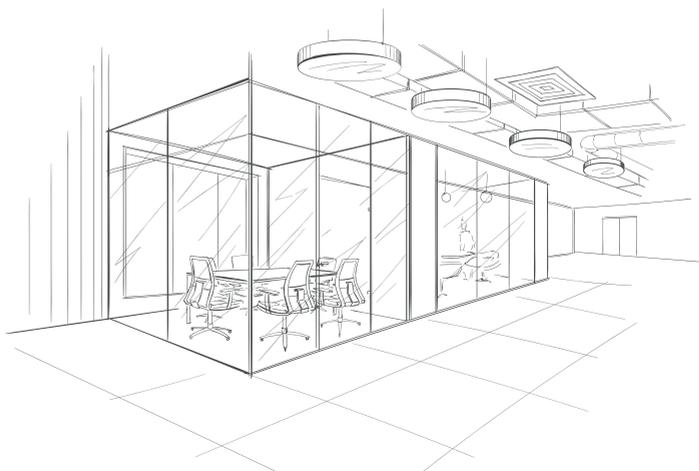
www.samba.com.pk

Helpline

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0800 - SAMBA (72622)

Credit Rating by VIS

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



DIRECTORS' REPORT

On behalf of the Board of Directors, we are pleased to present the financial results of the Bank for the nine months ended September 30, 2023.

Economic Highlights

The resumption in the global economy, coupled with relaxed import restrictions, ease in supply constraints, appreciation in the exchange rate and implementation of economic revival plan resulted in some stability in the overall economic horizon of the country. On the external front the current account deficit and other macro-economic indicators also exhibited the outcomes of above said developments. Current account posted a deficit of USD 935 million for FY 2024 (July-Aug) as against a deficit of USD 2,035 million during the FY 2023 (July-Aug). Reduction in current account deficit is mainly on account of contraction in imports by 21%.

Aforementioned economic revival plan and the administration's stern measures have resulted in moderating the inflationary pressure, appreciation in exchange rate and stability in the Discount Rate.

Bank's Operating Results and Financial Review

The bank has posted good financial results for the nine months ended September 30, 2023 the summary of which is as under:

	(Rupees in millions)	
	Nine Months ended September 30, 2023	Nine Months ended September 30, 2022
Operating profit	3,113	1,301
Provisions Reversal / (Charge)	(1,261)	(676)
Profit before taxation	1,852	625
Taxation charge	(792)	(256)
Profit after taxation	1,060	369
Earnings per share - PKR	1.05	0.37

During the period under review, Net Interest Income increased by 80.25% over the corresponding period of last year. This increase is in line with hike in policy rate from 15% in September 2022 to 22% in September 2023. FX income on the other hand registered a growth of 6% over similar period last year and closed at Rs. 975 million, however, we have also incurred a capital loss of Rs. 466 million on disposal of certain fixed rate bonds and equity investments. Despite overall inflation of around 27% and significant currency devaluation, the operating expenses of the Bank for the nine months ended September 30, 2023 remained well in control and increased by around 16% over the comparative period last year.

The bank is continuously right sizing its earning assets mix vis-à-vis credit risk. The momentum has shifted towards mobilization of low-cost deposits and gradual reduction in borrowings. Deposits book continued the growth momentum and closed at Rs. 125.5 billion registering an increase of 19.2% over December 2022 position. The Bank has continued its efforts to improve low cost deposit mix by mobilizing medium to small ticket deposits. Despite increase in policy rate, cost of deposits has been restricted at 12.24%. Assets base of the bank grew by Rs. 445 million (i.e. 0.2%) over December 31, 2022 position and stood at Rs. 179.5 billion as at September 30, 2023. Investments decreased by Rs. 4.6 billion (i.e. 6%) and Lendings to Financial institutions increased by Rs. 3.0 billion, whereas, Loans & Advances decreased by Rs. 6.6 billion (i.e. 8.9%) from year end position.

Credit Rating

VIS Credit Rating Company Limited and The Pakistan Credit Rating Agency Limited (PACRA), premier credit rating agencies of the country, have assigned the entity ratings at 'AA/A-1' (Double A/A-One) to the Bank with 'Stable' outlook. 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

Pakistan has considerable upcoming domestics and external payments for the remainder of FY2024, with limited fiscal space and fluctuating foreign reserves position. The capacity to meet the high gross and external financing needs depends heavily on achieving necessary fiscal consolidation, the materialization of expected rollovers, refinancing of bilateral deposits, commercial loans and progress on IMF standby arrangement program. It is expected that the economic revival plan and prudent actions, policies including Special Investment Facilitation Council (SIFC) and Information Technology policy, will attract new investments to create a positive effect in the economy for higher and inclusive growth in the current fiscal year.

Acknowledgement

We wish to express 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, Securities & Exchange Commission of Pakistan, Federal Board of Revenue and other regulatory bodies for their guidance and support. We also sincerely appreciate the dedication, commitment and team work of all employees of the Bank who worked very hard to transform the Bank into a successful franchise.

On behalf of the Board of Directors,



Ahmad Tariq Azam
President & Chief Executive Officer

October 26, 2023
Karachi



Zeeba Ansar
Director

مستقبل کی پیش بینی

پاکستان کو مالی سال 2024ء کی بقیہ مدت میں محدود مالی وسائل اور غیر ملکی زرمبادلہ کے ذخائر میں اتار چڑھاؤ کی صورت حال کے مابین، کثیر رقوم کی اندرونی اور بیرونی ادائیگیوں کا سامنا کرنا پڑے گا۔ بیرونی قرضوں کی ناگزیر اور زیادہ اور شدید ضرورت کے معیار پر پورا اترنے کی صلاحیت کا دار و مدار مالیاتی جامعیت کے حصول، متوقع رول اوورز (rollovers) کے وقوع پذیر ہونے، دوطرفہ ڈیپازٹس کی ری فنانسنگ، کمرشل قرضہ جات اور آئی ایم ایف کے اسٹینڈ بائی آرینجمنٹ پروگرام کی مد میں ہونے والی پیش رفت پر ہے۔ اس بات کی توقع ہے کہ معیشت کی بحالی کے منصوبے اور اس سے جڑے دانشمندانہ اقدامات، پالیسیوں بشمول اسپیشل انویسٹمنٹ فیسیلیٹیشن کونسل (SIFC - Special Investment Facilitation Council) اور انفارمیشن ٹیکنالوجی کی پالیسی سے نئی سرمایہ کاری کی راہ ہموار ہوگی تاکہ رواں مالی سال میں معیشت کے لئے مثبت پہلوؤں جاگر کرتے ہوئے بلند اور پائیدار نمو حاصل کی جاسکے۔

اظہار تشکر

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

بورڈ آف ڈائریکٹرز کی جانب سے


ذیاء انصار
ڈائریکٹر


احمد طارق اعظم
پریذیڈنٹ اور چیف ایگزیکٹو آفیسر

126 اکتوبر 2023ء

کراچی

اس زیر تجربہ مدت کے دوران خالص انٹرسٹ آمدنی گزشتہ سال کی تقابلی مدت سے 80.25 فیصد زیادہ رہی۔ یہ اضافہ پالیسی ریٹ میں ستمبر 2022ء کی 15 فیصد کی شرح سے ستمبر 2023ء تک کی 22 فیصد کی شرح کی بڑھوتی کی عین مطابقت میں ہے۔ دوسری جانب غیر ملکی کرنسیوں سے متعلقہ آمدنی میں گزشتہ سال کے مماثل عرصہ کے مقابلے میں 6 فیصد کا نمودار ہوا، جس کا حجم 975 ملین روپے پر بند ہوا۔ بینک کو چند معین ریٹ کے حامل بانڈز اور ایکویٹی سرمایہ کاری کے فروخت سے 466 ملین روپے کا کسٹنل نقصان ہوا۔ مجموعی افراط زر کی تقریباً 27 فیصد کی شرح اور کرنسی کی قدر میں نمایاں فرسودگی کے باوجود، 30 ستمبر 2023ء کو اختتام پذیر شہماہی کے دوران، بینک کے کاروباری اخراجات پر احسن طریقہ سے قابو رکھا گیا اور ان میں گزشتہ سال کی تقابلی مدت کی نسبت 16 فیصد کا اضافہ درج ہوا۔

بینک اپنے پیداواری اثاثہ جات کی ترکیب اور اس کے ساتھ ساتھ کریڈٹ کے خدشات کو نہایت موزوں حجم پر برقرار رکھنے کے لئے مسلسل کوشاں ہے۔ اس امر میں تمام تر توجہ کم لاگت کے ڈیپازٹس کے حصول اور حاصل شدہ قرضوں میں بتدریج کمی کی جانب مرکوز رہی۔ ڈیپازٹس اپنی نمو کی تحریک کو جاری رکھتے ہوئے دسمبر 2022ء کی سطح سے 19.2 فیصد کے اضافے کے ساتھ 125.5 بلین روپے پر جا پہنچے۔ بینک نے درمیانی شرح کے ڈیپازٹس کو کم شرح کے ڈیپازٹس میں منتقلی کے فروغ کے ذریعے اپنی کم لاگت کے ڈیپازٹس کے حصول کی کاوشیں جاری رکھیں۔ پالیسی ریٹ میں اضافے کے باوجود، ڈیپازٹس کی لاگت کو 12.24 فیصد کی سطح تک محدود رکھا گیا ہے۔ بینک کے اثاثہ جات 31 دسمبر 2022ء کی سطح سے 445 بلین روپے یعنی (0.2 فیصد) کے اضافے کے ساتھ 30 ستمبر 2023ء تک 179.5 بلین روپے پر پہنچ گئے۔ سرمایہ کاری میں 4.6 بلین روپے (یعنی 6 فیصد) کی کمی اور مالیاتی اداروں کو فراہم کیے گئے قرضہ جات میں 3 بلین روپے کا اضافہ درج کیا گیا۔ جبکہ، دیگر قرضہ جات میں سال کے اختتام کی سطح سے 6.6 بلین روپے (یعنی 8.9 فیصد) کی کمی واقع ہوئی۔

کریڈٹ ریٹنگ

معروف کریڈٹ ایجنسیز، وی آئی ایس کریڈٹ ریٹنگ کمپنی لمیٹڈ اور پاکستان کریڈٹ ریٹنگ کمپنی لمیٹڈ (PACRA) نے بینک کی اسٹیٹی ریٹنگ کو مستحکم پیش بینی کے ساتھ، (A-1/AA) ڈبل اے/اے ون کے درجات تفویض کیے ہیں۔ یہ طویل اور قلیل المدتی درجہ بندیوں بینک کے اعلیٰ قرضہ جاتی معیار اور اس کے ساتھ اس کے مناسب محافظت کے عوامل اور اپنی مضبوط سیال پذیری (لیکوڈیٹی) کی بدولت اپنی تمام تر مالیاتی ذمہ داریوں کی بروقت ادائیگی کی ٹھوس صلاحیت کا مظہر ہیں۔

ڈائریکٹرز کی رپورٹ

بورڈ آف ڈائریکٹرز کی جانب سے ہم، بینک کے 30 ستمبر 2023ء کو اختتام پذیر نو ماہ کے مالیاتی نتائج پیش کرتے ہوئے، نہایت مسرت محسوس کر رہے ہیں۔

معاشی جھلکیاں

عالمی معیشت کی بحالی اور اس کے ساتھ ساتھ برآمدات پر لگائی گئی پابندیوں میں کمی، رسد کی ترسیل میں حائل رکاوٹوں میں آسانی، شرح تبادلہ میں بہتری اور معاشی بحالی کے منصوبے کے نفاذ کے نتیجے میں ملک کی مجموعی معیشت میں قدرے استحکام رونما ہوا۔ بیرونی محاذ پر، کرنٹ اکاؤنٹ کے خسارے اور دیگر گلاں معاشی اشاریوں میں بھی مندرجہ بالا اقدامات کی بناء پر بہتری دیکھی جا رہی ہے۔ کرنٹ اکاؤنٹ کا خسارہ مالی سال 2023ء کے جولائی تا اگست کی مدت کے دوران 2,035 ملین امریکی ڈالرز کے حجم کی نسبت مالی سال 2024ء کے جولائی تا اگست کے عرصے میں 935 ملین امریکی ڈالرز کی سطح پر درج ہوا۔ کرنٹ اکاؤنٹ کے خسارے میں کمی کی بنیادی وجہ برآمدات کی مد میں 21 فیصد کمی تھی۔ معیشت کی بحالی کے مذکورہ بالا منصوبے اور انتظامی سطح پر اٹھائے گئے اقدامات کے باعث افراط زر کے دباؤ کو اعتدال میں لانے، شرح تبادلہ میں بہتری اور ڈسکاؤنٹ ریٹ کو مستحکم کرنے میں مدد حاصل ہوئی۔

بینک کے کاروباری نتائج اور مالیاتی تجزیہ

بینک نے 30 ستمبر 2023ء کو اختتام پذیر نو ماہ کے عرصے کے دوران قابل قدر مالیاتی نتائج حاصل کیے، جن کا خلاصہ مندرجہ ذیل ہے:

ملین روپے	
نو ماہ مختتمہ 30 ستمبر 2022 (غیر آڈٹ شدہ)	نو ماہ مختتمہ 30 ستمبر 2023 (غیر آڈٹ شدہ)
1,301	3,113
(676)	(1,261)
625	1,852
(256)	(792)
369	1,060
0.37	1.05

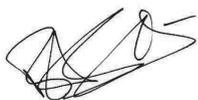
کاروباری منافع
 پروویژن (اخراجات)
 منافع قبل از محصولات (ٹیکس)
 محصولات
 منافع بعد از محصولات
 آمدنی فی حصص (روپے)

Condensed Interim Statement of Financial Position

AS AT SEPTEMBER 30, 2023

	Note	(Rupees in '000)	
		September 30, 2023	December 31, 2022
		(Un-audited)	(Audited)
ASSETS			
Cash and balances with treasury banks	6	10,174,826	6,169,111
Balances with other banks	7	698,636	1,023,414
Lendings to financial institutions	8	10,419,909	7,354,279
Investments	9	72,304,099	76,904,147
Advances	10	67,818,284	74,454,568
Fixed assets	11	3,030,874	3,131,840
Intangible assets	12	616,114	616,036
Deferred tax assets	13	3,181,951	2,121,039
Other assets	14	11,457,029	7,299,825
		179,701,722	179,074,259
LIABILITIES			
Bills payable	15	907,338	1,038,709
Borrowings	16	20,871,783	45,826,302
Deposits and other accounts	17	125,501,999	105,243,764
Liabilities against assets subject to finance lease		-	-
Subordinated debt	18	4,995,000	4,997,000
Deferred tax liabilities	13	-	-
Other liabilities	19	12,141,581	7,315,401
		164,417,701	164,421,176
NET ASSETS			
		15,284,021	14,653,083
REPRESENTED BY:			
Share capital		10,082,387	10,082,387
Reserves		2,941,974	2,729,919
Deficit on revaluation of assets	20	(1,178,608)	(749,270)
Unappropriated profit		3,438,268	2,590,047
		15,284,021	14,653,083
CONTINGENCIES AND COMMITMENTS			
	21		

The annexed notes 1 to 38 form an integral part of these condensed interim financial statements.



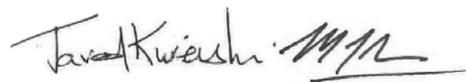
Chief Financial Officer
(Acting)



President & Chief Executive Officer



Director



Director

Chairman

Condensed Interim Statement of Comprehensive Income (Un-Audited)

FOR THE QUARTER AND NINE MONTHS ENDED SEPTEMBER 30, 2023

	(Rupees in '000)			
	Quarter ended		Nine Months ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Profit after taxation for the period	354,230	30,162	1,060,276	369,353
Other comprehensive income / (loss)				
Items that may be reclassified to profit and loss account in subsequent periods:				
Movement in surplus / (deficit) on revaluation of investments - net of tax	151,104	93,935	(429,338)	(435,940)
Total comprehensive income / (loss)	<u>505,334</u>	<u>124,097</u>	<u>630,938</u>	<u>(66,587)</u>

The annexed notes 1 to 38 form an integral part of these condensed interim financial statements.



Chief Financial Officer
(Acting)



President & Chief Executive Officer



Director



Director

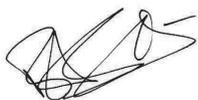
Chairman

Condensed Interim Cash Flow Statement (Un-Audited)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023

	(Rupees in '000)	
	Nine Months ended September 30, 2023	Nine Months ended September 30, 2022
CASH FLOW FROM OPERATING ACTIVITIES		
Profit / (Loss) before taxation	1,852,253	625,362
Less: Dividend income	(27,046)	(38,597)
	1,825,207	586,765
Adjustments:		
Depreciation	388,045	318,404
Amortisation of intangible assets	69,566	54,609
Provision and write-offs	1,261,221	676,524
Gain on sale of fixed assets	(5,209)	(6,193)
Interest expensed on lease liability against right of use assets	139,124	110,782
Interest expensed on debt securities	780,190	455,014
Loss / (gain) on sale of investment - net	464,617	165,886
Unrealized (gain) / loss on revaluation of investments classified as held for trading	1,221	(6,771)
	3,098,775	1,768,255
	4,923,982	2,355,020
(Increase) / decrease in operating assets		
Lendings to financial institutions	(3,065,630)	473,817
Investments - held for trading securities	87,930	(3,149,820)
Advances	5,521,575	(2,738,692)
Others assets (excluding advance taxation)	(4,641,496)	(4,339,505)
	(2,097,621)	(9,754,200)
Increase / (decrease) in operating liabilities		
Bills Payable	(131,371)	(63,426)
Borrowings from financial institutions	(24,954,519)	(13,427,923)
Deposits and other accounts	20,258,235	13,526,870
Other liabilities (excluding current taxation)	5,037,102	4,193,408
	209,447	4,228,929
Income tax paid	(931,242)	(622,904)
Net cash flow generated from / (used in) operating activities	2,104,566	(3,793,155)
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in securities	2,906,978	2,920,517
Dividends income	27,046	35,191
Investments in fixed assets and intangible assets	(266,910)	(206,674)
Proceeds from sale of fixed assets	6,293	5,036
Net cash flow from / (used in) investing activities	2,673,407	2,754,070
CASH FLOW FROM FINANCING ACTIVITIES		
Principal repayment of debt securities	(2,000)	(2,000)
Markup payment on debt securities	(969,144)	(603,557)
Dividend paid	174,630	(592,568)
Payments of lease liability against right of use assets	(300,522)	(205,640)
	(1,097,036)	(1,403,765)
Increase / (Decrease) in cash and cash equivalents during the period	3,680,937	(2,442,850)
Cash and cash equivalents at the beginning of the period	7,192,525	8,910,041
Cash and cash equivalents at the end of the period	10,873,462	6,467,191

The annexed notes 1 to 38 form an integral part of these condensed interim financial statements.



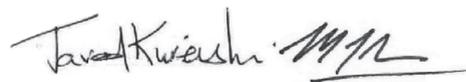
Chief Financial Officer
(Acting)



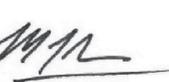
President & Chief Executive Officer



Director



Director



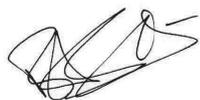
Chairman

Condensed Interim Statement of Changes in Equity (Un-Audited)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023

	(Rupees in '000)					
	Share Capital	Capital Reserve	Statutory Reserve	Surplus/ (Deficit) on Revaluation of Investments	Unappropriated profit	Total
Balance as at December 31, 2021	10,082,387	1,561,435	1,168,484	(534,770)	3,622,890	15,900,426
Comprehensive income for the period						
Profit after taxation for the nine months ended September 30, 2022	-	-	-	-	369,353	369,353
Other comprehensive loss						
Movement in (deficit) on revaluation of investments - net of tax	-	-	-	(435,940)	-	(435,940)
Transfer to statutory reserve	-	-	-	-	-	-
Transactions with owners recognized directly in equity						
Cash dividend for the year ended December 31, 2021 (Rs. 0.6 per ordinary share)	-	-	-	-	(604,943)	(604,943)
Balance as at September 30, 2022	10,082,387	1,561,435	1,168,484	(970,710)	3,387,300	15,228,896
Comprehensive income for the period						
Loss after taxation for the three months ended December 31, 2022	-	-	-	-	(797,253)	(797,253)
Other comprehensive loss						
Movement in surplus on revaluation of investments - net of tax	-	-	-	221,440	-	221,440
Transfer to statutory reserve	-	-	-	-	-	-
Balance as at December 31, 2022	10,082,387	1,561,435	1,168,484	(749,270)	2,590,047	14,653,083
Comprehensive income for the period						
Profit after taxation for the nine months ended September 30, 2023	-	-	-	-	1,060,276	1,060,276
Other comprehensive loss						
Movement in (deficit) on revaluation of investments - net of tax	-	-	-	(429,338)	-	(429,338)
Transfer to statutory reserve	-	-	212,055	-	(212,055)	-
Balance as at September 30, 2023	10,082,387	1,561,435	1,380,539	(1,178,608)	3,438,268	15,284,021

The annexed notes 1 to 38 form an integral part of these condensed interim financial statements.



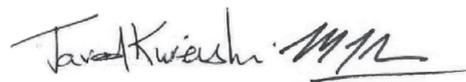
Chief Financial Officer
(Acting)



President & Chief Executive Officer



Director



Director

Chairman

Notes to and Forming Part of the Condensed Interim Financial Statements

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023

1 STATUS AND NATURE OF BUSINESS

1.1 Samba Bank Limited (the Bank) is a banking company incorporated in Pakistan and is engaged in commercial banking and related services. The Bank is listed on the Pakistan Stock Exchange Limited. Its principal office is located at Ground Floor, Arif Habib Centre, M.T. Khan Road, Karachi, whereas, the registered office of the Bank is located at 1st Floor, 19 - Saleem Plaza, Blue Area, Jinnah Avenue, Islamabad. The Bank operates 47 branches (December 31, 2022: 47 branches) inside Pakistan.

The Bank is a subsidiary of Saudi National Bank (formerly Samba Financial Group) of Kingdom of Saudi Arabia, the Parent entity, which holds 84.51% shares of the Bank as at September 30, 2023 (December 31, 2022: 84.51%).

1.2 VIS Credit Rating Company has maintained the Bank's medium to long-term rating as 'AA' and the short-term rating as 'A-1'.

2 BASIS OF PRESENTATION

2.1 STATEMENT OF COMPLIANCE

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

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Act, 2017;
- Provisions of and directives issued under the Banking Companies Ordinance, 1962 and the Companies Act, 2017; and
- Directives issued by the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP).

Whenever the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 or the directives issued by the SBP and the SECP differ with the requirements of IAS 34 or IFAS, the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives, shall prevail.

2.2 The disclosures made in these condensed interim financial statements have been limited based on the format prescribed by the SBP vide BPRD Circular Letter No. 5 dated March 22, 2019 and International Accounting Standard (IAS) 34, Interim Financial Reporting. These condensed interim financial statements do not include all the information and disclosures required for annual financial statements and should be read in conjunction with the annual financial statements for the year ended December 31, 2022.

SBP through BPRD Circular No. 02 of 2023 has amended the existing format of annual financial statements of banks. All banks are directed to prepare their annual / interim financial statements on the revised formats, effective from the 1st quarter of 2024 as directed vide BPRD Circular Letter No. 7 of 2023.

2.3 The State Bank of Pakistan, vide its BSD Circular Letter no. 10 dated August 26, 2002, has deferred the applicability of International Accounting Standard 39, Financial Instruments: Recognition and Measurement and International Accounting Standard 40, Investment Property, for banking companies till further instructions. Further, the SECP, through S.R.O 411(1)/2008 dated April 28, 2008, has deferred the applicability of IFRS 7, Financial Instruments: Disclosures, to banks. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.

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

3 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these condensed interim financial statements are consistent with those followed in the preparation of the annual financial statements for the year ended December 31, 2022.

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

There are certain other new standards and interpretations of and amendments to existing accounting standards that have become applicable to the Bank for accounting periods beginning on or after January 1, 2023. These are considered either not relevant or not to have any significant impact on the Bank's financial statements.

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

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 1 January 2024:

- Classification of liabilities as current or non-current (Amendments to IAS 1 in January 2020)
- Non-current Liabilities with Covenants (amendment to IAS 1 in October 2022)
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) - the IASB has issued amendments on the application of materiality to disclosure of accounting policies and to help companies provide useful accounting policy disclosures. The key amendments to IAS 1 include:

- i) Requiring companies to disclose their material accounting policies rather than their significant accounting policies;
- ii) Clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
- iii) Clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

As per State Bank of Pakistan (SBP)'s BPRD circular letter no. 07 of 2023, IFRS 9 'Financial Instruments' is effective from January 1, 2024 for all banking companies.

The impact of the application of IFRS 9 in Pakistan on the Bank's financial statements is being assessed.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The basis for accounting estimates adopted in the preparation of these condensed interim financial statements is the same as that applied in the preparation of the annual financial statements for the year ended December 31, 2022.

5 FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies adopted by the Bank are consistent with those disclosed in the audited annual financial statements for the year ended December 31, 2022.

		(Rupees in '000)	
		September 30, 2023	December 31, 2022
		(Un-audited)	(Audited)
6	CASH AND BALANCES WITH TREASURY BANKS	Note	
	In hand		
	Local currency	1,136,111	1,080,788
	Foreign currencies	698,386	402,368
		1,834,497	1,483,156
	With State Bank of Pakistan in		
	Local currency current account	5,861,518	3,847,539
	Foreign currency current account (Foreign currencies Settlement Account)	191,155	191,078
	Foreign currency current account (cash reserve account)	764,809	647,140
	Foreign currency deposit account (Special Cash Reserve Account)	1,514,943	-
		8,332,425	4,685,757
	With National Bank of Pakistan in		
	Local currency current account	7,876	-
	National Prize Bonds	28	198
		10,174,826	6,169,111
7	BALANCES WITH OTHER BANKS		
	In Pakistan		
	In current account	6,718	55,964
	In deposit account	21	20
		6,739	55,984
	Outside Pakistan		
	In current account	691,897	967,430
		698,636	1,023,414
7.1	This includes balance of Rs. 27.459 million (December 31, 2022: Rs. 47.903 million) with Saudi National Bank - a related party		
8	LENDINGS TO FINANCIAL INSTITUTIONS		
	Repurchase agreement lendings (Reverse Repo)	3,444,460	2,531,750
	Other lending (Naya Pakistan Certificates)	6,975,449	4,822,529
		10,419,909	7,354,279

9 INVESTMENTS

9.1 Investments by type:

(Rupees in '000)							
September 30, 2023 (Un-audited)				December 31, 2022 (Audited)			
Cost/ Amortised cost	Provision for diminution	Surplus/ (Deficit)	Carrying Value	Cost/ Amortised cost	Provision for diminution	Surplus/ (Deficit)	Carrying Value
Held-for-trading securities							
Federal Government Securities							
97,404	-	29	97,433	68,981	-	142	69,123
Shares							
32,115	-	(1,250)	30,865	145,103	-	2,002	147,105
129,519	-	(1,221)	128,298	214,084	-	2,144	216,228
Available-for-sale securities							
Federal Government Securities							
72,572,639	-	(2,199,699)	70,372,940	73,565,454	-	(871,525)	72,693,929
Shares							
1,397,409	(161,822)	(96,343)	1,139,244	1,531,285	(17,786)	(423,012)	1,090,487
Non Government Debt Securities							
678,571	-	(14,954)	663,617	848,214	-	(19,972)	828,242
74,648,619	(161,822)	(2,310,996)	72,175,801	75,944,953	(17,786)	(1,314,509)	74,612,658
Held-to-maturity securities							
Federal Government Securities							
-	-	-	-	2,075,261	-	-	2,075,261
Total Investments							
74,778,138	(161,822)	(2,312,217)	72,304,099	78,234,298	(17,786)	(1,312,365)	76,904,147

9.1.1 Investments given as collateral

Pakistan Investment Bonds

8,875,800

32,478,850

9.2 Provision for diminution in value of investments

Opening balance

17,786

212,715

Charge / reversals

Charge for the period / year

144,036

46,846

Reversal

-

(241,775)

Net (reversals) / charge

144,036

(194,929)

Closing Balance

161,822

17,786

9.2.1 No provision was charged against investment in debt securities as at September 30, 2023 (December 31, 2022: Nil).

9.3 The market value of securities classified as held-to-maturity as at September 30, 2023 amounted to Nil (December 31, 2022: Rs. 1,830.946 million).

10 ADVANCES

	(Rupees in '000)					
	Performing		Non-Performing		Total	
	September 30, 2023 (Un-audited)	December 31, 2022 (Audited)	September 30, 2023 (Un-audited)	December 31, 2022 (Audited)	September 30, 2023 (Un-audited)	December 31, 2022 (Audited)
Loans, cash credits, running finances, etc.	68,088,017	74,823,126	6,739,528	5,245,303	74,827,545	80,068,429
Bills discounted and purchased	140,939	444,620	15,494	15,494	156,433	460,114
Advances - gross	68,228,956	75,267,746	6,755,022	5,260,797	74,983,978	80,528,543
Provision against advances						
- Specific	-	-	(5,485,157)	(4,909,582)	(5,485,157)	(4,909,582)
- General	(1,680,537)	(1,164,393)	-	-	(1,680,537)	(1,164,393)
	(1,680,537)	(1,164,393)	(5,485,157)	(4,909,582)	(7,165,694)	(6,073,975)
Advances - net of provision	66,548,419	74,103,353	1,269,865	351,215	67,818,284	74,454,568

10.1 Particulars of advances (Gross)

	(Rupees in '000)	
	September 30, 2023 (Un-audited)	December 31, 2022 (Audited)
	In local currency	74,945,247
In foreign currencies	38,731	166,999
	74,983,978	80,528,543

10.2 Advances include Rs. 6,755 million (December 31, 2022: Rs. 5,261 million) which have been placed under non-performing status as detailed below:

Category of Classification	(Rupees in '000)			
	September 30, 2023 (Un-audited)		December 31, 2022 (Audited)	
	Non Performing Loans	Provision	Non Performing Loans	Provision
Domestic				
Substandard	305,592	76,398	165,834	41,459
Doubtful	892,593	446,230	105,203	52,320
Loss	5,556,837	4,962,529	4,989,760	4,815,803
	6,755,022	5,485,157	5,260,797	4,909,582

10.3 Particulars of provision against advances

	(Rupees in '000)					
	September 30, 2023 (Un-audited)			December 31, 2022 (Audited)		
	Specific	General	Total	Specific	General	Total
Opening balance	4,909,582	1,164,393	6,073,975	3,882,761	195,770	4,078,531
Charge for the period	728,597	516,144	1,244,741	1,159,218	968,623	2,127,841
Reversals	(130,032)	-	(130,032)	(95,116)	-	(95,116)
	598,565	516,144	1,114,709	1,064,102	968,623	2,032,725
Amounts written off	(22,990)	-	(22,990)	(37,281)	-	(37,281)
Closing balance	5,485,157	1,680,537	7,165,694	4,909,582	1,164,393	6,073,975

10.4 As at September 30, 2023, general provision of Rs. 1,680.537 million includes provision of Rs. 97.634 million (December 31, 2022: Rs. 97.514 million) held against consumer finance portfolio as required by the Prudential Regulations issued by the State Bank of Pakistan and Rs. 1,582.903 million (December 31, 2022: Rs.1,066.879

million) created against corporate, commercial and SME advances which is based on management's best estimate for potential losses present in the portfolio.

- 10.5** In accordance with BSD Circular No. 1 of 21 October 2011 issued by the SBP, the Bank has availed the benefit of Forced Sale Value (FSV) of collateral against non-performing loans and advances of certain obligors where chances of recovery are quite high. Had this benefit of FSV not been taken by the Bank, the specific provision against non-performing advances would have been higher by Rs. 564 million (December 31, 2022: Rs. 143 million) and profit after tax would have been lower by Rs. 276.36 million (December 31 2022: loss after tax 72.93). This amount of Rs. 276.36 million (December 31, 2022: Rs. 72.93 million) is not available for distribution of cash and stock dividend to the shareholders and bonus to employees.

11 FIXED ASSETS

		(Rupees in '000)	
		September 30, 2023	December 31, 2022
		(Un-audited)	(Audited)
	Note		
Capital work-in-progress	11.1	67,144	47,138
Property and equipment	11.2 & 11.3	1,658,805	1,730,369
Right of use assets		1,304,925	1,354,333
		<u>3,030,874</u>	<u>3,131,840</u>
11.1 Capital work-in-progress			
Civil works		47,128	28,143
Equipment		20,015	18,995
		<u>67,143</u>	<u>47,138</u>

11.2 Additions to fixed assets

The following additions have been made to fixed assets during the period:

		(Rupees in '000)	
		September 30, 2023	September 30, 2022
		(Un-audited)	(Un-audited)
Capital work-in-progress		72,154	90,317
Property and equipment			
Furniture and fixture		8,109	4,713
Electrical office and computer equipment		34,219	29,838
Vehicles		7,678	83
		<u>50,006</u>	<u>34,634</u>
Total		<u>122,160</u>	<u>124,951</u>

11.3 Disposal of fixed assets

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

Furniture and fixture	160	-
Electrical office and computer equipment	381	1,148
Vehicles	542	8,053
Total	<u>1,084</u>	<u>9,201</u>

12 INTANGIBLE ASSETS

Intangible assets
Capital work-in-progress

(Rupees in '000)	
September 30, 2023	December 31, 2022
(Un-audited)	(Audited)
326,748	253,161
289,366	362,875
616,114	616,036

12.1 Additions to intangible assets

The following additions have been made to intangible assets during the period:

Capital work-in-progress
Directly purchased
Total

Nine months ended	
(Rupees in '000)	
September 30, 2023	September 30, 2022
(Un-audited)	(Un-audited)
49,088	87,219
20,097	3,535
69,185	90,754

13 DEFERRED TAX ASSETS / (LIABILITIES)

Note

Deductible Temporary Differences on:

- Revaluation of investments
- Accelerated tax depreciation
- Provision against advances, off balance sheet etc.

(Rupees in '000)	
September 30, 2023	December 31, 2022
(Un-audited)	(Audited)
1,132,388	565,239
61,252	40,114
2,073,020	1,599,515
3,266,660	2,204,868
-	-
(84,709)	(83,829)
(84,709)	(83,829)
3,181,951	2,121,039

Taxable Temporary Differences on:

- Surplus on revaluation of investments
- Net investment in finance lease

14 OTHER ASSETS

Income / mark-up accrued in local currency
Income / mark-up accrued in foreign currencies
Advances, deposits, advance rent and other prepayments
Advance taxation (payments less provisions)
Mark to market gain on forward foreign exchange & arbitrage contracts
Acceptances
Receivable against sale of equity investment
Others
Less: Provision held against other assets
Other Assets - net

5,853,622	5,151,054
140,879	35,814
229,363	187,779
-	354,498
3,754,805	816,671
1,496,583	679,975
11,577	74,847
119,477	156,346
11,606,306	7,456,984
(149,277)	(157,159)
11,457,029	7,299,825

14.1 This includes an amount of Rs. 1.847 million (December 31, 2022: Rs. 1.847 million) receivable from Saudi National Bank - a related party.

14.2 Provisions held against other assets

Fee, commission and other receivables
Fraud and forgery

(Rupees in '000)	
September 30, 2023	December 31, 2022
(Un-audited)	(Audited)
80,137	88,019
69,140	69,140
149,277	157,159

- 14.3** The Bank holds various properties in its name which were transferred by operation of law. As per master agreement dated October 22, 2002 signed between M/s Mashreq Bank PSC. (UAE), M/s Crescent Investment Bank Limited and M/s International Housing Finance Limited, these properties were decreed in favor of M/s Mashreq Bank PSC and are held by the Bank as an agent of M/s Mashreq Bank PSC being pass through facilities. Any amount realized on disposal of these properties is to be remitted to Mashreq Bank PSC therefore not recorded in these condensed interim financial statement.

		(Rupees in '000)	
		September 30, 2023	December 31, 2022
		(Un-audited)	(Audited)
15. BILLS PAYABLE			
	In Pakistan	907,338	1,038,709

16. BORROWINGS

Secured

Borrowings from State Bank of Pakistan

- Under export refinance scheme
- Under Long Term Finance Facility

4,558,602	5,121,341
7,290,845	7,915,505
11,849,447	13,036,846

Repurchase agreement borrowings

9,000,000	32,767,120
-----------	------------

Total secured

20,849,447	45,803,966
------------	------------

Unsecured

Bankers Equity Limited (under liquidation)

22,336	22,336
--------	--------

Total unsecured

22,336	22,336
--------	--------

20,871,783	45,826,302
------------	------------

17 DEPOSITS AND OTHER ACCOUNTS

							(Rupees in '000)					
Note							September 30, 2023			December 31, 2022		
							(Un-audited)			(Audited)		
							In Local	In Foreign	Total	In Local	In Foreign	Total
							Currency	Currencies		Currency	Currencies	
Customers												
						23,036,312	7,126,009	30,162,321	18,151,448	5,374,691	23,526,139	
						21,014,803	2,856,431	23,871,234	18,403,509	3,276,147	21,679,656	
						60,315,393	4,640,546	64,955,939	45,744,241	3,893,866	49,638,107	
						693,840	-	693,840	1,138,552	-	1,138,552	
						105,060,348	14,622,986	119,683,334	83,437,750	12,544,704	95,982,454	
Financial Institutions												
						138,765	2,825	141,590	81,170	2,223	83,393	
						4,098,812	-	4,098,812	7,849,496	-	7,849,496	
						500,000	-	500,000	250,000	-	250,000	
						1,078,263	-	1,078,263	1,078,421	-	1,078,421	
						5,815,840	2,825	5,818,665	9,259,087	2,223	9,261,310	
						110,876,188	14,625,811	125,501,999	92,696,837	12,546,927	105,243,764	

- 17.1** This includes deposits amounting to Rs. 1,078.263 million (December 31, 2022: Rs. 1,078.421 million) from Saudi National Bank - a related party.

18 SUBORDINATED DEBT

		(Rupees in '000)	
		September 30, 2023	December 31, 2022
		(Un-audited)	(Audited)
Term Finance Certificates (TFCs) - Unsecured	18.1	4,995,000	4,997,000

18.1 Term Finance Certificates (TFCs) - Unsecured

Issue amount	Rupees 5,000 million
Issue date	March 2021
Maturity date	March 2031
Rating	AA-
Profit payment frequency	Semi - annually
Redemption	6th - 108th month: 0.36%; 114th and 120th month: 49.82% each
Mark-up	Payable six monthly at six months' KIBOR plus 1.35%
Call option	On or after five years with prior SBP approval
Lock-in-clause	Neither profit nor principal may be paid if such payments will result in shortfall in the Bank's Minimum Capital Requirement ("MCR") or Capital Adequacy Ratio ("CAR")
Loss absorbency clause	The instrument will be subject to loss absorption and / or any other requirements under SBP's Basel III Capital Rules. Upon the occurrence of a Point of Non-Viability event as defined by SBP's Basel III Capital Rule, SBP may at its option, fully and permanently convert the TFCs into common shares of the Bank (subject to a cap) and / or have them immediately written off (either partially or in full).

19 OTHER LIABILITIES

		(Rupees in '000)	
		September 30, 2023	December 31, 2022
		(Un-audited)	(Audited)
Mark-up / Return/ Interest payable in local currency	19.1	3,915,958	2,197,263
Mark-up / Return/ Interest payable in foreign currencies		42,073	62,570
Accrued expenses		644,699	506,377
Accrual for WWF		187,970	156,470
Acceptances	14	1,496,583	679,975
Taxation (payments less provisions)		174,656	-
Payable against purchase of equity investment		42,678	404,516
Dividends payable		28,225	28,251
Unclaimed dividends		3,351	3,351
Mark to market loss on forward foreign exchange contracts		3,604,886	1,212,633
Provision against off-balance sheet obligations		172,746	172,746
Security deposits against lease		33,686	34,754
Lease liability against right of use assets		1,506,518	1,501,455
Others		287,552	355,040
		<u>12,141,581</u>	<u>7,315,401</u>

19.1 The interest accrued on outstanding lease liability against right of use assets is disclosed in "Lease liability against right of use assets".

		(Rupees in '000)	
		September 30, 2023	December 31, 2022
		(Un-audited)	(Audited)
20	DEFICIT ON REVALUATION OF ASSETS		
	Deficit on revaluation of		
	- Available for sale securities	9.1 (2,310,996)	(1,314,509)
	Deferred tax on deficit on revaluation of:		
	- Available for sale securities	13 1,132,388	565,239
		(1,178,608)	(749,270)
21	CONTINGENCIES AND COMMITMENTS		
	- Guarantees	21.1 7,562,193	8,062,744
	- Commitments	21.2 163,904,867	132,504,858
	- Other contingent liabilities	21.3 3,394,953	2,245,273
		174,862,013	142,812,875
21.1	Guarantees:		
	Financial guarantees	1,622,350	1,679,657
	Performance guarantees	4,890,752	5,419,619
	Other guarantees	1,049,091	963,468
		7,562,193	8,062,744
21.2	Commitments:		
	Documentary credits and short-term trade-related transactions		
	- letters of credit	1,911,956	7,855,756
	Commitments in respect of:		
	- forward foreign exchange contracts	21.2.1 160,709,080	124,483,534
	- forward equity securities sale transactions	21.2.2 42	-
	- operating leases	21.2.3 -	5,366
	Commitments for acquisition of:		
	- operating fixed assets	73,788	62,537
	- intangible assets	235,401	97,665
		163,904,867	132,504,858
21.2.1	Commitments in respect of forward foreign exchange contracts		
	Purchase	82,596,151	64,799,813
	Sale	78,112,929	59,683,721
		160,709,080	124,483,534

	(Rupees in '000)	
	September 30, 2023	December 31, 2022
	(Un-audited)	(Audited)

21.2.2 Commitments in respect of forward equity securities

Sale	42	-
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21.2.3 Commitments in respect of operating leases

Not later than one year	-	5,366
Later than one year and not later than five years	-	-
Later than five years	-	-
	-	5,366

These comprise of commitments in respect of short term lease agreements for premises that are under Bank's use. The amount of commitment has been worked out based on standard rental arrangements between the Bank and the lessors taking into account these terms arrangements.

		(Rupees in '000)	
	Note	September 30, 2023	December 31, 2022
		(Un-audited)	(Audited)
21.3 Other contingent liabilities			
Contingencies in respect of taxation	21.3.1	2,762,440	1,841,903
Claims against the Bank not acknowledged as debt	21.3.2	632,513	403,370
		3,394,953	2,245,273

21.3.1 Contingencies in respect of taxation

The Income tax department has raised a demand of Rs. 426.787 million (December 31, 2022: Rs. 426.787 million) for the assessment years 1995-96, 1996-97, 1999-00, 2001-02, 2002-03 on account of non-deduction of tax on profit paid under portfolio management scheme, interest paid on foreign currency deposits and certificates of investment. The department has also raised further demand of Rs. 645.337 million (December 31, 2022: Rs. 645.337 million) for assessment years 1999-00 to assessment year 2002-03 and tax year 2006 on account of taxability of investment banks as banking companies and taxation of dividend income as normal banking income, and on account of lease rentals received or receivable, lease key money and certain other items. The aforementioned relates to pending assessments of the Bank and amalgamated entities namely Crescent Investment Bank Limited, Trust Investment Bank Limited and Pakistan Industrial Leasing Corporation. Tax department has also raised demand of Rs. 29.052 million (December 31, 2022: Rs. 29.052 million) for the assessment years 2009, 2010 & 2011 on account of Federal Excise Duty. Further, tax department has raised a demand of Rs. 28.110 million (December 31, 2022: Rs. 28.110 million), Rs. 5.498 million (December 31, 2022: Rs. 5.498 million), Rs. 393.486 million (December 31, 2022: Nil) and Rs. 177.120 million (December 31, 2022: 177.120 million) on account of monitoring of withholding taxes for the tax years 2012, 2014, 2017 and 2022, respectively. Tax authorities have also issued orders under Sindh Sales Tax on Services Act, 2011 and Punjab Sales Tax on Services Act, 2012 thereby creating arbitrary aggregate demand amounting to Rs 35.391 million (December 31, 2022: Rs. 35.391 million) for the years 2012 to 2017 and Rs.15.380 million (December 31, 2022: Rs. 15.380 million) for the year 2016 respectively. Federal Board of Revenue has issued orders to amend assessments for tax years 2014, 2015, 2016, 2017, 2018, 2019 and 2020 raising demands of Rs. 45.268 million (December 31, 2022: Rs. 45.268 million), Rs. 64.945 million (December 31, 2022: Rs. 64.945 million), Rs. 53.727 million (December 31, 2022: 53.727 million), Rs. 527.054 million (December 31, 2022: Nil) Rs. 133.374 million (December 31, 2022: Rs. 133.374 million), Rs. 177.117 million (December 31, 2022: Rs. 177.117 million) and Rs. 4.794 million (December 31, 2022: Rs. 4.794 million), 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 favour of the Bank. Accordingly, no provision has been made in these financial statements in respect of the above mentioned demands aggregating Rs. 2,762.440 million (December 31, 2022: Rs. 1,841.903 million) raised by the income tax authorities.

21.3.2 These represent various cases filed against the Bank for recovery of damages / settlement of deposit balances by various parties. Based on the legal advice, management believes that the possibility of any outcome against the Bank is remote and accordingly no provision has been made in these financial statements.

	Nine months ended	
	(Rupees in '000)	
	September 30, 2023	September 30, 2022
	(Un-audited)	(Un-audited)
22 MARK-UP / RETURN / INTEREST EARNED		
On:		
a) Loans and advances	9,655,578	7,576,057
b) Investments	10,279,292	7,849,674
c) Lendings to financial institutions	954,643	277,149
d) Balances with banks	47,512	379
d) Others (on pool lending for Naya Pakistan Certificate)	263,767	66,510
	<u>21,200,792</u>	<u>15,769,769</u>
23 MARK-UP / RETURN / INTEREST EXPENSED		
On:		
a) Deposits	10,880,027	4,938,217
b) Borrowings	3,151,459	6,602,800
c) Finance cost on lease liability against right-of-use assets	139,124	110,782
d) Cost of foreign currency swaps against foreign currency deposits	524,508	486,465
e) Subordinated debt	780,190	455,014
	<u>15,475,308</u>	<u>12,593,278</u>
24 FEE & COMMISSION INCOME		
Branch banking customer fees	43,835	42,190
Consumer finance related fees	24,510	19,265
Debit card related fees	8,594	6,175
Credit related fees	41,492	34,327
Commission on trade	64,964	91,811
Commission on guarantees	28,383	34,324
Commission on cash management	14,889	12,162
Commission on remittances including home remittances	57,048	48,972
Commission on bancassurance	3,669	4,802
Commission on Naya Pakistan Certificates	6,555	4,857
Others	4,751	1,331
	<u>298,690</u>	<u>300,216</u>
25 GAIN / (LOSS ON SECURITIES)		
Realised	(464,475)	(166,282)
Unrealised - held for trading	(1,221)	6,771
	<u>(465,696)</u>	<u>(159,511)</u>
25.1 Realised gain on:		
Federal Government Securities	(271,063)	27,439
Shares	(193,412)	(193,721)
	<u>(464,475)</u>	<u>(166,282)</u>

26. OTHER INCOME

Gain on sale of fixed assets-net
Others

Nine months ended	
(Rupees in '000)	
September 30, 2023	September 30, 2022
(Un-audited)	(Un-audited)
5,209	6,193
6,978	6,306
12,187	12,499

27. OPERATING EXPENSES**Total compensation expense**

1,803,579 1,593,227

Property expense

Rent & taxes
Insurance
Utilities cost
Security (including guards)
Repair & maintenance (including janitorial charges)
Depreciation on owned fixed assets
Depreciation on right of use assets

46,927 88,600
1,539 1,175
118,334 93,333
68,160 55,494
77,442 53,511
12,301 12,915
215,869 163,133

540,572 468,161

Information technology expenses

Software maintenance
Hardware maintenance
Depreciation
Amortisation
Network charges
Insurance

218,134 144,876
59,954 40,265
72,957 53,865
69,566 54,609
156,962 112,811
501 471

578,074 406,897

Other operating expenses

Directors' fees and allowances
Legal & professional charges
Outsourced services costs
Travelling, conveyance and official entertainment
Charges paid to Central Depository Company & NIFT
Depreciation
Training & development
Postage & courier charges
Communication
Stationery & printing
Repair & maintenance
Insurance
Marketing, advertisement & publicity
Fee Commission & Brokerage Paid
Donations
Auditors Remuneration
Others

49,228 31,519
26,187 24,180
- 7,195
79,430 65,927
10,573 13,888
86,918 88,491
6,688 1,907
8,682 3,407
5,809 4,535
40,187 26,648
57,762 54,426
50,625 51,404
21,562 68,090
25,906 29,534
- 10,807
8,050 8,127
22,449 11,721

500,056 501,806

3,422,281 2,970,091

	Note	Nine months ended	
		(Rupees in '000)	
		September 30, 2023 (Un-audited)	September 30, 2022 (Un-audited)
28 OTHER CHARGES			
Penalties imposed by State Bank of Pakistan		-	1,303
29 (PROVISIONS) / REVERSALS AND WRITEOFFS - NET			
Reversal / (provision) for diminution in the value of investments	9.2	(144,036)	194,929
Provision against loans and advances - net	10.3	(1,114,709)	(865,440)
Fixed assets written-off		(9)	-
Reversal of off balance sheet obligation		-	-
Bad debts written off directly		(2,467)	(6,013)
Recoveries against debts written-off		-	-
		(1,261,221)	(676,524)
30 TAXATION			
Current		(1,285,740)	(406,604)
Prior years		-	-
Deferred		493,763	150,595
		(791,977)	(256,009)
31. BASIC EARNINGS PER SHARE			
Profit for the period		1,060,276	369,353
		(Number of shares)	
Weighted average number of ordinary shares		1,008,238,648	1,008,238,648
		(Rupees)	
Basic earnings per share		1.05	0.37

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

32 FAIR VALUE MEASUREMENTS

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

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

32.1 Fair value of financial assets

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

- Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Fair value measurements using input for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

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

(Rupees in '000)				
September 30, 2023 (Un-audited)				
	Level 1	Level 2	Level 3	Total
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investments				
Federal Government Securities	-	70,470,373	-	70,470,373
Shares	1,170,109	-	-	1,170,109
Non-Government Debt Securities	-	663,617	-	663,617
Financial assets - disclosed but not measured at fair value				
Investments-Federal Government Securities	-	-	-	-
Off-balance sheet financial instruments- measured at fair value				
Forward purchase of foreign exchange	-	82,596,151	-	82,596,151
Forward sale of foreign exchange	-	78,112,929	-	78,112,929

(Rupees in '000)				
December 31, 2022 (Audited)				
	Level 1	Level 2	Level 3	Total
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investments				
Federal Government Securities	-	72,763,052	-	72,763,052
Shares	1,237,592	-	-	1,237,592
Non-Government Debt Securities	-	828,242	-	828,242
Financial assets - disclosed but not measured at fair value				
Investments-Federal Government Securities	-	1,830,946	-	1,830,946
Off-balance sheet financial instruments- measured at fair value				
Forward purchase of foreign exchange	-	64,799,813	-	64,799,813
Forward sale of foreign exchange	-	59,683,721	-	59,683,721
Forward purchase of government securities	-	-	-	-

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

Valuation techniques used in determination of fair valuation of financial instruments within level 2 and level 3

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

33. SEGMENT INFORMATION

33.1 Segment Details with respect to Business Activities

During the period, the Bank has restructured its business segments wherein Corporate Banking and Commercial Banking were merged into and became Whole Sale Banking Group. The Whole Sale Banking Group is headed by Chief Lending Officer of the Bank who report to the President & CEO. The below segment information represent the above said organizational restructuring, accordingly comparative figures as of December 31, 2022 and for the nine month ended September 30, 2022 have also been restated.

	(Rupees in '000)				
	Nine months ended September 30, 2023 (un-audited)				
	Wholesale Banking	Retail Banking	Global Markets	Inter Segment Allocation	Total
Profit & Loss					
Net mark-up / return / profit	4,356,035	(5,374,888)	6,744,337	-	5,725,484
Inter segment revenue - net	(1,174,389)	7,818,844	(6,644,455)	-	-
Non mark-up / return / interest income	376,303	204,148	266,820	-	847,271
Total Income	3,557,949	2,648,104	366,702	-	6,572,755
Segment direct expenses	(326,369)	(1,237,024)	(107,247)	(1,788,641)	(3,459,281)
Inter segment expense allocation	(793,766)	(816,012)	(178,863)	1,788,641	-
Total expenses	(1,120,135)	(2,053,036)	(286,110)	-	(3,459,281)
Provisions	(1,087,563)	(29,711)	(143,947)	-	(1,261,221)
Profit / (loss) before tax	1,350,251	565,357	(63,355)	-	1,852,253
	(Rupees in '000)				
	As at September 30, 2023 (Un-audited)				
	Wholesale Banking	Retail Banking	Global Markets	Inter Segment Allocation	Total
Balance Sheet					
Cash & Bank balances	-	1,842,813	9,030,649	-	10,873,462
Investments - net	-	-	72,304,099	-	72,304,099
Net inter segment lending	6,025,668	63,528,491	-	(69,554,159)	-
Lendings to financial institutions	-	-	10,419,909	-	10,419,909
Advances - performing - net	60,432,157	5,999,461	116,801	-	66,548,419
Advances - non-performing - net	1,216,770	53,095	-	-	1,269,865
Others	2,566,900	558,052	15,161,016	-	18,285,968
Total Assets	70,241,495	71,981,912	107,032,474	(69,554,159)	179,701,722
Borrowings	11,849,446	-	9,022,337	-	20,871,783
Subordinated debt	-	-	4,995,000	-	4,995,000
Deposits & other accounts	55,425,480	68,961,305	1,115,214	-	125,501,999
Net inter segment borrowing	-	-	69,554,159	(69,554,159)	-
Others	2,966,569	3,020,607	7,061,743	-	13,048,919
Total liabilities	70,241,495	71,981,912	91,748,453	(69,554,159)	164,417,701
Equity	-	-	15,284,021	-	15,284,021
Total Equity & liabilities	70,241,495	71,981,912	107,032,474	(69,554,159)	179,701,722
Contingencies & Commitments	12,378,291	-	162,483,721	-	174,862,013

(Rupees in '000)					
Nine month ended September 30, 2022 (un-audited)-Restated					
	Wholesale Banking	Retail Banking	Global Markets	Inter Segment Allocation	Total
Profit & Loss					
Net mark-up / return / profit	5,650,214	(3,388,729)	915,006	-	3,176,491
Inter segment revenue - net	(2,651,859)	5,174,310	(2,522,451)	-	-
Non mark-up / return / interest income	429,864	266,709	413,016	-	1,109,589
Total Income	3,428,219	2,052,290	(1,194,429)	-	4,286,080
Segment direct expenses	(297,186)	(1,079,436)	(124,342)	(1,483,248)	(2,984,194)
Inter segment expense allocation	(640,067)	(694,856)	(148,325)	1,483,248	-
Total expenses	(937,253)	(1,774,292)	(272,649)	-	(2,984,194)
Provisions	(838,189)	(33,264)	194,929	-	(676,524)
Profit / (loss) before tax	1,652,777	244,734	(1,272,149)	-	625,362
(Rupees in '000)					
As at December 31, 2022 (Audited)-Restated					
	Wholesale Banking	Retail Banking	Global Markets	Inter Segment Allocation	Total
Balance Sheet					
Cash & Bank balances	-	1,483,775	5,708,750	-	7,192,525
Investments - net	-	-	76,904,147	-	76,904,147
Net inter segment lending	-	67,742,438	-	(67,742,438)	-
Lendings to financial institutions	-	-	7,354,279	-	7,354,279
Advances - performing	67,342,139	6,592,279	168,935	-	74,103,353
Advances - non-performing	299,797	51,418	-	-	351,215
Others	2,123,650	417,287	10,627,803	-	13,168,740
Total Assets	69,765,586	76,287,197	100,763,914	(67,742,438)	179,074,259
Borrowings	13,036,846	-	32,789,456	-	45,826,302
Subordinated debt	-	-	4,997,000	-	4,997,000
Deposits & other accounts	29,883,560	74,247,436	1,112,768	-	105,243,764
Net inter segment borrowing	25,380,542	-	42,361,896	(67,742,438)	-
Others	1,464,639	2,039,760	4,840,711	-	8,354,110
Total liabilities	69,765,587	76,287,196	86,110,831	(67,742,438)	164,421,176
Equity	-	-	14,653,083	-	14,653,083
Total Equity & liabilities	69,765,587	76,287,196	100,763,914	(67,742,438)	179,074,259
Contingencies & Commitments	17,529,341	-	125,283,534	-	142,812,875

33.2 Segment details with respect to geographical locations

The Bank does not have any overseas operations, therefore its entire geographical dispersion arises inside Pakistan.

34 RELATED PARTY TRANSACTIONS

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

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

Contributions to the contributory provident fund scheme are made in accordance with the terms of the contribution plan. 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 its executive team, including the Chief Executive Officer to be key management personnel.

Details of transactions with related parties are given below:

	(Rupees in '000)							
	September 30, 2023 (Un-audited)				December 31, 2022 (Audited)			
	Parent	Directors	Key management personnel	Others	Parent	Directors	Key management personnel	Others
Balances with other banks								
In current accounts	27,460	-	-	-	47,903	-	-	-
Advances								
Opening balance	-	-	226,221	-	-	-	200,450	-
Addition during the period / year	-	-	59,176	-	-	-	117,169	-
Repaid during the period / year	-	-	(65,317)	-	-	-	(91,398)	-
Closing balance	-	-	220,080	-	-	-	226,221	-
Other Assets								
Other receivable	1,847	-	-	-	1,847	-	-	-
Mark to market gain on forward foreign exchange contracts	1,278	-	-	-	20,817	-	-	-
	3,125	-	-	-	22,664	-	-	-
Other Liabilities								
Mark-up payable	-	66	251	939	-	88	222	699
Mark to market loss on forward foreign exchange contracts	1,104	-	-	-	70,757	-	-	-
	1,104	66	251	939	70,757	88	222	699
Deposits and other accounts								
Opening balance	1,078,421	6,255	17,975	30,583	655,306	25,057	31,168	32,484
Received during the period / year	8,670	11,614	495,546	605,272	500,438	308,739	694,575	1,127,025
Withdrawn during the period / year	(8,828)	(13,385)	(474,832)	(590,106)	(77,323)	(327,541)	(707,768)	(1,128,926)
Closing Balance	1,078,263	4,484	38,689	45,749	1,078,421	6,255	17,975	30,583
Contingencies and Commitments								
Forward foreign exchange contracts (National) - outstanding	756,304	-	-	-	4,065,845	-	-	-

(Rupees in '000)

	Nine months ended September 30, 2023 (Un-audited)				Nine months ended September 30, 2022 (Un-audited)			
	Parent	Directors	Key management personnel	Others	Parent	Directors	Key management personnel	Others
Income								
Mark-up / return / interest earned	-	-	9,382	-	-	-	8,087	-
Expense								
Mark-up / return / interest paid	-	1,204	1,325	6,894	-	3,220	3,564	4,890
Remuneration and benefits	-	-	294,410	-	-	-	305,420	-
Directors fee	-	41,280	-	-	-	34,080	-	-
Insurance premium paid	-	-	2,286	-	-	-	1,120	-
Insurance claims settled	-	-	1,671	-	-	-	308	-
Other Transactions								
Forward exchange contracts matured during the period	159,217,316	-	-	-	3,456,124	-	-	-
Sale of federal government securities	-	-	-	82,513	-	-	-	58,731
Purchase of government securities	-	-	-	76,937	-	-	-	78,978

35. CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

Minimum Capital Requirement (MCR):

Paid-up capital (net of losses)

10,082,387

10,082,387

Capital Adequacy Ratio (CAR):

Eligible Common Equity Tier 1 (CET 1) Capital

13,101,651

13,319,713

Eligible Additional Tier 1 (ADT 1) Capital

-

-

Total Eligible Tier 1 Capital

13,101,651

13,319,713

Eligible Tier 2 Capital

4,890,212

4,940,196

Total Eligible Capital (Tier 1 + Tier 2)

17,991,863

18,259,909

Risk Weighted Assets (RWAs):

Credit Risk

75,685,120

81,783,956

Market Risk

5,220,173

5,661,337

Operational Risk

10,104,223

10,104,223

Total

91,009,516

97,549,516

Common Equity Tier 1 Capital Adequacy ratio

14.40%

13.65%

Tier 1 Capital Adequacy Ratio

14.40%

13.65%

Total Capital Adequacy Ratio

19.77%

18.72%

Leverage Ratio (LR):

Eligible Tier-1 Capital

13,101,651

13,319,713

Total Exposures

186,299,872

209,634,698

Leverage Ratio

7.03%

6.35%

Liquidity Coverage Ratio (LCR):

Total High Quality Liquid Assets

72,280,616

40,733,917

Total Net Cash Outflow

31,036,642

21,318,101

Liquidity Coverage Ratio

232.89%

191.08%

Net Stable Funding Ratio (NSFR):

Total Available Stable Funding

122,009,573

124,148,450

Total Required Stable Funding

64,630,217

60,512,541

Net Stable Funding Ratio

188.78%

205.16%

36 GENERAL

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

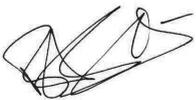
36.2 Figures as of and for the period ended September 30, 2023 and September 30, 2022, wherever used in these condensed interim financial statements are unaudited. However figures as of and for the period relating to December 31, 2022 used in these condensed interim financial statements are audited.

37 NON-ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

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

38 DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on October 26, 2023 by the Board of Directors of the Bank.



Chief Financial Officer
(Acting)



President & Chief Executive Officer



Director



Director

Chairman



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