Samba Bank Limited

Quarterly Report
Sept 30, 2024

think samba | World class banking solutions for the most important things in life

samba bank سامبا بینک

CONTENTS

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 Sulaiman Al-Fraih	Non-Executive Director
Mr. Hussein Eid	Non-Executive Director
Mr. Timour Pasha	Non-Executive Director
Ms. Kholood Khalid Al-Khelaiwi	Non-Executive Director
Hafiz Mohammad Yousaf	Independent Director
Mr. Javed Kureishi	Independent Director
Ms. Zeeba Ansar	Independent Director
Mr. Ahmad Tariq Azam	President & CEO/Executive Director

Board Audit Committee

Hafiz Mohammad Yousaf	Chairman
Mr. Hussein 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 Nomination & Remuneration Committee

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

Board IT Committee

Mr. Javed Kureishi	Chairman
Mr. Mustafa Ilyas	Member
Hafiz Mohammad Yousaf	Member
Ms. Kholood Khalid Al-Khelaiwi	Member

Registered Office

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

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

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

Share Registrar

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

Website

www.samba.com.pk

Helpline

11 11 SAMBA (72622)
0800 - SAMBA (72622)

Credit Rating

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

DIRECTOR'S REPORT

Economic Highlights

The economy of Pakistan is showing signs of improvement; industrial output has increased, the current account deficit has shrunk, inflation fell to single digit and the exchange rate remained steady. The Large Scale Manufacturing (LSM) sector has rebounded despite ongoing challenges with a growth of 2.4% against contraction of 5.4%, mainly driven by food, beverages, petroleum products and chemical etc. The State Bank of Pakistan lowered the policy rate by 450bps to 17.50% during the nine-month period.

On the external front, current account posted a deficit of USD 98 million during the FY 25 (July 2024 – September 2024) as against a deficit of USD 1,241 million for similar period last year. The primary causes for the reduction in current account deficit are increased workers' remittances by USD 2,455 million. During the month of Aug & Sep '25 current account reported a surplus of USD 148 million.

Bank's Operating Results and Financial Review

The bank has posted following financial results for the nine months ended September 30, 2024, summary of which is as under:

	(Rupees in millions)	
	Nine months ended September 30, 2024	**Nine months ended September 30, 2023**
Profit before provision	3,046	3,113
Credit loss allowance and write offs – net	(1,540)	(1,261)
Profit before taxation	1,505	1,852
Taxation	(739)	(792)
Profit after taxation	767	1,060
Earnings per share – PKR	0.76	1.05

During the period under review, Gross income increased by 5.2% over the comparative period of last year. The increase is mainly attributable to the non-markup interest income registering an increase of 55.4% over the corresponding period. The increase in Non-markup interest income is primarily linked to capital gains on investments of Rs. 117.7 million realized in P&L against a capital loss in the corresponding year. The Bank also realized a gain of Rs. 248.7 million (net of tax) on its equity investment portfolio that has been directly recognized in retained earnings, in line with the requirements of IFRS 9 (new accounting standard). Operating expenses for the nine months ended September 30, 2024 increased by 11.8% over the comparative period that is in line with costs associated with various initiatives undertaken by the bank and is materially less than corresponding inflation rate. Demonstrating effective management of its delinquent loan portfolio, the Bank recovered more than Rs. 700 million against classified portfolio.

The bank is continuously right sizing its earning assets mix vis-à-vis credit risk. Asset base of the bank reduced by Rs. 259.5 million (i.e. 0.15%) over December 31, 2023 and stood at Rs. 178.4 billion as at September 30, 2024 which primarily represents a decline of Rs. 12,866.2 million in advances, decline of Rs. 5,196.7 million in lending's to financial institutions and growth of Rs. 18,574.5 million in investments. On the liabilities side, the interbank borrowings increased by Rs. 10,076.5 million which was offset by decrease in deposits by Rs. 10,220.2 million (i.e. 8.9%). However, CASA mix has improved from 45.44% on December 31, 2023 to 49.42% on September 30, 2024.

The bank is in process of expanding its footprint by adding 10 new branches to its branch network in 2024. 3 new branches have already become operational, while remaining 7 new branches will become operational by close of 2024.

Credit Rating

The Pakistan Credit Rating Agency (PACRA), a premier credit rating agency of the country, has maintained the entity ratings at 'AA/A-1' (Double A/A-One) for the Bank with 'Stable' outlook. These long-term 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.

Due Diligence Process

The Saudi National Bank ("SNB"), Bank's parent entity, has informed the Bank that it has received a non-binding offer from Bank Alfalah Limited relating to the proposed divestment of SNB's 100% stake in Samba Bank Limited ("Samba Pakistan") representing approximately 84.51% shares in Samba Pakistan (the "Potential Transaction"). SNB has agreed to evaluate the non-binding offer, subject to compliance with requirements under applicable laws and regulations.

Acknowledgment

We wish to express sincere gratitude to our customers, business partners and shareholders for their patronage and trust. The Board of Directors and the management would like to thank the State Bank of Pakistan, 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	**Hafiz Mohammad Yousaf**
President & Chief Executive Officer	Director

October 29, 2024
Karachi

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 دولتِ پاکستان، سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان، فیڈرل بورڈ آف ریونیو اور دیگر ضوابطی اداروں کی رہنمائی اور تعاون پر ان کے شکر گزار ہیں۔ اس کے علاوہ ہم اپنے بینک کے تمام ملازمین کی تہہِ دل سے حوصلہ افزائی کرتے ہیں جن کی لگن، عزم اور ٹیم ورک نے بینک کو ایک پائیدار و کامیاب ادارے میں تبدیل کر دیا ہے۔

بورڈ آف ڈائریکٹرز کی جانب سے

احمد طارق اعظم	حافظ محمد یوسف
پریذیڈنٹ اور چیف ایگزیکٹو آفیسر	ڈائریکٹر

29 اکتوبر 2024ء
کراچی

اس زیر تجزیہ عرصہ کے دوران، کل آمدنی میں گزشتہ سال کی مدت کے مقابلے میں 5.2 فیصد کا اضافہ درج ہوا۔ اس اضافے میں نان مارک اپ آمدنی میں اپنے تقابلی عرصے کی نسبت 55.4 فیصد کی بڑھوتی کا نمایاں کردار رہا۔ نان مارک اپ انٹرسٹ آمدنی بنیادی طور پر سرمایہ کاری سے حاصل ہونے والے 117.7 ملین روپے کے کیپیٹل گین سے منسلک ہے جس کا نفع و نقصان کے کھاتوں میں اندراج کیا گیا جبکہ تقابلی سال میں اس مد میں اس مد میں کیپیٹل لاس (نقصان) درج کیا گیا تھا۔ بینک نے اپنی ایکویٹی سرمایہ کاری کے پورٹ فولیو میں 248.7 ملین روپے (خالص از ٹیکس) کی آمدنی کو بھی درج کیا ہے۔ جس کا، آئی ایف آر ایس 9- (جو کہ نیا اکاؤنٹنگ اسٹینڈرڈ ہے) کے مطلوبات کی روشنی میں ریسٹینڈ (جمع کی گئی) آمدنی میں براہ راست اندراج کیا گیا ہے۔ کاروباری اخراجات کا شمار 30 ستمبر 2024ء کو اختتام پذیر عرصہ کے لیے اپنی تقابلی مدت سے 11.8 فیصد کے اضافے کے ساتھ کیا گیا جو کہ بینک کی جانب سے اٹھائے گئے اقدامات کی لاگتوں کی مطابقت میں رہے اور یہ اخراجات تقابلی افراطِ زر کی شرح سے مقداری طور پر کم رہے۔ اپنے غیر فعال قرضوں کے بہترین انتظام کا مظاہرہ کرتے ہوئے بینک نے اس مخصوص پورٹ فولیو کے حوالے سے 700 ملین روپے کی وصولی کی۔

بینک اپنے پیداواری اثاثہ جات کی ترکیب بشمول کریڈٹ رسک کے درست مدتی نظام کی مسلسل بہتری کے عمل کو جاری رکھے ہوئے ہے۔ بینک کے اثاثہ جات کی اساس میں 31 دسمبر 2023ء سے 259.5 ملین روپے (0.15%) کی کمی ہوئی اور ان کا حجم 30 ستمبر 2024ء تک 178.4 بلین روپے پر درج ہوا۔ جس کی بنیادی وجوہ میں قرضہ جات کی مد میں 12,866.2 ملین روپے کی کمی، مالیاتی اداروں کو فراہم کیئے گئے قرضوں میں 5,196.7 ملین روپے کی کمی اور سرمایہ کاری میں ہونے والی 18,574.5 ملین روپے کی نمو کا بنیادی کردار رہا۔ واجبات کے حوالے سے، بینکوں کے مابین قرضہ جات میں 10,076.5 ملین روپے کا اضافہ دیکھا گیا جس کو ڈیپازٹس میں ہونے والی 10,220.2 ملین روپے کی کمی (جو کہ 8.9% ہے) نے زائل کیا۔ تاہم کاسا (CASA) کی ترکیب 31 دسمبر 2023ء کی 45.44 فیصد کی شرح کی نسبت بہتر ہوتے ہوئے 30 ستمبر 2024ء تک 49.42 فیصد پر پہنچ گئی۔

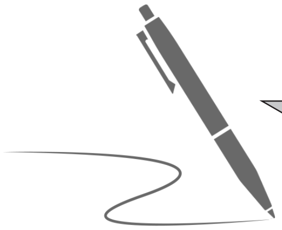
بینک 2024 میں اپنے برانچ نیٹ ورک میں 10 نئی برانچز شامل کر کے توسیع کے عمل میں ہے۔ 3 نئی برانچز پہلے ہی فعال ہو چکی ہیں، جبکہ باقی 7 نئی برانچز 2024 کے اختتام تک فعال ہو جائیں گی۔

کریڈٹ ریٹنگ

پاکستان کریڈٹ ریٹنگ کمپنی لمیٹڈ (پاکرا-PACRA)، جو کہ پاکستان کی ایک معروف کریڈٹ ایجنسی ہے، نے بینک کی اینٹیٹی ریٹنگز کو مستحکم پیش بینی کے ساتھ، (A-1/AA) ڈبل اے/اے ون کے درجات تفویض کیے ہیں۔ یہ طویل اور قلیل المدتی درجہ بندیاں 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 کی مظہر ہیں۔

جانچ پڑتال کا عمل

سعودی نیشنل بینک (ایس این بی)، جو کہ بینک کا ملکیتی ادارہ ہے، نے بینک کو مطلع کیا ہے کہ اسے بینک الفلاح لمیٹڈ کی جانب سے سامبا بینک لمیٹڈ (سامبا پاکستان) میں ایس این بی کے 100 فیصد کے حصے جو سامبا پاکستان (کی ممکنہ ٹرانزیکشن) میں تقریباً 84.51 فیصد کے حصص کی نمائندگی ہے، کی مجوزہ فروخت کے لیے ایک غیر مشروط پیش کش موصول ہوئی ہے۔ ایس این بی نے اس بارے میں لاگو قوانین اور ضوابط کے تحت ضروری تعمیلات کے لیے اس غیر مشروط پیش کش کا جائزہ لینے پر اتفاق کیا ہے۔



ڈائریکٹرز کی رپورٹ

معاشی جھلکیاں

پاکستان کی معیشت میں بہتری کی جھلکیاں نظر آرہی ہیں؛ صنعتی پیداوار میں اضافہ ہوا ہے؛ کرنٹ اکاؤنٹ خسارے میں کمی واقع ہوئی ہے۔ افراطِ زر کم ہوتے ہوئے سنگل ڈیجیٹ (مفرد عدد) تک آگیا ہے اور شرح تبادلہ میں استحکام برقرار ہے۔ بڑے پیمانے کی پیداواری صنعت نے جاری خدشات کے باوجود بہتر صلاحیت کا مظاہرہ کیا ہے اور 5.4 فیصد کی سکڑاؤ کے مقابلے میں اس میں 2.4 فیصد کی نمو دیکھی گئی ہے جس کے بنیادی عوامل میں خوراک، مشروبات، پیٹرولیم پراڈکٹس اور کیمیکلز شامل ہیں۔ اسٹیٹ بینک آف پاکستان نے اس نوماہ کی مدت کے دوران پالیسی ریٹ میں 450 بیسیز پوائنٹس کی کمی کرتے ہوئے اس کی شرح کو 17.50 فیصد پر مقرر کیا ہے۔

بیرونی محاذ پر، کرنٹ اکاؤنٹ میں مالی سال 2025ء (جولائی 2024ء تا دسمبر 2024ء) کی مدت کے دوران 98 ملین امریکی ڈالرز کا خسارہ درج ہوا جبکہ اس کے تناسب میں گزشتہ سال کی مماثلی مدت میں یہ خسارہ 1,241 ملین امریکی ڈالرز پر رہا تھا۔ کرنٹ اکاؤنٹ کے خسارے میں اس کمی کی بنیادی وجہ افرادی ترسیلات زر میں ہونے والی بڑھوتی رہی جس کا حجم 2,455 ملین امریکی ڈالرز پر درج ہوا۔ اگست اور ستمبر 2025ء کے دوران کرنٹ اکاؤنٹ میں 148 ملین امریکی ڈالرز کا سرپلس رپورٹ ہوا۔

بینک کے کاروباری نتائج اور مالیاتی تجزیہ

بینک نے 30 ستمبر 2024ء کو اختتام پذیر نوماہ کی مدت کے لیے بہتر مالیاتی نتائج حاصل کیے ہیں۔ جن کا خلاصہ مندرجہ ذیل ہے:۔

	نوماہ مختتمہ 30 ستمبر 2024	نوماہ مختتمہ 30 ستمبر 2023
	ملین روپے	
منافع قبل از پروویژن	3,046	3,113
کریڈٹ لاس الاونس اور رائٹ آف-خالص	(1,540)	(1,261)
منافع قبل از محصولات (ٹیکس)	1,505	1,852
محصولات	(739)	(792)
منافع بعد از محصولات	767	1,060
آمدنی فی حصص (روپے)	0.76	1.05

Condensed Interim Statement of Financial Position

AS AT SEPTEMBER 30, 2024

	Note	September 30, 2024 (Un-audited)	December 31, 2023 (Audited)
		(Rupees in '000)	
ASSETS			
Cash and balances with treasury banks	7	9,368,903	9,465,856
Balances with other banks	8	1,146,329	1,038,476
Lendings to financial institutions	9	2,995,298	8,192,051
Investments	10	88,986,899	70,412,387
Advances	11	60,570,104	73,436,346
Property and equipment	12	1,709,123	1,702,942
Right-of-use assets	13	1,432,338	1,255,338
Intangible assets	14	789,480	596,744
Deferred tax assets	15	2,801,329	2,503,022
Other assets	16	8,674,465	10,130,697
Total Assets		178,474,268	178,733,859
LIABILITIES			
Bills payable	17	1,093,550	975,388
Borrowings	18	41,058,194	30,981,605
Deposits and other accounts	19	104,511,744	114,731,997
Lease liabilities	20	1,679,878	1,475,627
Subordinated debt	21	4,993,000	4,995,000
Deferred tax liabilities		-	-
Other liabilities	22	7,765,828	9,211,061
Total Liabilities		161,102,194	162,370,678
NET ASSETS		17,372,074	16,363,181
REPRESENTED BY:			
Share capital		10,082,387	10,082,387
Reserves		3,130,296	2,976,978
Deficit on revaluation of assets	23	(221,480)	(274,468)
Unappropriated profit		4,380,871	3,578,284
		17,372,074	16,363,181
CONTINGENCIES AND COMMITMENTS	24		

The annexed notes 1 to 41 form an integral part of these condensed interim financial statements.

Chief Financial Officer	President & Chief Executive Officer	Director	Director	Chairman

Condensed Interim Profit and Loss Account (Un-Audited)

FOR THE QUARTER AND NINE MONTHS ENDED SEPTEMBER 30, 2024

	Note	Quarter ended		Nine Months ended	
		September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
		(Rupees in '000)			
Mark-up / Return / Interest earned	25	7,238,282	7,393,256	22,170,509	21,200,792
Mark-up / Return / Interest expensed	26	5,550,281	5,233,626	16,570,606	15,475,308
Net Mark-up / Interest Income		1,688,001	2,159,630	5,599,903	5,725,484
Non Mark-up / Interest Income					
Fee and commission income	27	94,430	99,802	267,818	298,690
Dividend income		14,862	10,309	40,582	27,046
Foreign exchange income		223,620	243,780	888,908	975,044
Income / (loss) from derivatives		-	-	-	-
Gain / (loss) on securities	28	93,518	49,543	117,769	(465,696)
Other income	29	467	2,957	1,644	12,187
Total non-markup / interest Income		426,897	406,391	1,316,721	847,271
Total Income		2,114,898	2,566,021	6,916,624	6,572,755
Non Mark-Up / Interest Expenses					
Operating expenses	30	1,292,195	1,188,697	3,825,542	3,422,281
Workers welfare fund		-	11,000	45,000	37,000
Other charges	31	-	-	280	-
Total non-markup / interest expenses		1,292,195	1,199,697	3,870,822	3,459,281
Profit Before Provisions		822,703	1,366,324	3,045,802	3,113,474
Credit loss allowance / provisions / reversals and write offs - net	32	(620,460)	(669,094)	(1,540,370)	(1,261,221)
Extraordinary / unusual items		-	-	-	-
Profit Before Taxation		202,243	697,230	1,505,432	1,852,253
Taxation	33	(98,580)	(343,000)	(738,841)	(791,977)
Profit After Taxation		103,663	354,230	766,591	1,060,276
		(Rupees)			
Earnings per share - basic and diluted	34	0.10	0.35	0.76	1.05

The annexed notes 1 to 41 form an integral part of these condensed interim financial statements.

Chief Financial Officer | President & Chief Executive Officer | Director | Director | Chairman

Condensed Interim Statement of Comprehensive Income (Un-Audited)

FOR THE QUARTER AND NINE MONTHS ENDED SEPTEMBER 30, 2024

	(Rupees in '000)			
	Quarter ended		Nine Months ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Profit after taxation for the period	103,663	354,230	766,591	1,060,276
Other comprehensive income				
Items that may be reclassified to profit and loss account in subsequent periods:				
Movement in surplus / (deficit) on revaluation of debt investments through FVOCI - net of tax	251,767	93,359	254,007	(621,320)
Items that will not be reclassified to profit and loss account in subsequent periods:				
Movement in surplus / (deficit) on revaluation of equity investments - net of tax	(18,380)	57,745	(160,052)	191,982
Total comprehensive income	337,050	505,334	860,546	630,938

The annexed notes 1 to 41 form an integral part of these condensed interim financial statements.

Chief Financial Officer	President & Chief Executive Officer	Director	Director	Chairman

Condensed Interim Cash Flow Statement (Un-Audited)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2024

	Note	Nine Months ended September 30, 2024	Nine Months ended September 30, 2023
		(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit/(Loss) before taxation		1,505,432	1,852,253
Less: Dividend income		(40,582)	(27,046)
		1,464,850	1,825,207
Adjustments:			
Net mark-up / interest income		(6,665,781)	(6,644,798)
Depreciation	30	159,739	172,176
Depreciation on right-of-use assets	30	224,792	215,869
Amortization	30	81,046	69,566
Credit loss allowance and write offs	32	1,540,370	1,261,221
(Gain) on sale / disposal of property and equipment	29	(1,642)	(5,209)
Interest expensed on lease liability against right of use assets	26	141,176	139,124
Interest Expense on Debt Securities	26	858,487	780,190
Unrealized loss on revaluation of investments classified as FVTPL	28	(50,305)	1,221
(Gain) / loss on sale of investment - net	28	(67,464)	464,617
		(3,779,582)	(3,546,023)
		(2,314,732)	(1,720,816)
Decrease / (increase) in operating assets			
Lendings to financial institutions		5,196,753	(3,065,630)
Securities classified as FVPL		(2,820,405)	87,930
Advances		11,247,123	5,521,575
Others assets (excluding advance taxation)		1,734,747	(5,721,015)
		15,358,218	(3,177,140)
(Decrease) / increase in operating liabilities			
Bills payable		118,162	(131,371)
Borrowings from financial institutions		10,076,589	(24,954,519)
Deposits		(10,220,253)	20,258,235
Other liabilities (excluding current taxation)		(1,622,853)	5,037,102
		(1,648,355)	209,447
Mark-up / Interest received		22,905,408	20,393,159
Mark-up / Interest paid		(15,812,116)	(12,668,842)
Income tax paid		(965,777)	(931,242)
Net cash flow from / (used in) operating activities		17,522,646	2,104,566
CASH FLOW FROM INVESTING ACTIVITIES			
Net Investments in securities classified as FVOCI		(15,584,027)	2,906,978
Dividends received		40,582	27,046
Investments in fixed assets and intangible assets		(441,459)	(266,910)
Sale proceeds from disposal of property and equipment		3,399	6,293
Net cash flow (used in) / from investing activities		(15,981,505)	2,673,407
CASH FLOW FROM FINANCING ACTIVITIES			
Principal repayment of Debt Securities		(2,000)	(2,000)
Markup payment on Debt Securities		(1,189,491)	(969,144)
Dividend paid		(33)	174,630
Payments of lease obligations against right-of-use assets		(338,717)	(300,522)
Net cash flow (used in) financing activities		(1,530,241)	(1,097,036)
(Decrease) / increase in cash and cash equivalents		10,900	3,680,937
Cash and cash equivalents at beginning of the period		10,504,332	7,192,525
Cash and cash equivalents at the end of the period		10,515,232	10,873,462

The annexed notes 1 to 41 form an integral part of these condensed interim financial statements.

Chief Financial Officer	President & Chief Executive Officer	Director	Director	Chairman

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

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2024

	Share Capital	Capital Reserve	Statutory Reserve	Surplus/ (Deficit) on Revaluation of Investments	Unappro-priated profit	Total
	(Rupees in '000)					
Balance as at January 1, 2023	**10,082,387**	**1,561,435**	**1,168,484**	**(749,270)**	**2,590,047**	**14,653,083**
Profit after taxation for nine months ended September 30, 2023	-	-	-	-	1,060,276	1,060,276
Other comprehensive income						
Movement in surplus / (deficit) on revaluation of investments in debt instruments - net of tax	-	-	-	(621,320)	-	(621,320)
Movement in surplus / (deficit) on revaluation of investments in equity instruments - net of tax	-	-	-	191,982	-	191,982
Total other comprehensive loss - 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**
Profit after taxation for three months ended December 31, 2023	-	-	-	-	175,020	175,020
Other comprehensive income						
Movement in surplus / (deficit) on revaluation of investments in debt instruments - net of tax	-	-	-	659,520	-	659,520
Movement in surplus / (deficit) on revaluation of investments in equity instruments - net of tax	-	-	-	244,620	-	244,620
Total other comprehensive income - net of tax	-	-	-	904,140	-	904,140
Transfer to statutory reserve	-	-	35,004	-	(35,004)	-
Balance as at December 31, 2023 (Audited)	**10,082,387**	**1,561,435**	**1,415,543**	**(274,468)**	**3,578,284**	**16,363,181**
Effect of reclassification on adoption of IFRS 9 - reversal of impairment (net of tax) 4.1.1	-	-	-	(40,967)	40,967	-
Effect of adoption of IFRS 9 "transaction of IFRS 9 Financial Instruments" - ECL charge (net of tax) 4.1.1	-	-	-	-	(100,414)	(100,414)
	-	-	-	(40,967)	(59,447)	(100,414)
Restated balance as at January 1 , 2024	**10,082,387**	**1,561,435**	**1,415,543**	**(315,435)**	**3,518,837**	**16,262,767**
Profit after taxation for the nine months ended September 30, 2024	-	-	-	-	766,591	766,591
Other comprehensive income						
Movement in surplus / (deficit) on revaluation of investments in debt instruments - net of tax	-	-	-	254,007	-	254,007
Movement in surplus / (deficit) on revaluation of investments in equity instruments - net of tax	-	-	-	88,709	-	88,709
Gain on disposal of equity investment at FVOCI transferred to unappropriated profit - net of tax	-	-	-	(248,761)	248,761	-
Total other comprehensive income - net of tax	**-**	**-**	**-**	**93,955**	**248,761**	**342,716**
Transfer to statutory reserve	-	-	153,318	-	(153,318)	-
Balance as at September 30, 2024	**10,082,387**	**1,561,435**	**1,568,861**	**(221,480)**	**4,380,871**	**17,372,074**

The annexed notes 1 to 41 form an integral part of these condensed interim financial statements.

Chief Financial Officer	President & Chief Executive Officer	Director	Director	Chairman

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, 2023: 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 June 30, 2024 (December 31, 2023: 84.51%). The Saudi National Bank ("SNB") has informed the Bank that it has recieved a non-binding offer from Bank Alfalah Limited relating to the proposed divestment of SNB's 100% stake in Samba Bank Limited ("Samba Pakistan") (representing approximately 84.51% shares in Samba Pakistan") (the "Potential Transaction"). SNB has agreed to evaluate the non-binding offer, subject to compliance with requirements under applicable laws and regulations.

1.2 Pakistan Credit Rating Agency (PACRA) 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 Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are 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.

The State Bank of Pakistan, vide its BSD Circular Letter no. 10 dated August 26, 2002, has deferred the applicability of 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.

2.1.1 The disclosures made in these condensed interim financial statements have been limited based on the format prescribed by the SBP through BPRD Circular Letter No. 02 dated February 09, 2023 and the requirements of International Accounting Standard 34, "Interim Financial Reporting". These do not include all the information and disclosures required for annual financial statements, and therefore should be read in conjunction with the annual audited financial statements of the Bank for the year ended December 31, 2023.

These condensed interim financial statements have been prepared in conformity with the format of interim financial statements prescribed by the State Bank of Pakistan (SBP) vide BPRD Circular Letter no. 2 dated February 09, 2023.

2.2 Standards, interpretations of and amendments to published accounting and reporting standards that are effective in the current period

There are certain new and amended standards, issued by International Accounting Standards Board (IASB), interpretations and amendments that are mandatory for the Bank's accounting periods beginning on or after January 01, 2024 but are considered not to be relevant or do not have any material effect on the Bank's operations and are therefore not detailed in these condensed interim financial statements except for IFRS 9 (Financial Instruments), the impact of which is disclosed under note 4.1.

2.3 Standards, interpretations of and amendments to published accounting and reporting standards that are not yet effective

There are certain new and amended standards, issued by International Accounting Standards Board (IASB), interpretations and amendments that are mandatory for the Bank's accounting periods beginning on or after January 01, 2025 but are considered not to be relevant or will not have any material effect on the Bank's financial statements except for:

- the new standard - IFRS 18 Presentation and Disclosure in Financial Statements (IFRS 18) (published in April 2024) with applicability date of January 01, 2027 by IASB. IFRS 18 is yet to be adopted in Pakistan. IFRS 18 when adopted and applicable shall impact the presentation of 'Statement of Profit and Loss Account' with certain additional disclosures in the financial statements.
- amendments to IFRS 9 'Financial Instruments' which clarify the date of recognition and derecognition of a financial asset or financial liability including settlement of liabilities through banking instruments and channels including electronic transfers. The amendment when applied may impact the timing of recognition and derecognition of financial liabilities.

3 BASIS OF MEASUREMENT

3.1 Accounting convention

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.

3.2 Functional and presentation currency

These condensed interim financial statements are presented in Pakistani Rupees, which is the Bank's functional and presentation currency. The amounts are rounded off to the nearest thousand rupees.

4 MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policies applied in preparation of these condensed interim financial statements are consistent with those as applied in the preparation of annual financial statements of the Bank for the year ended December 31, 2023, except for the changes mentioned in notes 4.1 and 4.2.

4.1 IFRS 9 - Financial Instruments

During the period, as directed by the SBP vide its BPRD Circular No. 07 of 2023 dated April 13, 2023, IFRS 9: ‘Financial Instruments' (the Standard) became applicable to the Bank.

BPRD Circular No. 03 of 2022 issued by SBP provides detailed instructions on implementation of IFRS 9 (the Application Instructions) for ensuring smooth and consistent implementation of the standard across banks. The SBP vide its BPRD Circular Letter No. 16 of 2024 has made amendments and extended the timelines of IFRS 9 application instructions.

The standard addresses recognition, classification, measurement and derecognition of financial assets and financial liabilities. The standard has also introduced a new impairment model for financial assets which requires recognition of impairment charge based on 'expected credit losses' (ECL) approach rather than 'incurred credit losses' approach as previously followed. The ECL has impact on all the assets of the Bank which are exposed to credit risk.

The Bank has adopted IFRS 9 in accordance with the Application Instructions from January 1, 2024, using the modified retrospective approach and has not restated comparatives for the 2023 reporting period and the differences in carrying amount of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2024, as permitted under the specific transitional provisions in the Standard. Accordingly, the information presented for 2023 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2024 under IFRS 9.

SBP vide its BPRD Circular Letter No. 16 of 2024 has made certain amendments and extended timelines of application instructions for certain areas where the banking industry has sought more time. These amendments and relaxations include use modification accounting for financial assets and liabilities as per IFRS 9 standard and recording and treatment of staff loans and advances at reduced rates to given effect from 1 October 2024. Further, the banks have been asked to use existing practices of recordings of markup/interest income using effective interest rate and ensure full recognition from 1 October 2024, this in turn also effects the reduced rate loans and modified assets accounting. Moreover, SBP have allowed an extension to Banks up to December 31, 2024 for developing the requisite models for calculating EAD for revolving products beyond the contractual date. In addition, the banks have also been allowed to continue existing practice of valuing unquoted equity investment at their cost or breakup value, whichever is lower, till 31 December 2024 and perform fair valuation of these securities afterwards.

4.1.1 Impact on the condensed interim statement of financial position:

The effect of this change in accounting policy is as follows:

Financial Asset/Liabilities	Previous classification	Classification under IFRS 9	Balances as of December 31, 2023 (Audited)	Impact due to: Change in classification	Impact due to: Remeasurement under IFRS 9	Impact due to: Reversal of provision held	Impact due to: Recognition of expected credit loss (ECL)	Total impact - gross of tax	Taxation	Total impact - net of tax	Balances as of January 01, 2024
ASSETS											
Cash and balances with treasury banks	Loans and receivables	Amortised cost	9,465,856	-	-	-	-	-	-	-	9,465,856
Balances with other banks	Loans and receivables	Amortised cost	1,038,476	-	-	-	(1,481)	(1,481)	-	(1,481)	1,036,995
Lending to financial institutions	Loans and receivables	Amortised cost	8,192,051	-	-	-	-	-	-	-	8,192,051
Investments											
Held for trading	HFT	FVTPL	136,545	-	-	-	-	-	-	-	136,545
Available for sale	AFS	FVOCI	70,275,842	-	(80,328)	80,328	(4,287)	(4,287)	-	(4,287)	70,271,555
Advances	Loans and receivables	Amortised cost	73,436,346	-	-	-	(150,363)	(150,363)	-	(150,363)	73,285,983
Property and equipment	Outside the scope of IFRS 9		1,702,942	-	-	-	-	-	-	-	1,702,942
Right-of-use assets	Outside the scope of IFRS 9		1,255,338	-	-	-	-	-	-	-	1,255,338
Intangible assets	Outside the scope of IFRS 9		596,744	-	-	-	-	-	-	-	596,744
Deferred tax asset - net	Outside the scope of IFRS 9		2,503,022	-	-	-	-	-	135,838	135,838	2,638,860
Other assets					-						
Financial other assets	Loans and receivables	Amortised cost	7,960,386	-	-	-	-	-	-	-	7,960,386
Non financial other assets	Outside the scope of IFRS 9		537,845	-	-	-	-	-	-	-	537,845
Forward foreign exchange contracts	Fair value	FVTPL	1,632,466	-	-	-	-	-	-	-	1,632,466
			178,733,859	-	(80,328)	80,328	(156,131)	(156,131)	135,838	(20,293)	178,713,566
LIABILITIES											
Bills payable	Cost	Amortised cost	975,388	-	-	-	-	-	-	-	975,388
Borrowings	Cost	Amortised cost	30,981,605	-	-	-	-	-	-	-	30,981,605
Deposits and other accounts	Cost	Amortised cost	114,731,997	-	-	-	-	-	-	-	114,731,997
Lease liability	Outside the scope of IFRS 9		1,475,627	-		-	-	-	-	-	1,475,627
Subordinated debt	Cost	Amortised cost	4,995,000	-	-	-	-	-	-	-	4,995,000
Other liabilities											
Financial other liabilities	Cost	Amortised cost	6,377,683	-	-	-	40,760	40,760	-	40,760	6,418,443
Non financial other liabilities	Outside the scope of IFRS 9		775,303	-	-	-	-	-	39,361	39,361	814,664
Forward foreign exchange contracts	Fair value	FVTPL	2,058,075	-	-	-	-	-	-	-	2,058,075
			162,370,678	-	-	-	40,760	40,760	39,361	80,121	162,450,799
NET ASSETS			**16,363,181**	**-**	**(80,328)**	**80,328**	**(196,891)**	**(196,891)**	**96,477**	**(100,414)**	**16,262,767**
REPRESENTED BY		Note									
Share capital			10,082,387	-	-	-	-	-	-	-	10,082,387
Reserves			2,976,978	-	-	-	-	-	-	-	2,976,978
Deficit on revaluation of assets - net of tax		4.1.2	(274,468)	-	(80,328)	-	-	(80,328)	39,361	(40,967)	(315,435)
Unappropriated profit		4.1.3	3,578,284	-	-	80,328	(196,891)	(116,563)	57,116	(59,447)	3,518,837
			16,363,181	**-**	**(80,328)**	**80,328**	**(196,891)**	**(196,891)**	**96,477**	**(100,414)**	**16,262,767**

4.1.2 Impact on reserve of deficit on revaluation of investments:

	(Rupees in '000)
	Impact of adopting IFRS 9 at January 1, 2024
Closing balances as at December 31, 2023	(274,468)
Reversal of impairment on equity investment	(80,328)
Related tax	39,361
	(40,967)
Opening balance under IFRS 9 as at January 1, 2024	(315,435)

4.1.3 Impact on retained earnings

Closing balances as at December 31, 2023	3,578,284
Reversal of impairment on equity investment	80,328
Recognition of expected credit losses under IFRS 9	(196,891)
	(116,563)
Related tax	57,116
Opening balance under IFRS 9 as at January 1, 2024	3,518,837

4.1.4 Impact on regulatory capital

The introduction of IFRS 9 has resulted in reduction in regulatory capital of the Banks, which has reduced their lending capacity and ability to support their clients. In order to mitigate the impact of ECL models on capital, SBP has determined that it may be appropriate for the banks to introduce a transitional arrangement for the impact on regulatory capital from the application of ECL accounting. Annexure B of the 'Application Instructions' issued by SBP has detailed the transitional arrangement.

The transitional arrangement applies only to provisions for stage 1 and stage 2 financial assets. The transitional arrangement must adjust CET1 capital. Where there is a reduction in CET1 capital due to new provisions, net of tax effect, upon adoption of an ECL accounting model, the decline in CET1 capital (the "transitional adjustment amount") must be partially included (i.e., added back) to CET1 capital over the "transition period" of five years.

Moreover, SBP has allowed to adjust the amount of Stage 1 and Stage 2 provisions in Tier 2 Capital that have not been added back to CET 1 and vice versa as per Annexure-A of BPRD Circular no 16 of 2024.

The impact of adoption of IFRS 9 on the capital ratios of the Bank are as follows:

	%		
	As per previous Reporting requirements	As per adoption of IFRS 9 impairment changes	IFRS 9 impairment changes and reclassification
Common Equity Tier 1 Capital Adequacy ratio	15.48%	16.22%	0.74%
Tier 1 Capital Adequacy Ratio	15.48%	16.22%	0.74%
Total Capital Adequacy Ratio	21.31%	21.53%	0.22%
	(Rupees in '000)		
CET1 available to meet buffers (as a percentage of risk weighted assets)	9,089,512	9,801,061	711,549

4.1.5 Classification and measurement

Under the new standard, classification and measurement of financial assets depends on how these are managed based on business model and their contractual cash flow characteristics. Financial assets that do not meet the Solely Payment of Principal and Interest (SPPI) criteria are required to be measured at fair value through profit or loss (FVTPL) regardless of the business model in which they are held.

Recognition and initial measurement

Receivable and debt securities issued are initially recorded when they are originated. All other financial assets and financial liabilities are initially recognised when the Bank becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A receivable without a significant financing component is initially measured at transaction price.

Classification

Financial Assets

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cashflows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

Financial assets are not reclassified subsequent to their initial recognition unless the Bank changes its business models for managing financial assets, in which cases all affected financial assets are reclassified on the first day of the first reporting period following changes in the business model.

IFRS 9 allows entities to irrevocably designate, at initial recognition, a financial asset as measured at FVTPL if doing so eliminates or significantly reduces any 'accounting mismatch' that would otherwise arise from measuring assets or liabilities or recognizing gains and losses on them on different basis. SBP instructions state that banks may apply the fair value option if, in addition to the IFRS 9 criterion, (a) it is consistent with a documented risk management strategy, and (b) fair values are reliable at inception and throughout life of the instrument. Nonetheless, banks should avoid this option for financial instruments that are categorized as Level 3 in terms of the IFRS 13 hierarchy.

Financial Liabilities

Financial liabilities are either classified as fair value through profit or loss (FVTPL), when they are held for trading purposes, or at amortized cost. Financial liabilities classified as FVTPL are measured at fair value and all the fair value changes are recognized in profit and loss account. Financial liabilities classified at amortized cost are initially recorded at their fair value and subsequently measured using the effective interest rate method. Markup expense and foreign exchange gain and losses are recognised in profit and loss. Any gain or loss on derecognition is also recognised in profit and loss.

Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in scope of the standard are never bifurcated. Instead, the whole hybrid instrument is assessed for classification.

4.1.6 Business model assessment

A financial asset is classified as either Held to collect, Held to collect and sale and Others based on Business model assessment. The Bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The assessment requires judgement based on facts and circumstances on the date of assessment. The information considered mainly includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual markup revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Bank's management; the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how managers of the business are compensated (e.g., whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

The business model assessment is based on reasonably expected scenarios without taking "worst case" or "stress case" scenarios into account.

Transfer of financial assets to third parties in transaction that do not qualify for derecognition are not considered sales for this purpose, consistent with the Bank continuing recognition of the financial assets.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

4.1.7 Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI)

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g., liquidity risk and administrative costs), as well as interest margin.

In assessing whether the contractual cash flows are SPPI, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Bank's claim to cash flows from specified assets (e.g. non-recourse loans); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

A prepayment feature is consistent with the SPPI criterion if the prepayment amount substantially represents unpaid amounts of principal and markup on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par-amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

The Bank holds a portfolio of long-term fixed-rate loan for which the Bank has the option to propose to revise the interest rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision. The borrowers have an option to either accept the revised rate or redeem the financing at par without penalty. The Bank has determined that the contractual cash flows of these loan are SPPI because the option varies the interest rate in a way that is consideration for the time value of money, credit risk, other basic financing risks and costs associated with the principal amount outstanding.

4.1.8 Subsequent measurement

The following accounting policies apply to the subsequent measurement of financial assets:

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any markup or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost. The amortised cost is reduced by impairment losses. Markup, foreign exchange gains and losses and impairment are recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value and is assessed for impairment under the new ECL model. Markup income is calculated using the effective interest method and includes amortization of premiums and accretion of discount, foreign exchange gains and losses and impairment are recognised in income statement. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to income statement
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment, in which case they are adjusted from the carrying value of investment. Other net gains and losses are recognised in OCI and are never reclassified to income statement. The banks are allowed to continue measuring unquoted equity securities at the lower of cost or break-up value up to December 31, 2024. However, Bank shall be required to measure unquoted equity securities at fair value, as required in the IFRS 9 application instructions, with effect from January 1, 2025.

4.1.9 Amortised cost and gross carrying amount

The ‘amortised cost’ of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance (or impairment allowance before 1 January 2024).

The ‘gross carrying amount of a financial asset’ is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

4.1.10 Calculation of markup income and expense

Markup income for certain financial assets and expense for certain financial liabilities are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

In calculating markup income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, markup income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of markup income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, markup income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of markup income does not revert to a gross basis, even if the credit risk of the asset improves.

Presentation

Markup / interest earned as presented in the profit and loss account includes markup income calculated using the effective interest method as presented in sub note which includes:

- markup on financial assets and financial liabilities measured at amortised cost; and
- markup on debt instruments measured at FVOCI;

Markup / interest expense as presented in the profit and loss account includes markup expense calculated using the effective interest rate method as presented in sub note which includes financial liabilities measured at amortised cost

In accordance with the application instructions the unrealized markup earned on non-performing assets are kept in a memorandum account and are not credited to the statement of profit and loss. However, the Banks are advised to recognize income on non-performing assets (loans classified under PRs i.e., OAEM and Stage 3 loan) on a receipt basis in accordance with the requirements of Prudential Regulations issued by SBP.

4.1.11 Derecognition

The Bank derecognises a financial asset when:

- the contractual rights to the cash flows from the financial asset expire;
- it transfers the rights to receive the contractual cash flows in a transaction in which either;
- substantially all of the risks and rewards of ownership of the financial asset are transferred; or
- the Bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset in its entirety, the difference between:

a) the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and

d) the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in OCI shall be recognised in profit or loss.

From 1 January 2024 any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities. Any markup in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognised as a separate asset or liability.

The Bank enters into transactions whereby it transfers assets recognised on its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities lending and sale-and-repurchase transactions.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured loan transaction similar to sale-and repurchase transactions, because the Bank retains all or substantially all of the risks and rewards of ownership of such assets.

In transactions in which the Bank neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Bank continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions, the Bank retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled, or expired.

4.1.12 Modification

Financial assets

The Bank sometimes renegotiates or otherwise modifies the contractual cash flows of loans to its customers. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit or loss as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the bank plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place. This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

Where derecognition of financial assets is appropriate, the newly recognised residual loans are assessed to determine whether the assets should be classified as purchased or originated credit-impaired assets (POCI)

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the bank first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognized the resulting adjustment as a modification gain or loss in profit or loss. Any costs or fees incurred, and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

If such a modification is carried out because of financial difficulties of the borrower then the gain or loss is presented together with impairment losses. In other cases, it is presented as markup income calculated using the effective interest rate method.

Financial liabilities

The Bank derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability recognized and consideration paid is recognized in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognized in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognized as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

4.1.13 Reclassification

Financial liabilities are not reclassified subsequent to initial recognition. Reclassifications of financial assets are made when, and only when, the business model for those assets changes. Such changes are expected to be infrequent and arise as a result of significant external or internal changes.

Financial assets are reclassified at their fair value on the date of reclassification and previously recognised gains and losses are not restated. Moreover, reclassifications of financial assets between financial assets held at amortised cost and financial assets held at FVOCI do not affect interest rate or expected credit loss computations.

Reclassified from amortised cost

Where financial assets held at amortised cost are reclassified to financial assets held at FVTPL, the difference between the fair value of the assets at the date of reclassification and the previously recognised amortised cost is recognised in statement of profit and loss.

For financial assets held at amortised cost that are reclassified to FVOCI, the difference between the fair value of the assets at the date of reclassification and the previously recognised gross carrying value is recognised in comprehensive income. Additionally, the related cumulative expected credit loss amounts relating to the reclassified financial assets are reclassified from provisions to a separate reserve in comprehensive income at the date of reclassification.

Reclassified from fair value through other comprehensive income

Where financial assets held at FVOCI are reclassified to financial assets held at FVTPL, the cumulative gain or loss previously recognised in comprehensive income is transferred to the profit and loss.

For financial assets held at FVOCI that are reclassified to financial assets held at amortised cost, the cumulative gain or loss previously recognised in comprehensive income is adjusted against the fair value of the financial asset such that the financial asset is recorded at a value as if it had always been held at amortised cost. In addition, the related cumulative expected credit losses held within comprehensive income are reversed against the gross carrying value of the reclassified assets at the date of reclassification.

Reclassified from fair value through profit or loss

Where financial assets held at FVTPL are reclassified to financial assets held at FVOCI or financial assets held at amortised cost, the fair value at the date of reclassification is used to determine the effective interest rate on the financial asset going forward. In addition, the date of reclassification is used as the date of initial recognition for the calculation of expected credit losses. Where financial assets held at FVTPL are reclassified to financial assets held at amortised cost, the fair value at the date of reclassification becomes the gross carrying value of the financial asset.

4.1.14 Impairment

The impairment requirements apply to financial assets measured at amortized cost and FVOCI (other than equity instruments), lease receivables, and certain loan commitments and financial guarantee contracts. At initial recognition, an impairment allowance (or provision in the case of commitments and guarantees) is required for expected credit losses ('ECL') resulting from default events that are possible within the next 12 months ('12-month ECL'). In the event of a significant increase in credit risk, a provision is required for ECL resulting from all possible default events over the expected life of the financial instrument ('lifetime ECL').

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Bank expects to recover.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognized and ECL are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Financial assets where 12-month ECL is recognized are in 'Stage 1'; financial assets that are considered to have experienced a significant increase in credit risk are in 'Stage 2'; and financial assets for which there is objective evidence of impairment, so are considered to be in default or otherwise credit impaired, are in 'Stage 3'.

Non-Performing financial assets

At each reporting date, the Bank assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI, and finance lease receivables are credit impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'non-performing' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan by the Bank on terms that the Bank would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

Under the IFRS 9 Application instructions, the Bank is not required to compute ECL on Government Securities and on Government guaranteed credit exposure in local currency. The Bank is required to calculate ECL on its non-perfomring financial assets as higher of provision under Prudential Regulations (PR) and ECL under IFRS 9.

The Bank calculates the ECL against Non Retail and Retail loan portfolios as higher of PR and ECL under IFRS 9 at borrower/facility level. Non Retail banking comprises of Corporate, Quasi Corporate, Complex Credit Unit and Small Medium Enterprise banking and Global Markets, whereas, the Retail banking group offers wide range of services to its individual customers including Personal loans, Auto loans and Housing.

Based on the requirements of IFRS 9 and Application Instructions, the Bank has performed an ECL assessment considering the following key elements:

- PD: The probability that a counterparty will default over the next 12 months from the reporting date (12-month ECL, Stage1) or over the lifetime of the product (lifetime ECL, Stage 2). The PD of a customer will be determined based on a set of IFRS 9 ECL models that combine the macroeconomic forecasts and point-in-time PDs. The Bank considers three economic scenarios (Good, Base, and Bad), while estimating ECL on probability-weighted outcome. The probabilities for these three different scenarios shall be based on Bank's PD methodology which uses macroeconomic information from a credible external agency for a 5-year forward looking period and use of this macroeconomic information is subject to acceptability of the macroeconomic variables under various statistical tests as defined in Bank's PD calculation methodology document for Credit exposures.
- EAD: Exposure at default (EAD) is an estimation of the extent that the Bank may be exposed to an obligor in the event of default. The estimation of EAD should take into account any expected changes in the exposure after the assessment date, including expected drawdowns on committed facilities through the application of a credit conversion factor (CCF). This is of particular importance in the case of Stage 2 assets where the point of default may be several years in the future.
- LGD: LGD refers to amount of loss that will arise if a borrower defaults. Determination of LGD rests on historical experiences of cash recovery and cost and time for the recovery. The Bank has experienced negligible defaults and insufficient historical recovery information from 2008 till 2020 for LGD model development, therefore as permitted under SBP IFRS 9 Financial Instruments Application Instructions, the management shall apply the LGD percentages prescribed under Basel Foundation – Internal Rating Based (F-IRB) approach to determine ECL under BSD Circular No. 08 dated June 27, 2006 i.e. LGD of 45% for Secured portfolio and 75% for Unsecured portfolio.

4.1.15 Significant increase in credit risk (SICR)

A SICR is assessed in the context of an increase in the risk of a default occurring over the life of the financial instrument when compared to that expected at the time of initial recognition. It is not assessed in the context of an increase in the ECL. The Bank used several qualitative and quantitative measures in assessing SICR. Quantitative measures relate to deterioration of Obligor Risk Ratings (ORR) or where principal and / or profit payments are 45 days or more past due.

Any borrower identified by the MCC where enhanced monitoring is required by the Bank's Credit team, it may be perceived as a case of significant increase in credit risk of the borrower; therefore, all exposure which has been marked as 'watch list', may be considered to be downgraded to ORR 7 and categorized into Stage 2 on case to case basis. Apart from the above objective based SICR criteria, the Management may shift exposures from Stage 1 to Stage 2 based on certain risk indicators and industry outlook.

The management of the Bank may exercise its judgement for making any changes in the ECL computation of the borrowers. In case of such overlays, the management shall document the reasons in detail. Any deviation/changes in ECL computation shall be approved by the MCC. The overlay may be applied to override the results produced by the Model where the management believes, based on additional information which they are privy to that, the results would be different if the same could be accounted for by the Model.

As required by the Application Instructions, financial assets may be reclassified out of stage 3 if they meet the requirements of PR issued by SBP. Financial assets in stage 2 may be reclassified to stage 1 if the conditions that led to a SICR no longer apply. However, a minimum period of 3 months from initial downgrade is required before any facility is moved back to Stage 1 from Stage 2. For a facility to move back from Stage 3 to Stage 2, it should meet the criteria defined under the respective Prudential Regulations for de-classification of account / facility. An exposure cannot be upgraded from Stage 3 to Stage 1 directly and should be upgraded to Stage 2 initially.

IFRS 9 includes a rebuttable presumption that a default does not occur later than 90 days past due and it also presumes that there is SICR if credit exposure is more than 30 days past due. In order to bring consistency, SBP has allowed the backstop to the rebuttable presumption of days past due of credit portfolio against a specific credit facility and its stage allocation under IFRS 9 as mentioned in Annexure-C of BPRD Circular no 3 of 2022. However, banks are free to choose more stringent days past due criteria. The Bank has applied the guidance of PR where default is treated when the loan is 90 days past due.

The Bank measures ECL on a lifetime basis for purchase and originated credit impaired (POCI) instruments throughout the life of the instrument. However, ECL is not recognised in a separate loss provision on initial recognition for POCI instruments as the lifetime expected credit loss is inherent within the gross carrying amount of the instruments. The Bank recognises the change in lifetime expected credit losses arising subsequent to initial recognition in the profit and loss account and the cumulative change as a loss provision. Where lifetime ECL on POCI instruments are less than those at initial recognition, then the favorable differences are recognised as impairment gains in the statement of profit and loss.

4.1.16 Write-offs

Financial assets are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the statement of profit or loss and OCI.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

4.1.17 Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Bank currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

4.1.18 Undrawn loan commitments and guarantees:

'Financial guarantees' are contracts that require the Bank to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument. 'loan commitments' are firm commitments to provide credit under pre-specified terms and conditions.

Financial guarantees issued or commitments to provide a loan at a below-market profit rate are initially measured at fair value. Subsequently, they are measured at the higher of the loss allowance determined in accordance with IFRS 9 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15

When estimating lifetime ECL for undrawn loan commitments, the Bank estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected cash flows if the loans are drawn down, based on a probability-weighting of the three scenarios.

4.1.19 Governance, ownership and responsibilities

The Bank has adopted a governance framework requiring the Risk, Finance, Internal Audit, HR and IT functions to effectively work together to ensure input from all business lines. IFRS 9 requires robust credit risk models that can predict Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD).

The Bank's Risk Management Division has developed models / methodologies for PD, LGD and Credit Conversion Factors (CCF). These model are validated on annual basis considering the following aspects:

- Qualitative Validation: Expected credit loss (ECL) model design validation, data quality validation and benchmarking with external best practices.
- Quantitative Validation: Calibration testing which ensures the accuracy of the observed PDs.

The Risk Department defines the staging criteria for the new impairment model and take ownership of all models, methodologies and the ECL calculation approach. Additionally, the Risk Department also take the ownership of the impact of ECL on bank's capital.

The Bank's Finance Division assess the financial impact and meet the financial reporting requirements.

The IT Department is responsible to identify, prepare and extract the data required for the risk parameters modelling and ECL calculations. IT department also support for system development and upgrades.

As per the Bank's policy, the Bank's Internal Audit function carries out periodic review of IFRS 9 methodology and impacts calculated by the Management.

4.2 Revised format of condensed interim financial statements

The SBP through its BPRD Circular No. 02 dated February 9, 2023, and BPRD Circular Letter No. 07 of 2023 dated April 13, 2023, has amended the format of quarterly and half yearly financial statements of banks. All banks are directed to prepare their quarterly and half yearly financial statements on the revised format effective from accounting year starting from January 1, 2024. Accordingly, the Bank has prepared these condensed interim financial statements on the new format prescribed by the SBP.

The adoption of revised format has resulted in following significant changes:

- Right-of-use-assets (note 13) amounting to Rs.1,432.338 million (December 31, 2023: Rs.1,255.34 million) which were previously shown as part of fixed assets are now shown separately on the statement of financial position.
- Lease liabilities (note 20) amounting to Rs.1,679.878 million (December 31, 2023: Rs.1,475.63 million) which were previously shown as part of other liabilities (note 22) are now shown separately on the statement of financial position.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of condensed interim financial statements in conformity with accounting and reporting standards as applicable in Pakistan requires management to make judgments, estimates and assumptions that affect the application of policies and reported amount of assets and liabilities and income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form basis of making the judgments about carrying values of assets and liabilities which are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of its revision and future periods if the revision affects both current and future periods.

The significant judgments made by the management in applying the Bank's accounting policies and the key sources of estimation were the same as those applied in the preparation of annual audited financial statements for the year ended December 31, 2023 except for matters related to adoption of IFRS 9 which have been disclosed in notes 4.1 and 4.2 to the condensed interim financial statements.

6 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, 2023.

7 CASH AND BALANCES WITH TREASURY BANKS

	Note	September 30, 2024 (Un-audited)	December 31, 2023 (Audited)
		(Rupees in '000)	
In hand			
Local currency		959,120	1,125,140
Foreign currencies		231,261	958,688
		1,190,381	2,083,828
With State Bank of Pakistan in			
Local currency current account		5,615,455	4,653,285
Foreign currency current account (cash reserve account)		732,052	745,522
Foreign currency deposit account (USD settlement account)		340,986	478,298
Foreign currency deposit account (special cash reserve account)		1,461,326	1,476,668
		8,149,819	7,353,773
With National Bank of Pakistan in			
Local currency current account		28,538	28,240
Prize Bonds		165	15
Less: Credit loss allowance held against cash and balances with treasury bank		-	-
Cash and balances with treasury banks - net of credit loss allowance		9,368,903	9,465,856

8 BALANCES WITH OTHER BANKS

	Note	September 30, 2024 (Un-audited)	December 31, 2023 (Audited)
In Pakistan			
In current accounts		4,196	12,735
In deposit accounts		24	21
		4,220	12,756
Outside Pakistan			
In current accounts	8.1	1,143,480	1,025,720
Less: Credit loss allowance held against balances with other banks		(1,371)	-
Balances with other banks - net of credit loss allowance		1,146,329	1,038,476

8.1 This includes balance with Saudi National Bank (a related party) amounting to Rs. 139.945 million (2023: Rs. 100.391 million).

9 LENDINGS TO FINANCIAL INSTITUTIONS

	September 30, 2024 (Un-audited)	December 31, 2023 (Audited)
Reverse repo agreements	-	2,500,000
Other lending (Naya Pakistan Certificates)	2,995,298	5,692,051
	2,995,298	8,192,051
Less: Credit loss allowance held against lending to financial institutions	-	-
Lendings to financial institutions - net of credit loss allowance	2,995,298	8,192,051

9.1 Lending to FIs- Particulars of credit loss allowance

(Rupees in '000)

		September 30, 2024 (Un-audited)		December 31, 2023 (Audited)	
		Lending	Credit loss allowance held	Lending	Credit loss allowance held
Domestic					
Performing		-	-	8,192,051	-
Performing	Stage 1	2,995,298	-	-	-
Under performing	Stage 2	-	-	-	-
Non-performing	Stage 3				
Substandard		-	-	-	-
Doubtful		-	-	-	-
Loss		-	-	-	-
		-	-	-	-
Total		2,995,298	-	8,192,051	-

10 INVESTMENTS

10.1 Investments by type:

(Rupees in '000)

	September 30, 2024 (Un-audited)			
	Cost / Amortised cost	Credit loss allowance	Surplus / (Deficit)	Carrying Value
Fair value through profit or loss				
Federal Government securities	2,739,765	-	58,453	2,798,218
Shares	166,880	-	(8,148)	158,732
	2,906,645	-	50,305	2,956,950
Fair value through other comprehensive income				
Federal Government securities	84,637,337	-	(422,227)	84,215,110
Shares	1,246,741	-	(10,850)	1,235,891
Non Government debt securities	585,714	(5,567)	(1,199)	578,948
	86,469,792	(5,567)	(434,276)	86,029,949
Total Investments	89,376,437	(5,567)	(383,971)	88,986,899

(Rupees in '000)

	December 31, 2023 (Audited)			
	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
Held for Trading Securities				
Federal Government securities	103,105	-	96	103,201
Shares	33,663	-	(319)	33,344
	136,768	-	(223)	136,545
Available for sale Securities				
Federal Government securities	68,539,688	-	(918,898)	67,620,790
Shares	1,422,296	(90,827)	383,304	1,714,773
Non Government debt securities	942,857	-	(2,578)	940,279
	70,904,841	(90,827)	(538,172)	70,275,842
Held to Maturity Securities				
Federal Government securities	-	-	-	-
	71,041,609	(90,827)	(538,395)	70,412,387

	Note	September 30, 2024 (Un-audited)	December 31, 2023 (Audited)
		(Rupees in '000)	
10.1.1 Investments given as collateral			
Pakistan Investment Bonds		25,866,862	19,172,150
10.2 Credit loss allowance / provision for diminution in value of investments			
10.2.1 Opening balance		90,827	17,786
IFRS 9 transition impact as at January 01, 2024	10.2.2	(86,540)	-
Charge / (reversals)			
Charge for the period / year		1,280	144,036
Reversal on disposal		-	(70,995)
		1,280	73,041
Closing Balance		5,567	90,827

10.2.2 This represents reversal of impairment on equity securities amounting to Rs 90.827 million and ECL charge on non-government debt securities amounting to Rs. 4.287 million.

10.3 Particulars of credit loss allowance against debt securities

Domestic		September 30, 2024	
		Outstanding amount	Credit loss allowance held
		(Un-audited)	
		(Rupees in '000)	
Performing	Stage 1	585,714	5,567
Underperforming	Stage 2	-	-
Non-performing	Stage 3		
Substandard		-	-
Doubtful		-	-
Loss		-	-
		-	-
Total		585,714	5,567

11 ADVANCES

	Performing	Non-Performing	Total
	(Rupees in '000)		
	September 30, 2024 (Un-audited)		
Loans, cash credits, running finances, etc.	60,541,786	8,966,391	69,508,177
Bills discounted and purchased	107,062	-	107,062
Advances - gross	60,648,848	8,966,391	69,615,239
Credit loss allowance against advances			
-Stage 1	(346,667)	-	(346,667)
-Stage 2	(1,010,440)	-	(1,010,440)
-Stage 3	-	(7,688,028)	(7,688,028)
	(1,357,107)	(7,688,028)	(9,045,135)
Advances - net of credit loss allowance	59,291,741	1,278,363	60,570,104

	Performing	Non-Performing	Total
	(Rupees in '000)		
	December 31, 2023 (Audited)		
Loans, cash credits, running finances, etc.	73,031,411	7,334,923	80,366,334
Bills discounted and purchased	345,557	-	345,557
Advances - gross	73,376,968	7,334,923	80,711,891
Specific Provision	-	(6,368,758)	(6,368,758)
General Provision	(906,787)	-	(906,787)
	(906,787)	(6,368,758)	(7,275,545)
Advances - net of provision	72,470,181	966,165	73,436,346

11.1 Particulars of advances (Gross)

	September 30, 2024 (Un-audited)	December 31, 2023 (Audited)
	(Rupees in '000)	
In local currency	68,901,874	80,439,401
In foreign currencies	713,365	272,490
	69,615,239	80,711,891

11.2 Advances include Rs.8,966 million (December 31, 2023: Rs.7,335 million) which have been placed under non-performing / Stage 3 status as detailed below:-

(Rupees in '000)

Category of Classification	September 30, 2024 (Un-audited)		December 31, 2023 (Audited)	
	Non Performing Loans	Credit loss allowance	Non Performing Loans	Credit loss allowance
Domestic				
Other Assets Especially Mentioned (OAEM)	-	-	56,953	-
Substandard	338,012	143,780	1,072,733	486,340
Doubtful	2,490,824	1,431,142	1,265,335	966,909
Loss	6,137,555	6,113,106	4,939,902	4,915,509
	8,966,391	7,688,028	7,334,923	6,368,758

11.3 Particulars of credit loss allowance against advances

	Note	Stage 1	Stage 2	Stage 3	Specific	General	Total
		(Rupees in '000)					
		September 30, 2024 (Un-audited)					
Opening balance		-	-	-	6,368,758	906,787	7,275,545
IFRS 9 transition impact	11.3.1	282,984	649,253	6,493,671	(6,368,758)	(906,787)	150,363
Restated balance as at January 1, 2024		282,984	649,253	6,493,671	-	-	7,425,908
Charge for the period		63,683	361,187	1,997,216	-	-	2,422,086
Reversals		-	-	(802,859)	-	-	(802,859)
		63,683	361,187	1,194,357	-	-	1,619,227
Amounts written off		-	-	-	-	-	-
Closing balance	11.3.1	346,667	1,010,440	7,688,028	-	-	9,045,135

	Specific	General	Total
	(Rupees in '000)		
	December 31, 2023 (Audited)		
Opening balance	4,909,582	1,164,393	6,073,975
Charge for the year	2,680,249	-	2,680,249
Reversals for the year	(209,487)	(257,606)	(467,093)
	2,470,762	(257,606)	2,213,156
Amounts written off	(1,011,586)	-	(1,011,586)
Closing balance	6,368,758	906,787	7,275,545

11.3.1 A management overlay provision of Rs. 358.679 million (1 January 2024: Rs. 65.55 million due to IFRS 9 adoption) has been made in Stage 2 ECL for specific borrowers within certain sectors arising from specific macroeconomic variables, such as energy, depressed demand and escalating financial stress, which have significantly affected those sectors. These factors are not fully captured in the modelled outcomes. The bank will continuously assess the appropriateness of this overlay in light of the evolving situation.

11.3.2 No benefit of forced sale value of the collaterals held by the Bank has been taken while determining the provision against non performing loans as allowed under BSD circular No. 01 dated October 21, 2011.

11.4 Advances - Particulars of credit loss allowance

		Stage 1	Stage 2	Stage 3	Specific	General	Total
		(Rupees in '000)					
		September 30, 2024 (Un-audited)					
11.4.1	Opening balance	-	-	-	6,368,758	906,787	7,275,545
	IFRS 9 transition impact	282,984	649,253	6,493,671	(6,368,758)	(906,787)	150,363
	Restated balance as at January 1, 2024	282,984	649,253	6,493,671	-	-	7,425,908
	Net Impairment charge	28,896	446,796	1,946,394	-	-	2,422,086
	Transfer to stage 1	75,981	(74,761)	(1,220)	-	-	-
	Transfer to stage 2	(32,477)	32,578	(101)	-	-	-
	Transfer to stage 3	(8,717)	(43,426)	52,143	-	-	-
	Reversal on derecognition / repaid and recoveries	-	-	(802,859)	-	-	(802,859)
		63,683	361,187	1,194,357	-	-	1,619,227
	Amounts written off / charged off	-	-	-	-	-	-
	Closing balance	346,667	1,010,440	7,688,028	-	-	9,045,135

11.4.2 Advances - Category of classification

Domestic

		(Rupees in '000)	
		September 30, 2024	
		Outstanding amount	Credit loss allowance held
		(Un-audited)	
Performing	Stage 1	49,835,777	346,667
Underperforming	Stage 2	10,813,071	1,010,440
Non-performing	Stage 3		
Other Assets Especially Mentioned (OAEM)		-	-
Substandard		338,012	143,780
Doubtful		2,490,824	1,431,142
Loss		6,137,555	6,113,106
Total		69,615,239	9,045,135

	Note	September 30, 2024 (Un-audited)	December 31, 2023 (Audited)
		(Rupees in '000)	
12 PROPERTY AND EQUIPMENT			
Capital work-in-progress	12.1	120,296	46,709
Property and equipment		1,588,827	1,656,233
		1,709,123	1,702,942
12.1 Capital work-in-progress			
Civil works		83,034	46,709
Equipment		37,262	-
		120,296	46,709

12.2 Additions to property and equipment

The following additions have been made to property and equipment during the period:

	September 30, 2024 (Un-audited)	September 30, 2023 (Un-audited)
	(Rupees in '000)	
Capital work-in-progress	134,342	72,154
Property and equipment		
Furniture and fixture	4,844	8,109
Electrical office and computer equipment	28,492	34,219
Vehicles	-	7,678
	33,336	50,006
Total	167,678	122,160

12.3 Disposal of property and equipment

The net book value of Property and Equipment disposed off during the period is as follows:

Furniture and fixture	1,644	160
Electrical office and computer equipment	113	381
Vehicles	-	542
Total	1,757	1,084

13 RIGHT-OF-USE ASSETS	September 30, 2024 (Un-audited)		December 31, 2023 (Audited)	
	(Rupees in '000)			
	Buildings	Total	Buildings	Total
At January 1				
Cost	2,327,610	2,327,610	2,137,850	2,137,850
Accumulated Depreciation	(1,072,272)	(1,072,272)	(783,517)	(783,517)
Net Carrying amount at January 1	1,255,338	1,255,338	1,354,333	1,354,333
Additions during the period / year	401,792	401,792	196,102	196,102
Deletions during the period / year	-	-	(6,342)	(6,342)
Depreciation charge for the period / year	(224,792)	(224,792)	(288,755)	(288,755)
Closing net carrying amount	1,432,338	1,432,338	1,255,338	1,255,338

14 INTANGIBLE ASSETS	Note	September 30, 2024 (Un-audited)	December 31, 2023 (Audited)
		(Rupees in '000)	
Capital work-in-progress		326,168	253,650
Computer software and licenses		463,312	343,094
		789,480	596,744

14.1 Additions to intangible assets		September 30, 2024 (Un-audited)	September 30, 2023 (Un-audited)
		(Rupees in '000)	
The following additions have been made to intangible assets during the period:			
Capital work-in-progress	14.1.1	232,975	49,088
Directly purchased		40,807	20,097
Total		273,782	69,185

14.1.1 This includes additions of Rs 190.95 million on account of initial license fee of Enterprise Fraud Management (EFM) Solution.

15 DEFERRED TAX ASSETS	September 30, 2024 (Un-audited)	December 31, 2023 (Audited)
	(Rupees in '000)	
Deductible Temporary Differences on:		
- Credit loss allowance / provision against advances	2,518,962	2,268,451
- Deficit on revaluation of investments	212,795	263,704
- Impact of items recognized in retaining earning on adoption of IFRS 9	96,477	-
- Accelerated tax depreciation	58,045	55,576
	2,886,279	2,587,731
Taxable Temporary Differences on		
- Net investment in finance lease	(84,950)	(84,709)
	(84,950)	(84,709)
	2,801,329	2,503,022

16 OTHER ASSETS	Note	September 30, 2024 (Un-audited)	December 31, 2023 (Audited)
		(Rupees in '000)	
Income / Mark-up accrued in local currency		5,429,434	6,170,609
Income / Mark-up accrued in foreign currencies		88,075	81,799
Advances, deposits, advance rent and other prepayments		353,123	201,679
Advance taxation		-	-
Mark to market gain on forward foreign exchange contracts		1,385,565	1,632,466
Acceptances	22	1,258,327	1,450,781
Receivable against sale of equity investment		201,414	257,197
Others	16.2	103,019	483,551
		8,818,957	10,278,082
Less: Credit loss allowance held against other assets		(144,492)	(147,385)
Other Assets (Net of credit loss allowance)		8,674,465	10,130,697

16.1 Credit loss allowance held against other assets

Fee, commission and other receivables	76,352	78,245
Fraud and forgery	68,140	69,140
	144,492	147,385

16.1.1 Movement in Credit loss allowance held against other assets

Opening balance	147,385	157,159
Amount written off	(2,893)	(9,774)
Closing balance	144,492	147,385

16.2 This includes:
(a) an amount of Rs. 32.389 million (December 31, 2023: Rs. 32.389 million) receivable from InterAsia Leasing Limited.
(b) an amount of Rs. 1.847 million (December 31, 2023: Rs. 1.847 million) receivable from Saudi National Bank (a related party).

16.3 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, 2024 (Un-audited)	December 31, 2023 (Audited)
17. BILLS PAYABLE		
In Pakistan	1,093,550	975,388

18. BORROWINGS

	September 30, 2024 (Un-audited)	December 31, 2023 (Audited)
Secured		
Borrowings from State Bank of Pakistan		
- Under export refinance scheme	3,605,740	4,646,936
- Under long term financing facilities	5,490,013	6,887,533
	9,095,753	11,534,469
Repurchase agreement borrowings	25,928,166	19,424,800
Total secured	35,023,919	30,959,269
Unsecured		
Call borrowings	500,000	-
Bai muajjal borrowing	5,511,939	-
Bankers Equity Limited (under liquidation)	22,336	22,336
Total unsecured	6,034,275	22,336
	41,058,194	30,981,605

19 DEPOSITS AND OTHER ACCOUNTS

		(Rupees in '000)					
		September 30, 2024 (Un-audited)			December 31, 2023 (Audited)		
	Note	In Local Currency	In Foreign Currencies	Total	In Local Currency	In Foreign Currencies	Total
Customers							
Current deposits		14,945,175	6,054,189	20,999,364	18,907,204	6,307,245	25,214,449
Savings deposits		22,252,885	2,707,597	24,960,482	21,550,490	3,199,059	24,749,549
Term deposits		47,607,941	5,118,642	52,726,583	57,202,589	4,891,760	62,094,349
Others - margin and call deposits		609,407	-	609,407	679,143	-	679,143
		85,415,408	13,880,428	99,295,836	98,339,426	14,398,064	112,737,490
Financial Institutions							
Current deposits		52,198	598	52,796	198,278	2,767	201,045
Savings deposits		3,953,694	-	3,953,694	216,199	-	216,199
Term deposits		132,525	-	132,525	500,000	-	500,000
Others	19.1	1,076,893	-	1,076,893	1,077,263	-	1,077,263
		5,215,310	598	5,215,908	1,991,740	2,767	1,994,507
		90,630,718	13,881,026	104,511,744	100,331,166	14,400,831	114,731,997

19.1 This pertains to deposit of Saudi National Bank - a related party.

	(Rupees in '000)	
	September 30, 2024	December 31, 2023
	(Un-audited)	(Audited)
20 LEASE LIABILITIES		
Outstanding amount at the start of the period / year	1,475,627	1,501,455
Additions during the period / year	401,791	196,102
Lease payments including interest	(338,715)	(399,451)
Interest expense	141,175	188,489
Lease termination	-	(10,968)
Outstanding amount at the end of the period / year	1,679,878	1,475,627
20.1 Liabilities outstanding		
Not later than one year	9,999	104,096
Later than one year and upto five years	430,854	407,961
Over five years	1,239,025	963,570
Total at the period / year end	1,679,878	1,475,627
21 SUBORDINATED DEBT		
Term Finance Certificates (TFCs) - Unsecured	4,993,000	4,995,000

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).

	Note	September 30, 2024 (Un-audited)	December 31, 2023 (Audited)
		(Rupees in '000)	

22 OTHER LIABILITIES

	Note	September 30, 2024 (Un-audited)	December 31, 2023 (Audited)
Mark-up/ Return/ Interest payable in local currency		2,261,624	2,849,249
Mark-up/ Return/ Interest payable in foreign currency		46,885	51,851
Accrued expenses		757,127	810,339
Accrual for WWF	22.2	229,470	184,470
Taxation		596,176	291,770
Acceptances	16	1,258,327	1,450,781
Unclaimed dividends		3,351	3,351
Dividends payable		28,187	28,220
Mark to market loss on forward foreign exchange contracts		1,308,206	2,058,075
Payable against purchase of equity investment		91,680	37,631
Credit loss allowance against off-balance sheet obligations	22.1	132,677	172,746
Security deposits against lease		27,826	27,826
ATM settlement account		-	1,118,435
Others		1,024,292	126,317
		7,765,828	9,211,061

22.1 Credit loss allowance against off-balance sheet obligations

	September 30, 2024	December 31, 2023
Opening balance	172,746	172,746
IFRS 9 transition impact	40,760	-
Charge for the period / year	-	-
Reversals	(80,829)	-
	(80,829)	-
Closing balance	132,677	172,746

22.2 Under the Workers' Welfare Ordinance, 1971, the Bank has accrued Workers' Welfare Fund at 2% of profit before tax as per the financial statements or declared income as per the income tax return, whichever is higher. The Bank has made full provision of Workers' Welfare Fund based on profit for the respective years. The Supreme Court of Pakistan vide its order dated November 10, 2016 has held that the amendments made in the law introduced by the Federal Government for the levy of Workers' Welfare Fund were not lawful. The Federal Board of Revenue has filed review petitions against this order which are currently pending. Legal advice obtained on the matter indicates that consequent to filing of these review petitions, the judgement may not currently be treated as conclusive. Accordingly, the Bank maintains its provision in respect of WWF.

23. DEFICIT ON REVALUATION OF ASSETS

	Note	September 30, 2024	December 31, 2023
Surplus / (deficit) on revaluation of:			
- Securities measured at FVOCI-Debt	10.1	(423,426)	(921,476)
- Securities measured at FVOCI-Equity	10.1	(10,850)	383,304
		(434,276)	(538,172)
Deferred tax on surplus / (deficit) on revaluation of:			
- Securities measured at FVOCI-Debt		207,479	451,523
- Securities measured at FVOCI-Equity		5,317	(187,819)
		212,796	263,704
		(221,480)	(274,468)

	Note	September 30, 2024 (Un-audited)	December 31, 2023 (Audited)
		(Rupees in '000)	

24 CONTINGENCIES AND COMMITMENTS

	Note	September 30, 2024	December 31, 2023
- Guarantees	24.1	10,827,604	7,692,280
- Commitments	24.2	153,328,539	130,270,023
- Other contingent liabilities	24.3	2,795,730	3,058,181
		166,951,873	141,020,484

24.1 Guarantees:

Financial guarantees		1,446,194	1,622,350
Performance guarantees		8,445,883	4,854,026
Other guarantees		935,527	1,215,904
		10,827,604	7,692,280

24.2 Commitments:

Documentary credits and short-term trade-related transactions			
- letters of credit		1,994,671	2,761,534
Commitments in respect of:			
- Forward foreign exchange contracts	24.2.1	151,183,531	108,950,523
- Forward government securities transactions	24.2.2	-	18,000,000
Commitments for acquisition of:			
- Property and equipment		81,061	73,848
- Intangible assets		66,109	480,244
- operating leases	24.2.3	3,167	3,874
		153,328,539	130,270,023

24.2.1 Commitments in respect of forward foreign exchange contracts

Purchase		78,973,968	56,645,445
Sale		72,209,563	52,305,078
		151,183,531	108,950,523

24.2.2 Forward government securities transactions

Purchase		-	15,500,000
Sale		-	2,500,000
		-	18,000,000

24.2.3 Commitments in respect of operating leases

Not later than one year		3,167	3,874
Later than one year and not later than five years		-	-
Later than five years		-	-
		3,167	3,874

24.3 Other contingent liabilities

Contingencies in respect of taxation	24.3.1	1,955,544	2,425,668
Claims against the Bank not acknowledged as debt	24.3.2	840,186	632,513
		2,795,730	3,058,181

24.3.1 Contingencies in respect of taxation

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 appeals filed by the Bank and tax department 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 below mentioned demands and windfall tax aggregating Rs. 1,955.544 million (December 31, 2023: Rs. 2,425.668 million) raised by the tax authorities as the management in consultation with tax consultant believes that the matters will be decided in their favor. The details are as follows:

The Federal Board of Revenue (FBR) has raised an arbitrary aggregate demand of Rs. 60.961 million (December 31, 2023: Rs. 426.787 million) for the assessment years 2001-02 and 2002-03 on account of non-deduction of tax on profit paid under portfolio management scheme. The FBR has also raised arbitrary aggregate demand of Rs. 525.554 million (December 31, 2023: Rs. 645.337 million) for assessment years 2001-02, 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 certain other items. The aforementioned demand relates to pending assessments of the Bank and amalgamated entity namely Crescent Investment Bank Limited. The change has been incorporated on the basis of legal opinion obtained by the Bank on 24 August 2024 from their tax council.

The FBR has also raised an arbitrary aggregate demand of Rs. 29.052 million (December 31, 2023: Rs. 29.052 million) for the assessment years 2009, 2010 & 2011 on account of Federal Excise Duty. Further, the FBR has raised arbitrary aggregate demand of Rs. 5.498 million (December 31, 2023: Rs. 5.498 million) on account of monitoring of withholding taxes for the tax year 2014.Provincial Tax authorities have 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 1.32 million (December 31, 2023: Rs.1.32 million) for the years 2015, Rs.15.380 million (December 31, 2023: Rs. 15.380 million) for the year 2016 and Rs.8.505 million (December 31, 2023: nil) for the year 2016-2017 respectively. Federal Board of Revenue has issued orders to amend assessments for tax years 2015, 2017, 2018, 2019, 2020, 2022 and 2023 raising arbitrary aggregate demands of Rs. 64.945 million (December 31, 2023: Rs. 64.945 million), Rs. 527.054 million (December 31, 2023: Rs. 527.054), Rs. 133.374 million (December 31, 2023: Rs. 133.374 million), Rs. 177.117 million (December 31, 2023: Rs. 177.117 million), Rs. 4.794 million (December 31, 2023: Rs. 4.794 million), Rs. 41.01 million (December 31, 2023: Rs.41.01 million) and Rs.6.980 million (December 31, 2023: nil) respectively.

The Finance Act, 2023 incorporated section 99D of the Income Tax Ordinance, 2001 imposing tax on windfall income, profits and gains. In pursuance of sub-section (2) of said section, the interim Federal Government has issued Notification No. SRO.1588(I)/2023 dated November 21, 2023 imposing 40% tax on foreign exchange income of the banks and has also specified the criteria for calculation of windfall income and tax liability thereon. In pursuance of the same, tax authorities issued recovery notice to the Bank thereby creating a demand to the extent of Rs. 354 million. However, the Bank filed Constitutional Petition before the Honorable High Court Lahore through its external legal counsel; challenging the same on various legal grounds inter-alia including the following:

- unlawful delegation of powers;
- absence of necessary conditions mentioned in section 99D;
- lack of right of appeal to the tax payers; and
- absence of machinery for declaration, assessment and collection.

Based on these grounds the Honorable High Court has suspended the operation of the SRO. Similar orders have also been passed by the High Courts of Sindh and Islamabad. Moreover, the subject SRO has to be ratified and approved by a functional National Assembly within a period of 90 days from its issuance; failing which it would lapse and would have no legal effect though chances of the same appear to be remote. On the basis of the aforementioned factors and as per the advise of our learned legal counsel, the management is confident that these matters will ultimately be decided in favor of the Bank and the Bank may not be exposed to any additional tax liability in such matters.

24.3.2. Claims against the Bank not acknowledged as debt

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.

	Note	September 30, 2024 (Un-audited)	September 30, 2023 (Un-audited)
		Nine months ended (Rupees in '000)	
25 MARK-UP / RETURN / INTEREST EARNED			
On:			
a) Loans and advances		9,220,842	9,655,578
b) Investments		12,240,789	10,279,292
c) Lendings to financial institutions		481,234	954,643
d) Balances with banks		51,723	47,512
e) Others (on pool lending for Naya Pakistan Certificate)		175,921	263,767
		22,170,509	21,200,792
25.1 Interest income (calculated using effective interest rate method) recognised on:			
Financial assets measured at amortised cost		-	-
Financial assets measured at fair value through OCI		12,068,682	10,101,690
		12,068,682	10,101,690
26 MARK-UP / RETURN / INTEREST EXPENSED			
On:			
a) Deposits		11,882,037	10,880,027
b) Borrowings		2,909,793	3,151,459
c) Subordinated debt		858,487	780,190
d) Cost of foreign currency swaps against foreign currency deposits / borrowings		779,113	524,508
e) Finance cost on lease liability against right-of-use-assets		141,176	139,124
		16,570,606	15,475,308
27 FEE & COMMISSION INCOME			
Branch banking customer fees		37,715	43,835
Consumer finance related fees		24,983	24,510
Debit card related fees		15,434	8,594
Credit related fees		17,255	41,492
Commission on trade		41,993	64,964
Commission on guarantees		48,446	28,383
Commission on cash management		13,693	14,889
Commission on remittances including home remittances		51,294	57,048
Commission on bancassurance		4,105	3,669
Commission on Naya Pakistan Certificates		6,777	6,555
Others		6,123	4,751
		267,818	298,690
28 GAIN / (LOSS) ON SECURITIES			
Realised	28.1	67,464	(464,475)
Unrealised - Measured at FVPL	10.1	50,305	(1,221)
		117,769	(465,696)
28.1 Realised gain on:			
Federal Government Securities		37,837	(271,063)
Shares		29,627	(193,412)
		67,464	(464,475)

	Note	Nine months ended (Rupees in '000) September 30, 2024 (Un-audited)	September 30, 2023 (Un-audited)
29. OTHER INCOME			
Gain on sale of fixed assets-net		1,642	5,209
Others		2	6,978
		1,644	12,187
30. OPERATING EXPENSES			
Total compensation expense		1,938,180	1,803,579
Property expense			
Rent & taxes		34,967	46,927
Insurance		2,250	1,539
Utilities cost		98,456	118,334
Security (including guards)		83,924	68,160
Repair & maintenance (including janitorial charges)		100,364	77,442
Depreciation on owned fixed assets		11,920	12,301
Depreciation on right of use assets	13	224,792	215,869
		556,673	540,572
Information technology expenses			
Software maintenance		287,195	218,134
Hardware maintenance		59,682	59,954
Depreciation		67,602	72,957
Amortization		81,046	69,566
Network charges		203,953	156,962
Insurance		739	501
		700,217	578,074
Other operating expenses			
Directors' fees and related expenses		52,436	49,228
Legal & professional charges		39,667	26,187
Travelling, conveyance and official entertainment		87,909	79,430
Charges paid to Central Depository Company & NIFT		13,001	10,573
Depreciation		80,217	86,918
Training & development		8,640	6,688
Postage & courier charges		6,788	8,682
Communication		20,458	5,809
Stationery & printing		47,964	40,187
Repair & maintenance		59,942	57,762
Insurance		49,389	50,625
Marketing, advertisement & publicity		58,476	21,562
Fee Commission & Brokerage Paid		41,899	25,906
Donations	30.1	13,210	-
Auditors Remuneration		9,910	8,050
Others		40,566	22,449
		630,472	500,056
		3,825,542	3,422,281

	Note	Nine months ended (Rupees in '000)	
		September 30, 2024 (Un-audited)	September 30, 2023 (Un-audited)

31 OTHER CHARGES

Penalties imposed by PSX		280	-

32 CREDIT LOSS ALLOWANCE & WRITE OFFS - NET

	Note	September 30, 2024	September 30, 2023
Credit loss allowance against balance with other banks	8	110	-
Credit loss allowance for diminution in value of investments	10.2.1	(1,280)	(144,036)
Credit loss allowance against loans & advances	11.3	(1,619,227)	(1,114,709)
Fixed assets written-off		(910)	(9)
Bad debts written off directly		(1,908)	(2,467)
Recovery of written off / charged off bad debts		2,016	-
Reversal of credit loss allowance against off-balance sheet obligations	22.1	80,829	-
		(1,540,370)	(1,261,221)

33 TAXATION

Current		(1,030,941)	(1,285,740)
Deferred		292,100	493,763
		(738,841)	(791,977)

34. EARNINGS PER SHARE - BASIC AND DILUTED

Profit for the period		766,591	1,060,276
		(Number of shares)	
Weighted average number of ordinary shares		1,008,238,648	1,008,238,648
		(Rupees)	
Basic earnings per share		0.76	1.05

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

35 FAIR VALUE MEASUREMENTS

The fair value of quoted securities other than those classified as held to collect model, is based on quoted market price. Quoted securities classified under held to collect model 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 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.

35.1 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, 2024 (Un-audited)			
	Level 1	Level 2	Level 3	Total
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investments				
Federal Government Securities	-	87,013,328	-	87,013,328
Shares	1,394,623	-	-	1,394,623
Non-Government Debt Securities	-	578,948	-	578,948
Off-balance sheet financial instruments- measured at fair value				
Forward purchase of foreign exchange	-	78,973,968	-	78,973,968
Forward sale of foreign exchange	-	72,209,563	-	72,209,563

	(Rupees in '000)			
	December 31, 2023 (Audited)			
	Level 1	Level 2	Level 3	Total
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investments				
Federal Government Securities	-	67,723,991	-	67,723,991
Shares	1,748,117	-	-	1,748,117
Non-Government Debt Securities	-	940,279	-	940,279
Off-balance sheet financial instruments- measured at fair value				
Forward purchase of foreign exchange	-	56,645,445	-	56,645,445
Forward sale of foreign exchange	-	52,305,078	-	52,305,078

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 year.

(a) Financial instruments in level 1
Financial instruments included in level 1 comprise of investments in listed ordinary shares.

(b) Financial instruments in level 2
Financial instruments included in level 2 comprises of Market Treasury Bills, Pakistan Investment Bonds, Term finance certificates and Sukuks.

(c) Financial instruments in level 3
Financial instruments included in level 3 comprises of shares of unlisted companies.

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

Item	Valuation techniques and input used
Pakistan Investment Bonds / Market Treasury Bills	Fair values of Pakistan Investment Bonds and Market Treasury Bills are derived using the PKRV rates (Reuters page). These rates denote an average of quotes received from eight different pre-defined / approved dealers / brokers.
Fully Paid-up Listed ordinary shares, Term finance certificates and Sukuks	Fair value of investment in listed equity securities, term finance certificates and corporate sukuks are valued on the basis of available closing quoted market prices.
Forward foreign exchange contracts	The fair value has been determined by interpolating the mid rates announced by the State Bank of Pakistan.

36. SEGMENT INFORMATION

36.1 Segment Details with respect to Business Activities

	(Rupees in '000)				
	Nine months ended September 30, 2024 (un-audited)				
	Wholesale Banking	Retail Banking	Global Markets	Inter Segment Allocation	Total
Profit & Loss					
Net mark-up / return / profit	2,758,330	(5,983,566)	8,825,139	-	5,599,903
Inter segment revenue - net	(1,103,331)	7,942,276	(6,838,945)	-	-
Non mark-up / return / interest income	404,960	228,961	682,800	-	1,316,721
Total Income	2,059,959	2,187,671	2,668,994	-	6,916,624
Segment direct expenses	(355,532)	(1,378,940)	(141,375)	(1,994,975)	(3,870,822)
Inter segment expense allocation	(822,337)	(969,916)	(202,722)	1,994,975	-
Total expenses	(1,177,869)	(2,348,856)	(344,097)	-	(3,870,822)
Credit loss allowance	(1,536,829)	(5,232)	1,691	-	(1,540,370)
Profit before tax	(654,739)	(166,417)	2,326,588	-	1,505,432

	(Rupees in '000)				
	As at September 30, 2024 (Un-audited)				
	Wholesale Banking	Retail Banking	Global Markets	Inter Segment Allocation	Total
Balance Sheet					
Cash & bank balances	-	1,219,422	9,295,810	-	10,515,232
Investments	-	-	88,986,899	-	88,986,899
Net inter segment lending	-	69,474,738	-	(69,474,738)	-
Lendings to financial institutions	-	-	2,995,298	-	2,995,298
Advances - performing	53,856,073	5,400,922	34,746	-	59,291,741
Advances - non-performing	1,203,918	74,445	-	-	1,278,363
Others	1,778,653	540,942	13,087,140	-	15,406,735
Total Assets	56,838,644	76,710,469	114,399,893	(69,474,738)	178,474,268
Borrowings	9,095,753	-	31,962,441	-	41,058,194
Subordinated debt	-	-	4,993,000	-	4,993,000
Deposits & other accounts	28,585,266	74,815,602	1,110,876	-	104,511,744
Net inter segment borrowing	17,743,736	-	51,731,002	(69,474,738)	-
Others	1,413,889	1,894,867	7,230,500	-	10,539,256
Total liabilities	56,838,644	76,710,469	97,027,819	(69,474,738)	161,102,194
Equity	-	-	17,372,074	-	17,372,074
Total Equity & liabilities	56,838,644	76,710,469	114,399,893	(69,474,738)	178,474,268
Contingencies & Commitments	15,768,342	-	151,183,531	-	166,951,873

	(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)
Credit loss allowance	(1,087,563)	(29,711)	(143,947)	-	(1,261,221)
Profit before tax	1,350,251	565,357	(63,355)	-	1,852,253

	(Rupees in '000)				
	As at December 31, 2023 (Audited)				
	Wholesale Banking	Retail Banking	Global Markets	Inter Segment Allocation	Total
Balance Sheet					
Cash & bank balances	-	2,112,496	8,391,836	-	10,504,332
Investments	-	-	70,412,387	-	70,412,387
Net inter segment lending	-	61,248,487	-	(61,248,487)	-
Lendings to financial institutions	-	-	8,192,051	-	8,192,051
Advances - performing	66,762,850	5,594,645	112,686	-	72,470,181
Advances - non-performing	861,171	104,994	-	-	966,165
Others	2,491,754	510,205	13,186,784	-	16,188,743
Total Assets	70,115,775	69,570,827	100,295,744	(61,248,487)	178,733,859
Borrowings	11,534,469	-	19,447,136	-	30,981,605
Subordinated debt	-	-	4,995,000	-	4,995,000
Deposits & other accounts	48,976,462	64,640,384	1,115,151	-	114,731,997
Net inter segment borrowing	7,390,409	-	53,858,078	(61,248,487)	-
Others	2,214,435	4,930,443	4,517,198	-	11,662,076
Total liabilities	70,115,775	69,570,827	83,932,563	(61,248,487)	162,370,678
Equity	-	-	16,363,181	-	16,363,181
Total Equity & liabilities	70,115,775	69,570,827	100,295,744	(61,248,487)	178,733,859
Contingencies & Commitments	13,269,961	-	109,750,523	-	123,020,484

37 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, directors and key management personnel are disclosed in note 37 to these financial statements and 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, 2024 (Un-audited)				December 31, 2023 (Audited)			
	Parent	Directors	Key management personnel	Others	Parent	Directors	Key management personnel	Others
Balances with other banks								
In current accounts	139,945	-	-	-	100,391	-	-	-
Advances								
Opening balance	-	-	231,811	-	-	-	226,221	-
Addition during the period / year	-	-	93,349	-	-	-	109,503	-
Repaid during the period / year	-	-	(64,379)	-	-	-	(103,913)	-
Transfer in / (out) - net	-	-	-	-	-	-	-	-
Closing balance	-	-	260,781	-	-	-	231,811	-
Credit loss allowance held against advances	-	-	(582)	-	-	-	-	-
Other Assets								
Other receivable	1,847	-	-	-	1,847	-	-	-
Mark to market gain on forward foreign exchange contracts	28	-	-	-	-	-	-	-
	1,875	-	-	-	1,847	-	-	-
Deposits and other accounts								
Opening balance	1,077,263	5,128	37,269	37,793	1,078,421	6,255	17,975	30,583
Received during the period / year	2,670	14,856	536,884	535,556	16,220	16,511	636,249	874,326
Withdrawn during the period / year	(3,040)	(18,004)	(546,146)	(499,601)	(17,378)	(17,638)	(616,955)	(867,116)
Transfer in / (out) - net	-	-	-	-	-	-	-	-
Closing balance	1,076,893	1,980	28,007	73,748	1,077,263	5,128	37,269	37,793
Other Liabilities								
Interest / mark-up payable	-	75	277	1,079	-	135	197	450
Mark to market loss on forward foreign exchange contracts	31	-	-	-	-	-	-	-
	31	75	277	1,079	-	135	197	450

	(Rupees in '000)							
	Nine months ended September 30, 2024 (Un-audited)				Nine months ended September 30, 2023 (Un-audited)			
	Parent	Directors	Key management personnel	Others	Parent	Directors	Key management personnel	Others
Income								
Mark-up / return / interest earned	-	-	8,711	-	-	-	9,382	-
Expense								
Mark-up / return / interest paid	-	856	3,623	9,646	-	1,204	1,325	6,894
Remuneration and benefits	-	-	354,020	-	-	-	294,410	-
Directors fee	-	46,560	-	-	-	41,280	-	-
Insurance premium paid	-	-	2,255	-	-	-	2,286	-
Insurance claims settled	-	-	936	-	-	-	1,671	-

38. CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS	September 30, 2024 (Un-audited)	December 31, 2023 (Audited)
	(Rupees in '000)	
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	16,799,962	14,840,059
Eligible Additional Tier 1 (ADT 1) Capital	-	-
Total Eligible Tier 1 Capital	16,799,962	14,840,059
Eligible Tier 2 Capital	5,130,418	5,584,343
Total Eligible Capital (Tier 1 + Tier 2)	21,930,380	20,424,402
Risk Weighted Assets (RWAs):		
Credit risk	64,445,025	75,824,389
Market risk	6,651,907	6,703,515
Operational risk	13,314,538	13,314,538
Total	84,411,470	95,842,442
Common Equity Tier 1 Capital Adequacy Ratio	19.90%	15.48%
Tier 1 Capital Adequacy Ratio	19.90%	15.48%
Total Capital Adequacy Ratio	25.98%	21.31%
Leverage Ratio (LR):		
Eligible Tier-1 Capital	16,799,962	14,840,059
Total Exposure	188,255,701	185,706,974
Leverage Ratio	8.92%	7.99%
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	73,765,334	62,605,419
Total Net Cash Outflow	18,338,600	26,151,626
Liquidity Coverage Ratio	402.24%	239.39%
Net Stable Funding Ratio (NSFR):		
Total available stable funding	125,262,781	121,845,545
Total required stable funding	49,076,615	57,320,521
Net Stable Funding Ratio	255.24%	212.57%

39 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.

40 DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on October 29, 2024 by the Board of Directors of the Bank.

41 GENERAL

Figures have been rounded off to the nearest thousand rupees.

Chief Financial Officer	President & Chief Executive Officer	Director	Director	Chairman

Samba Bank Limited

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