

*3<sup>rd</sup>* Quarterly Report | 2014



*A Look into Brilliance*

**SILKBANK**   
Yes we can

# *Brilliance*

*Curiosity is the seed of discovery, the desire to explore an unfamiliar territory. As a growingly innovative financial institution, Silkbanks never hesitates to bring out the 'extraordinary' in its people. Treading on paths others only dare to pass through is a day's objective of a Silkbanker. Our growing customer-base is testament to the excellence we aim to lay out every day.*

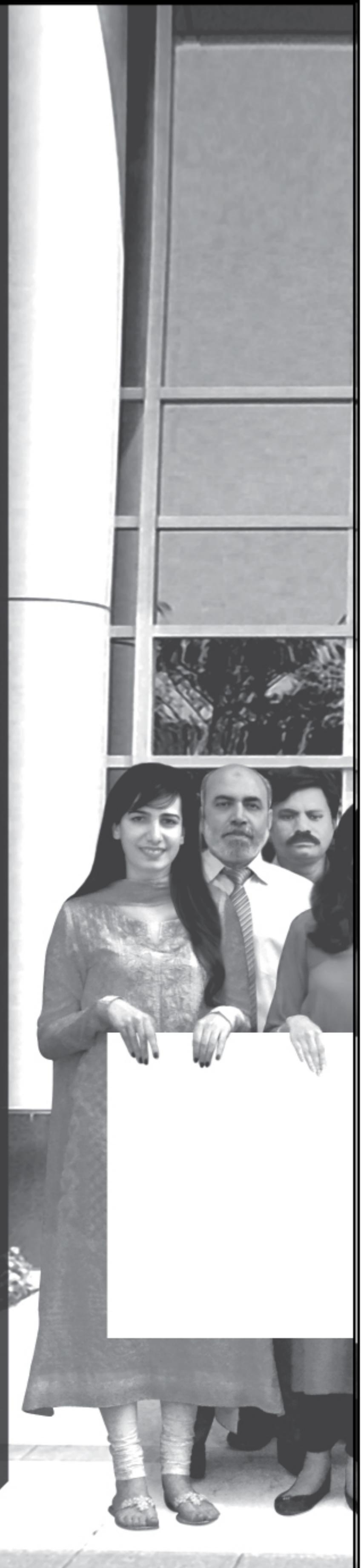
*3<sup>rd</sup> Quarterly report gives you a glimpse at a day in the life of our ambitious Silkbankers – taking you through our approach to brilliance in various capacities of our institution.*



**SILKBANK**   
Yes we can

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Yes we can



# **Vision**

*Benchmark of Excellence in Premier Banking.*

# **Mission**

*To be the leader in premier banking trusted by customers for accessibility, service and innovation; be an employer of choice creating value for all stakeholders.*

## **Core Values**

### ***Customer Focus***

*At Silkbank the customer remains at the core of all activities... Service Quality is our key differentiator.*

### ***Integrity***

*At Silkbank we are honest and upfront maintaining the highest levels of personal and corporate integrity.*

### ***Teamwork***

*Teamwork is our key strength... our success is in unity.*

### ***Creativity***

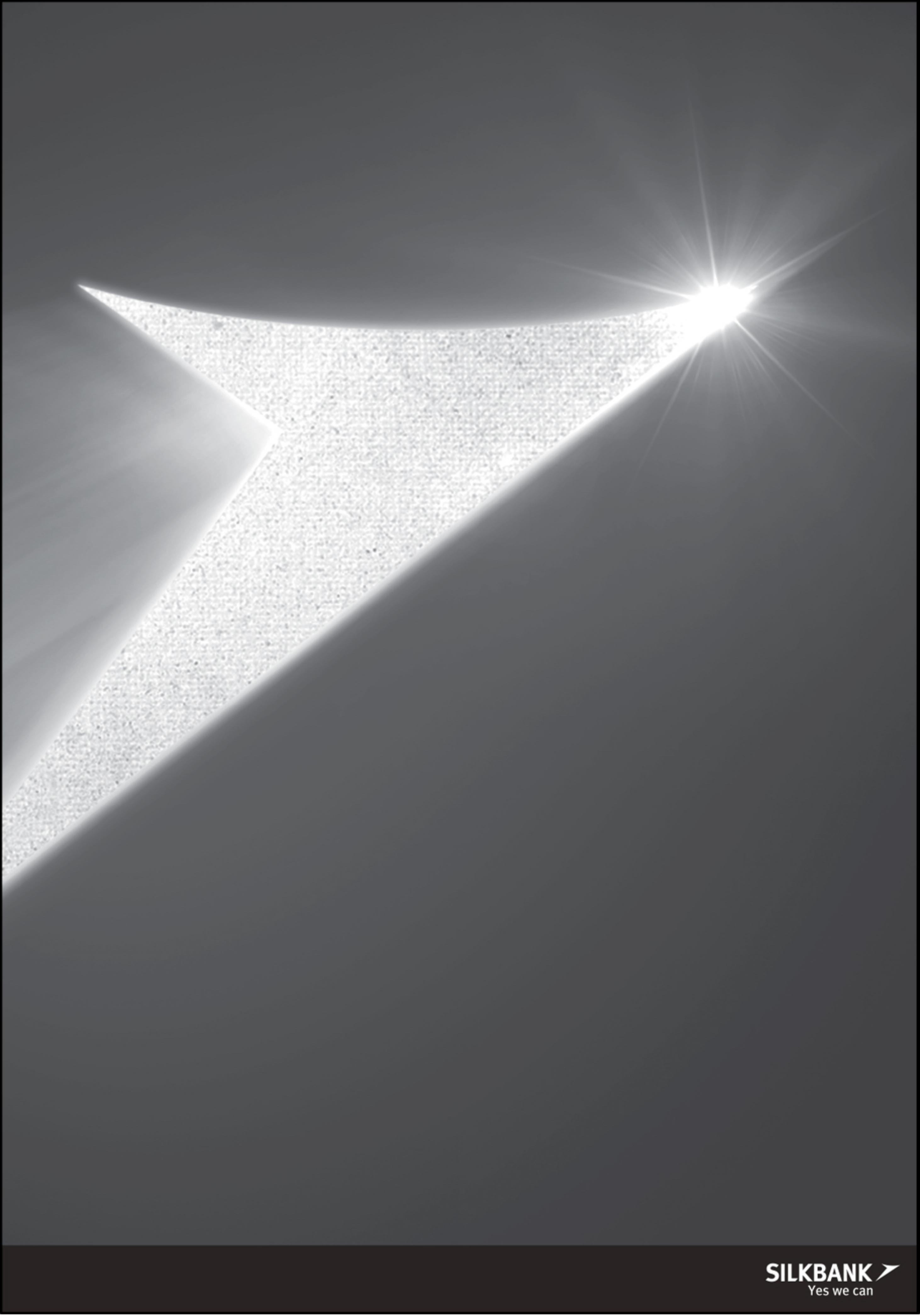
*Out-of-the-box thinking is the enabling factor for us to be recognized as an innovative organization.*

### ***Meritocracy***

*Merit remains our key primary criteria for rewarding performance.*

### ***Humility***

*Humility remains at the core of all our relationships.*



**SILKBANK** 

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# *Corporate Information*

*for the 3<sup>rd</sup> Quarter ended  
September 30, 2014*



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## *Corporate Information*

### *Board of Directors*

Munnawar Hamid, OBE	Chairman
Adnan Afridi	Director
Faisal Anis Sherwani	Director
Khalid Aziz Mirza	Director
Sadeq Sayeed	Director
Shamsul Hasan	Director
Tariq Iqbal Khan	Director
Azmat Tarin	President & CEO
Shaukat Tarin	Advisor to the Chairman

### *Company Secretary*

Uzman Naveed Chaudhary

### *Chief Financial Officer*

Syed Ali Azfar Naqvi

### *Audit Committee*

Tariq Iqbal Khan	Chairman
Adnan Afridi	Member
Faisal Anis Sherwani	Member

### *Risk Committee*

Shamsul Hasan	Chairman
Sadeq Sayeed	Member

### *Human Resources Committee*

Munnawar Hamid, OBE	Chairman
Khalid Aziz Mirza	Member
Azmat Tarin	Member

### *Auditors*

M. Yousuf Adil Saleem & Co.  
(Deloitte Pakistan)  
Chartered Accountants

### *Legal Advisor*

Ghani Law Associates

### *Registered Office*

#### **Silkbank Limited**

Silkbank Building, I. I. Chundrigar Road, Karachi.  
Telephone No.: +92-21-111-00-7455 Ext. 413 & 414  
Fax No.: +92-21-32460464 & 32462902  
Email: [companysecretary@silkbank.com.pk](mailto:companysecretary@silkbank.com.pk)  
Website: [www.silkbank.com.pk](http://www.silkbank.com.pk)

### *Share Registrar*

#### Central Depository Company of Pakistan Limited (CDCPL)

Share Registrar Department  
CDC House, 99-B, Block 'B',  
S.M.C.H.S., Main Shahrah-e-Faisal  
Karachi-74400.

Tel. No.: Customer Support Services (Toll-Free) 0800-CDCPL (23275)  
Fax: +92-21-34326053  
Email: [info@cdcpak.com](mailto:info@cdcpak.com)  
Website: [www.cdcpkistan.com](http://www.cdcpkistan.com)

# *Reports and Statements to the Members*

*for the 3<sup>rd</sup> Quarter ended  
September 30, 2014*





SILKBANK   
Yes we can

# *Directors' Review Report as of September 30, 2014*

## *Dear Shareholders,*

We are pleased to present the un-audited financial statements of Silbank Limited for the quarter ended September 30, 2014.

## *Economic Review*

The third quarter of the year 2014 was marked with slowdown on the political as well as economic front. There was a sizeable expansion in external and current accounts which led to weakening of PKR against USD. Current account deficit widened to USD 1.4 billion during the current fiscal year, despite easing oil prices and increased remittances during the month of Ramadan. Trade deficit also increased by 48%, to USD 4.1 billion compared to last year, and FX reserves fell from USD 14 billion in Jun-14 to USD 13.2 billion in Sep-14, as the government failed to receive IMF's fifth tranche under the Extended Fund Facility, due to non-resolution of various issues.

Inflation on the other hand remained slow at 7.52% YoY (Year on Year) during the quarter. Core inflation numbers also maintained a comfortable trend indicating an overall easing of inflationary pressure as NFNE (Non-Food, Non-Energy) and trimmed core inflation came in at 8.2% and 7.5% respectively compared to 8.5% and 7.8% during the same period last year.

## *Financial Performance*

The Bank has posted a Profit of Rs. 101.265 million after tax during the quarter ended September 30, 2014.

During this period, total deposits of the Bank grew by Rs. 6.975 billion to Rs. 76.408 billion and gross advances increased by Rs. 3.674 billion.



Summarized financial performance of Silbank Limited for the period ended September 30, 2014, is as follows:

<b>3<sup>rd</sup> Quarter Financial Performance - 2014</b>	<b>Rs. in million</b>
Profit before tax	115.641
Tax - Current	-
Prior	-
Deferred	(14.376)
Profit after tax	<b>101.265</b>
Rupee	
Profit per share	<b>0.04</b>



## *Banking Sector*

Banking spreads reduced further to an average of 5.1% in the quarter from an average of 5.6% during the same period last year. Cost of funds increased while interest yields remained flat, primarily leading to a shrinkage of margins.

On the asset side, advances increased by Rs. 89 billion during the current fiscal year, most of which was attributed to loans to Government and Public Sector entities. Overall investments increased by Rs. 15 billion but deposits grew by Rs. 50 billion during the current fiscal year.

## *Business Performance*

### *Branch Banking*

Branch Banking, with a priority focus on reducing cost of funds, has continued to gain momentum. It also continues to focus on establishing and implementing prudent controls within branches.

## ■ BANCASSURANCE, REMITTANCES & ADC BUSINESS

The growing remittances business has disbursed Rs. 6.32 billion during the quarter as compared to Rs. 3.49 billion during the same period last year, increasing by 80%.

The Alternate Delivery Channels (ADC) business continues to be an important tool in providing customer convenience and the VISA Debit Card continues to demonstrate strong growth. Point of Sales business during the quarter was recorded at Rs. 242.06 million, as compared to Rs. 169.71 million during the same period last year, an increase of 42.64%, mainly due to the top line alliances with VISA Debit Card.

Silkbank ATM usage also showed an increase of 19.15% as compared to the same period last year.

Bancassurance recorded Rs. 11.10 million in the quarter, taking the Year to Date (YTD) revenue to Rs. 33.69 million.

## ■ SILKBANK VISA CREDIT CARD

Silkbank Credit Cards business maintained its growth momentum in the quarter as well. The total customer base of the Cards business during the quarter crossed 30,000, and the Ending Net Receivable (ENR) grew by 21%, as compared to the second quarter, to reach Rs. 1.74 billion. The business continued its focus on its Unique Selling Propositions (USP) of 0% APR on Balance Transfer which not only facilitated ENR growth but also brought in significant fee income.

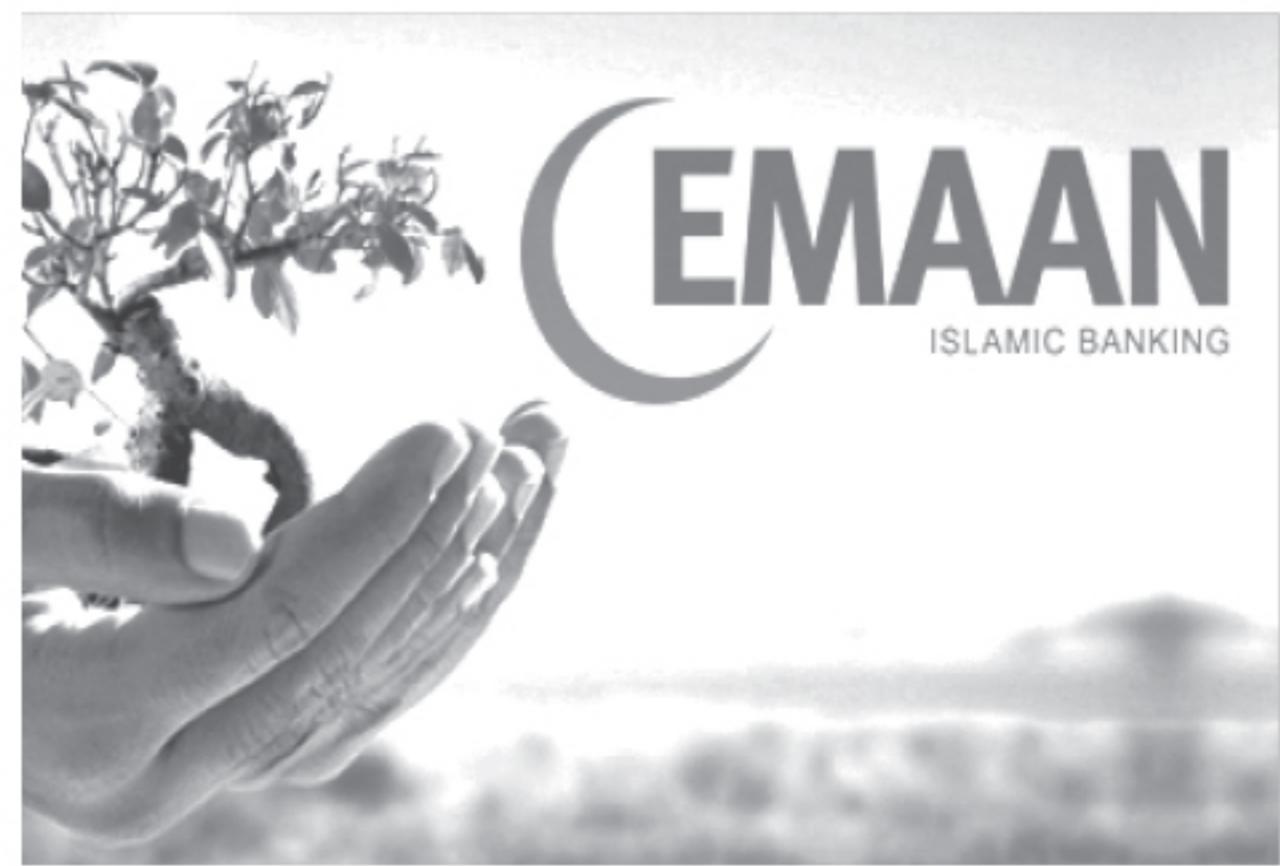
Silkbank Credit Card has a robust growth in retail spend, and the quarter witnessed the highest card spend in three months on both absolute and per card basis since the launch. Due to the exceptional performance of Credit Cards in the area of retail spend, VISA Pakistan chose Silkbank Credit Cards to launch a joint spend stimulation campaign to bolster international spend.



## ■ EMAAN ISLAMIC BANKING

Emaan Islamic Banking is steadily progressing and, by the Grace of Almighty Allah, the unit has already achieved its yearly deposit targets. The current position of the deposit book is at Rs. 5.8 billion with YTD growth of Rs. 1.8 billion, and the asset book is at Rs. 5.1 billion with YTD increment of PKR 1.5 billion. The deposit mix CASA stands at 59% with cost of fund at 6.46%.

To be aligned with changing market dynamics and cater to SBP regulation on Hiba, two new liability products were launched covering both time and demand products.



### Credit Rating

The long term entity rating of the Bank is A- (Single A Minus) and the short term rating is A-2 (A-Two) as determined by "JCR VIS" Credit Rating Company Limited. This rating, however, has been put under a rating watch as "Developing".

### Future Outlook

There has been a significant improvement in performance and the Bank has declared profit to date in 2014. It is expected that this positive momentum will continue, which together with new capital injection will further improve the Bank's Minimum Capital Requirement (MCR) and Capital Adequacy Ratio (CAR) positions.

### Acknowledgement

We take this opportunity to express our deepest gratitude to our customers and business partners for their continued support and trust reposed in us. For the continued guidance and cooperation by SBP, we extend our appreciation and gratitude. We are also equally thankful to our associates, staff and colleagues for their committed service to the Bank and look forward to their continued support.

For and on Behalf of the Board of  
Silkbank Limited

Karachi, October 28, 2014

Munnawar Hamid,  
Chairman

# Financial Statements

*for the 3<sup>rd</sup> Quarter ended  
September 30, 2014*

14.56





# Condensed Interim Statement of Financial Position

As at September 30, 2014

	Note	September 30, 2014 Un-audited	December 31, 2013 Audited
		----- Rupees in '000 -----	
<b>ASSETS</b>			
Cash and balances with treasury banks		6,299,982	5,361,695
Balances with other banks		112,225	226,184
Lendings to financial institutions		971,883	446,859
Investments - net	8	15,815,834	14,853,257
Advances - net	9	59,605,016	56,007,402
Operating fixed assets		4,474,988	4,691,552
Deferred tax assets - net		4,069,600	3,839,078
Other assets		8,073,997	6,344,168
		99,423,525	91,770,195
<b>LIABILITIES</b>			
Bills payable		3,145,528	2,747,400
Borrowings		12,069,288	11,381,975
Deposits and other accounts	10	76,408,496	69,433,452
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		19,777	-
Deferred tax liabilities		-	-
Other liabilities		1,456,006	1,532,180
		93,099,095	85,095,007
<b>NET ASSETS</b>		<b>6,324,430</b>	<b>6,675,188</b>
<b>REPRESENTED BY</b>			
Share capital	11	26,716,048	26,716,048
Discount on issue of right shares		(13,284,674)	(13,284,674)
Reserves		162,762	162,762
Convertible preference shares	12	2,200,000	2,200,000
Accumulated loss		(9,419,394)	(9,526,849)
		6,374,742	6,267,287
Surplus on revaluation of assets - net of tax	13	(50,312)	407,901
		<b>6,324,430</b>	<b>6,675,188</b>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	14		

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

Azmat Tarin  
President & CEO

Munnawar Hamid, OBE  
Chairman

Tariq Iqbal Khan  
Director

Shamsul Hasan  
Director

# Condensed Interim Profit And Loss Account - Unaudited for the Nine Months Ended September 30, 2014

	Note	July 01 to September 30, 2014	July 01 to September 30, 2013	January 01, September 30, 2014	January 01 to September 30, 2013
		Rupees in '000			
Mark-up / return / interest earned	15	2,510,883	1,824,834	7,043,967	5,611,388
Mark-up / return / interest expensed	16	(1,533,829)	(1,283,390)	(4,324,554)	(4,085,232)
<b>Net mark-up / interest Income</b>		<b>977,054</b>	<b>541,444</b>	<b>2,719,413</b>	<b>1,526,156</b>
Provision against non-performing loans and advances - net	9.3	(60,145)	(184,270)	(88,856)	(173,528)
Provision against consumer financing	9.3	(28,617)	(56,496)	(103,852)	(106,342)
Recovery against written off loan		997	2,620	3,688	6,054
Reversal of Provision against Investment		2,537	-	2,537	-
Impairment in the value of investment		(26,049)	(18,924)	(155,667)	(59,775)
Bad debts written off directly		-	-	-	-
<b>Net mark-up / interest income after provisions</b>		<b>(111,277)</b>	<b>(257,070)</b>	<b>(342,150)</b>	<b>(333,591)</b>
		<b>865,777</b>	<b>284,374</b>	<b>2,377,263</b>	<b>1,192,565</b>
<b>NON - MARK-UP / INTEREST INCOME</b>					
Fee, commission and brokerage income		196,613	156,229	562,460	435,440
Dividend income		10,534	14,525	39,180	46,281
Income from dealing in foreign currencies		54,552	73,243	151,640	162,238
Gain on sale of securities - net		73,955	33,184	257,640	166,783
Unrealized (loss) / gain on revaluation of investments - held for trading		(2,037)	5,090	(545)	2,813
Other income		61,486	150,537	172,328	240,929
<b>Total non-mark-up / interest income</b>		<b>395,103</b>	<b>432,808</b>	<b>1,182,703</b>	<b>1,054,484</b>
		<b>1,260,880</b>	<b>717,182</b>	<b>3,559,966</b>	<b>2,247,049</b>
<b>NON MARK-UP / INTEREST EXPENSES</b>					
Administrative expenses		(1,220,201)	(1,112,550)	(3,424,090)	(3,255,369)
Other reversals		-	-	-	119,000
Other charges		(2,206)	(260)	(20,235)	(1,109)
<b>Total non-mark-up / interest expenses</b>		<b>(1,222,407)</b>	<b>(1,112,810)</b>	<b>(3,444,325)</b>	<b>(3,137,478)</b>
<b>PROFIT / (LOSS) BEFORE TAXATION</b>		<b>38,473</b>	<b>(395,628)</b>	<b>115,641</b>	<b>(890,429)</b>
<b>Income tax expense</b>					
Taxation - Current		-	-	-	-
- Prior		-	-	-	-
- Deferred		(9,841)	135,737	(14,376)	266,066
<b>PROFIT / (LOSS) AFTER TAXATION</b>		<b>(9,841)</b>	<b>135,737</b>	<b>(14,376)</b>	<b>266,066</b>
		<b>28,632</b>	<b>(259,891)</b>	<b>101,265</b>	<b>(624,363)</b>
					Rupee
Earnings / (Loss) per share - basic and diluted		<b>0.01</b>	<b>(0.10)</b>	<b>0.04</b>	<b>(0.23)</b>

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

Azmat Tarin  
President & CEO

Munnawar Hamid, OBE  
Chairman

Tariq Iqbal Khan  
Director

Shamsul Hasan  
Director

# Condensed Interim Statement of Comprehensive Income - Unaudited for the Nine Months Ended September 30, 2014

	Quarter ended		Nine months ended	
	July 01 to September 30, 2014,	July 01 to September 30, 2013	January 01 to, September 30, 2014	January 01 to September 30, 2013
----- Rupees in '000 -----				
<b>Profit / (Loss) after taxation</b>	<b>28,632</b>	<b>(259,891)</b>	<b>101,265</b>	<b>(624,363)</b>
<b>Other comprehensive income</b>				
<i>Items that will not be reclassified to profit and loss</i>				
Remeasurement of defined benefit plan	-	-	5,231	(6,408)
Related deferred tax	-	-	(1,831)	2,243
	<b>28,632</b>	<b>(259,891)</b>	<b>104,665</b>	<b>(4,165)</b>
<b>Components of comprehensive income not reflected in equity</b>				
Deficit on revaluation of assets	(110,012)	(139,400)	(704,942)	(40,793)
Deferred tax asset on revaluation of assets	38,504	48,790	246,729	14,277
	<b>(71,508)</b>	<b>(90,610)</b>	<b>(458,213)</b>	<b>(26,516)</b>

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Azmat Tarin  
President & CEO

Munnawar Hamid, OBE  
Chairman

Tariq Iqbal Khan  
Director

Shamsul Hasan  
Director

# Condensed Interim Cash Flow Statement - Unaudited

for the Nine Months Ended September 30, 2014

	Note	September 30, 2014	September 30, 2013
		Rupees in '000	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit / (loss) before taxation		115,641	(890,429)
Less : Dividend income		(39,180)	(46,281)
		<b>76,461</b>	<b>(936,710)</b>
<b>Adjustments for non-cash items</b>			
Depreciation		291,232	306,580
Amortization of intangible assets		62,858	64,402
Amortization of premium on investment		(2,867)	12,858
Provision against non-performing loans and advances - net	9.3	88,856	173,528
Provision against consumer financing	9.3	103,852	106,342
Impairment in the value of investments		155,667	59,775
Unrealized loss / (gain) on revaluation of investments - held-for-trading	8.1	545	(2,813)
Share of profit from associate		(8,017)	(14,229)
Other reversals		-	(119,000)
Loss / (gain) on sale of operating fixed assets		506	(55,801)
		<b>692,632</b>	<b>531,642</b>
		<b>769,093</b>	<b>(405,068)</b>
<b>(Increase) / decrease in operating assets</b>			
Lendings to financial institutions		(525,024)	3,841,015
Net investments in held-for-trading securities		2,447,263	1,060,502
Advances		(3,790,322)	(3,458,416)
Other assets		(1,617,631)	993,765
		<b>(3,485,714)</b>	<b>2,436,866</b>
<b>Increase / (decrease) in operating liabilities</b>			
Bills payable		398,128	1,244,636
Borrowings		687,313	(2,245,192)
Deposits		6,975,044	1,802,855
Other liabilities		(76,174)	413,901
		<b>7,984,311</b>	<b>1,216,200</b>
Income tax paid		5,267,690	3,247,998
<b>Net cash flows from operating activities</b>		<b>(97,940)</b>	<b>(69,660)</b>
		<b>5,169,750</b>	<b>3,178,338</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Net investment in available-for-sale securities		(4,257,330)	(3,616,731)
Dividend received		30,163	35,692
Proceeds on disposal of operating fixed assets		71,279	141,448
Net investments in operating fixed assets		(189,111)	(171,941)
<b>Net cash flows from investing activities</b>		<b>(4,344,999)</b>	<b>(3,611,532)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Issuance of convertible preference shares		-	2,200,000
Finance lease obligation paid		(423)	-
<b>Net cash flows from financing activities</b>		<b>(423)</b>	<b>2,200,000</b>
<b>Increase in cash and cash equivalents</b>			
Cash and cash equivalents at beginning of the period		824,328	1,766,806
<b>Cash and cash equivalents at end of the period</b>	17	<b>5,587,879</b>	<b>4,092,571</b>
		<b>6,412,207</b>	<b>5,859,377</b>

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

Azmat Tarin  
President & CEO

Munnawar Hamid, OBE  
Chairman

Tariq Iqbal Khan  
Director

Shamsul Hasan  
Director

# Condensed Interim Statement Of Changes In Equity - Unaudited for the Nine Months Ended September 30, 2014

	Share Capital	Discount on Issue of Shares	Statutory Reserves	Convertible Preference Shares	Accumulated Loss	Total Equity
----- Rupees in '000 -----						
<b>Balance as at January 01, 2013 - Audited</b>	26,716,048	(13,284,674)	162,762	-	(8,381,451)	5,212,685
<b>Total comprehensive income for the nine months ended September 30, 2013</b>						
Loss after tax for the nine months ended September 30, 2013 - Un-audited	-	-	-	-	(624,363)	(624,363)
Other comprehensive income	-	-	-	-	(4,165)	(4,165)
<b>Total comprehensive income for the nine months ended September 30, 2013 - Un-audited</b>	-	-	-	-	(628,528)	(628,528)
Transfer from surplus on revaluation of fixed assets on account of incremental depreciation - net of tax	-	-	-	-	2,790	2,790
Convertible preference shares issued	-	-	-	2,200,000	-	2,200,000
<b>Balance as at September 30, 2013 - Un-audited</b>	26,716,048	(13,284,674)	162,762	2,200,000	(9,007,189)	6,786,947
<b>Total comprehensive income for the quarter ended December 31, 2013</b>						
Loss after tax for the quarter ended December 31, 2013	-	-	-	-	(532,199)	(532,199)
Other comprehensive income	-	-	-	-	11,609	11,609
<b>Total comprehensive income for the quarter ended December 31, 2013</b>	-	-	-	-	(520,590)	(520,590)
Transfer from surplus on revaluation of fixed assets on account of incremental depreciation - net of tax	-	-	-	-	930	930
<b>Balance as at December 31, 2013 - Audited</b>	26,716,048	(13,284,674)	162,762	2,200,000	(9,526,849)	6,267,287
<b>Total comprehensive income for the nine months ended September 30, 2014</b>						
Profit after tax for the nine months ended September 30, 2014 - Un-audited	-	-	-	-	101,265	101,265
Other comprehensive Income	-	-	-	-	3,400	3,400
<b>Total comprehensive income for the nine months ended September 30, 2014</b>	-	-	-	-	104,665	104,665
Transfer from surplus on revaluation of fixed assets on account of incremental depreciation - net of tax	-	-	-	-	2,790	2,790
<b>Balance as at September 30, 2014 - Un-audited</b>	26,716,048	(13,284,674)	162,762	2,200,000	(9,419,394)	6,374,742

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

Azmat Tarin  
President & CEO

Munnawar Hamid, OBE  
Chairman

Tariq Iqbal Khan  
Director

Shamsul Hasan  
Director

# Notes to the Condensed Interim Financial Information - Unaudited for the Nine Months Ended September 30, 2014

## 1 STATUS AND NATURE OF BUSINESS

- 1.1** Silkbank Limited ("the Bank") was incorporated in Pakistan on April 04, 1994 as a public limited company under the Companies Ordinance, 1984. The Bank commenced commercial operations on May 07, 1995. The Bank's shares are quoted on all the Stock Exchanges in Pakistan. The Bank is engaged in banking services as described in the Banking Companies Ordinance, 1962. The Bank operates through 88 branches (December 31, 2013: 88) including 10 (December 31, 2013: 10) Islamic banking branches in Pakistan with the registered office located at Silkbank Building, I. I. Chundrigar Road, Karachi. The short term and long term credit rating of the Bank rated by JCR-VIS Credit Rating Company Limited in September 2014 is 'A-2' and 'A-' respectively.
- 1.2** Majority shareholding (82.406%) in the Bank as on September 30, 2014 is held by a consortium comprising of International Finance Corporation (IFC), Nomura European Investment Limited, Bank Muscat S.A.O.G and executives of the Sinthos Capital Advisors Limited. As a result of possible conversion of convertible preference shares (as described below and in note 12) and unsubscribed rights issue, the majority shareholding in the Bank may change at the time of conversion of preference shares to ordinary shares and / or subscription of right shares.
- 1.3** The State Bank of Pakistan (SBP) vide BSD Circular No. 7 dated April 15, 2009 set the Minimum Capital Requirement (MCR) for Banks of Rs.10 billion (net of losses) to be achieved by December 31, 2013. The Banks are also required to maintain a Capital Adequacy Ratio (CAR) of at least 10% of the risk weighted assets of the Bank. The capital of the Bank (net of losses and discount on right shares) as of September 30, 2014 amounted to Rs. 4.012 billion excluding general reserves of Rs.162.762 million and convertible preference shares of Rs. 2.200 billion. The shortfall at period end amounted to Rs. 5.988 billion. The Bank had issued right shares at a discount in 2010 to generate net capital. However, the right issue had partly remained unsubscribed and at present the Bank has unpaid rights of Rs. 2.572 billion.

In March 2013, the Bank issued 880 million Convertible Preference Shares (CPS) amounting to Rs. 2.2 billion subject to conditions as fully disclosed in note 12 to the condensed interim financial information. SBP vide its letter No. BPRD/CS/2900/13 dated March 13, 2013 has allowed the Bank to treat CPS as Additional Tier-1 capital for CAR purpose only. As a result of this issuance, the Bank's credit rating and CAR has improved. Securities and Exchange Commission of Pakistan (SECP) has also granted the Bank a three year extension for subscription of the rights till the end of tenure of aforementioned CPS.

The SBP had granted extension to the Bank in complying with MCR and CAR requirements until December 31, 2013 vide their letter no BPRD\CS\2900\13 dated March 13, 2013. The Bank vide letter no CS-375 dated November 25, 2013 had requested SBP for further extension of relaxation to meet the CAR and MCR requirements. Further, the Bank vide letter CS-243/SBP-BPRD, dated August 5, 2014 has apprised SBP of the Bank's intention and commitment to increase the share capital through a fresh rights issue inclusive of the amount to be received from the potential investor. The Bank has also approved the issuance of Right Shares of Rs. 10 billion to meet the MCR and CAR requirements of SBP. The process of issuance of Right Shares may spread over a period of two to three months. The subscription of majority of the rights shares and the corresponding capital injection shall be completed by December 31, 2014.

## 2 BASIS OF PRESENTATION

- 2.1** In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan (SBP) has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by bank from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in this financial information as such but are restricted to the amount of facility actually utilized and the appropriate portion of mark-up thereon.
- 2.2** This condensed interim financial information has been prepared in Pakistani Rupee which is the reporting and functional currency of the Bank.
- 2.3** The financial results of the Islamic Banking branches have been consolidated in this condensed interim financial information for reporting purposes, after eliminating material inter-branch transactions / balances. Key financial figures of the Islamic Banking branches are disclosed in note 20 of this condensed interim financial information.

## 3 BASIS OF MEASUREMENT

This condensed interim financial information comprising of condensed interim statement of financial position, condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity together with explanatory notes has been prepared under the historical cost convention except that certain fixed assets are stated at revalued amounts, certain investments and derivative financial instruments are marked to market, and certain staff retirement benefits are carried at present value.

This condensed interim financial information has been prepared following the accrual basis of accounting except for the cash flow information.

# Notes to the Condensed Interim Financial Information - Unaudited for the Nine Months Ended September 30, 2014

## 4 STATEMENT OF COMPLIANCE

This condensed interim financial information of the Bank for the nine months ended September 30, 2014 has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting, provisions of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 and directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (SBP). In case where requirements differ, the provisions of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the said directives have been followed.

The disclosures made in this condensed interim financial information are limited based on the format prescribed by the SBP vide BSD circular letter No. 2 dated May 12, 2004 and International Accounting Standard (IAS) 34, 'Interim Financial Reporting' and do not include all the information required in the annual financial statements. Accordingly, this condensed interim financial information should be read in conjunction with the annual financial statements of the Bank for the year ended December 31, 2013.

SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and IAS 40, 'Investment Property' for Banking Companies through BSD Circular No. 10 dated August 26, 2002. The Securities and Exchange Commission of Pakistan (SECP) has deferred applicability of IFRS-7 "Financial Instruments: Disclosures" on banks through S.R.O 411(1) /2008 dated April 28, 2008. Accordingly, the requirements of these standards have not been considered in the preparation of this financial information. However, investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.

## 5 ACCOUNTING POLICIES

The accounting policies and methods of computation adopted for preparation of this condensed interim financial information are same as those followed in the preparation of the annual financial statements of the Bank for the year ended December 31, 2013.

## 6 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The basis and methods used for critical accounting estimates and judgments adopted in this condensed interim financial information are same as those applied in the preparation of the annual financial statements of the Bank for the year ended December 31, 2013.

## 7 FINANCIAL RISK MANAGEMENT

The Bank's Financial Risk Management objectives and policies are consistent with those disclosed in the annual financial statements for the year ended December 31, 2013.

## 8. INVESTMENTS - NET

	Note	Rupees in ' 000		
		Held by Bank	Given as collateral	Total
<b>As at September 30, 2014 - Un-audited</b>	8.1	<b>9,361,978</b>	<b>6,453,856</b>	<b>15,815,834</b>
As at December 31, 2013 - Audited	8.1	13,674,460	1,178,797	14,853,257

September 30, 2014 - (Un-audited)			December 31, 2013 - Audited		
Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total

### 8.1 INVESTMENTS BY TYPES:

#### Held-for-Trading Securities

Market Treasury Bills  
Ordinary Shares of Listed companies  
**Total Held-for-Trading Securities**

-	-	-	2,457,524	-	2,457,524
8,830	-	8,830	-	-	-
<b>8,830</b>	-	<b>8,830</b>	<b>2,457,524</b>	-	<b>2,457,524</b>

# Notes to the Condensed Interim Financial Information - Unaudited for the Nine Months Ended September 30, 2014

	September 30, 2014 - (Un-audited)			December 31, 2013 - Audited		
	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
<b>Note</b>	<b>Rupees in '000</b>			<b>Rupees in '000</b>		
<b>Available-for-Sale Securities</b>						
Market Treasury Bills	4,364,024	4,474,518	8,838,542	6,079,584	1,178,797	7,258,381
Pakistan Investment Bonds	2,610,552	1,979,338	4,589,890	833,018	-	833,018
GOP Ijara Sukuks	1,110,086	-	1,110,086	2,074,627	-	2,074,627
Units of Mutual fund - Closed end	-	-	-	5,405	-	5,405
Preference Shares - Listed	-	-	-	5,000	-	5,000
Term Finance Certificates - Listed	143,873	-	143,873	169,695	-	169,695
- Unlisted	223,648	-	223,648	316,716	-	316,716
Sukuks	11,775	-	11,775	11,775	-	11,775
Ordinary Shares - Listed	1,009,811	-	1,009,811	1,151,015	-	1,151,015
- Unlisted	5,680	-	5,680	5,680	-	5,680
<b>Total Available-for-Sale Securities</b>	<b>9,479,449</b>	<b>6,453,856</b>	<b>15,933,305</b>	<b>10,652,515</b>	<b>1,178,797</b>	<b>11,831,312</b>
<b>Held-to-Maturity Securities</b>						
Shares repurchase (fully provided)	74,910	-	74,910	74,910	-	74,910
<b>Investment in Associate</b>	<b>70,586</b>	<b>-</b>	<b>70,586</b>	<b>62,580</b>	<b>-</b>	<b>62,580</b>
<b>Investments at Cost</b>						
Less : Provisions for diminution in value of Investments	9,633,775	6,453,856	16,087,631	13,247,529	1,178,797	14,426,326
<b>Investments - net of provision</b>	<b>(84,026)</b>	<b>-</b>	<b>(84,026)</b>	<b>(86,563)</b>	<b>-</b>	<b>(86,563)</b>
Unrealized loss on revaluation of investments - Held-for-Trading	9,549,749	6,453,856	16,003,605	13,160,966	1,178,797	14,339,763
(Deficit) / Surplus on revaluation of Available-for-Sale Securities	(545)	-	(545)	(1,431)	-	(1,431)
<b>Total Investments</b>	<b>13.1</b>	<b>(187,226)</b>	<b>-</b>	<b>(187,226)</b>	<b>514,925</b>	<b>-</b>
		<b>9,361,978</b>	<b>6,453,856</b>	<b>15,815,834</b>	<b>13,674,460</b>	<b>1,178,797</b>

**September 30,  
2014  
Un-audited**      **December 31,  
2013  
Audited**  
----- **Rupees in '000** -----

## 8.2 INVESTMENTS BY SEGMENTS

### Federal Government Securities

Market Treasury Bills	8,838,542	9,715,905
Pakistan Investment Bonds	4,589,890	833,018
GOP Ijara Sukuks	1,110,086	2,074,627

8,838,542
4,589,890
1,110,086
<b>14,538,518</b>

9,715,905
833,018
2,074,627
<b>12,623,550</b>

### Fully paid-up Ordinary Shares

Listed companies	1,018,641	1,151,015
Unlisted companies	5,680	5,680

1,018,641
5,680
<b>1,024,321</b>

1,151,015
5,680
<b>1,156,695</b>

### Term Finance Certificates / Sukuks

Term Finance Certificates - Listed	143,873	169,695
- Unlisted	223,648	316,716
Sukuks	11,775	11,775

143,873
223,648
11,775
<b>379,296</b>

169,695
316,716
11,775
<b>498,186</b>

# Notes to the Condensed Interim Financial Information - Unaudited for the Nine Months Ended September 30, 2014

	Note	September 30, 2014 Un-audited	December 31, 2013 Audited
		----- Rupees in '000 -----	
<b>Other Investments</b>			
Units of Mutual Fund - Closed end		-	5,405
Preference Shares - Listed		-	5,000
Investment in Associate		70,586	62,580
Shares repurchase (fully provided)		74,910	74,910
		145,496	147,895
<b>Investments at Cost</b>		16,087,631	14,426,326
Less : Provision for diminution in value of investments		(84,026)	(86,563)
<b>Investments - net of provision</b>		16,003,605	14,339,763
Unrealized loss on revaluation of Held-for-Trading investments	13.1	(545)	(1,431)
(Deficit) / surplus on revaluation of Available-for-Sale investments		(187,226)	514,925
<b>Total Investments</b>		15,815,834	14,853,257
<b>9 ADVANCES - NET</b>			
Loans, cash credits, running finances, etc.			
In Pakistan		59,575,783	57,117,990
Outside Pakistan		-	-
		59,575,783	57,117,990
Islamic Financing and related assets	9.1	5,062,111	3,606,962
Bills discounted and purchased (excluding treasury bills)			
Payable in Pakistan		115,597	92,246
Payable outside Pakistan		360,119	622,411
		475,716	714,657
<b>Advances - gross</b>		65,113,610	61,439,609
Provision against non-performing advances - specific	9.3	(5,104,532)	(5,131,997)
Provision against consumer finance - general	9.3	(404,062)	(300,210)
<b>Advances - net of provision</b>		59,605,016	56,007,402
<b>9.1 Islamic financing and related assets</b>	20 A-2.1		
Murabaha financing		1,611,964	424,815
Musharaka financing		3,450,147	3,182,147
		5,062,111	3,606,962
<b>9.2</b>	Advances include Rs. 8,719 million (December 2013: Rs. 9,872 million) which have been placed under non-performing status as detailed below:		

Category of classification - specific	September 30, 2014 (Un-audited)			December 31, 2013 - Audited		
	Classified Advances	Provision required (Domestic)	Provision held	Classified Advances	Provision required (Domestic)	Provision held
	----- Rupees in '000 -----					
Sub-standard	452,622	64,322	64,322	247,811	25,751	25,751
Doubtful	428,480	67,745	67,745	1,047,890	152,394	152,394
Loss	7,838,066	4,972,465	4,972,465	8,576,285	4,953,852	4,953,852
	8,719,168	5,104,532	5,104,532	9,871,986	5,131,997	5,131,997

# Notes to the Condensed Interim Financial Information - Unaudited for the Nine Months Ended September 30, 2014

**9.3** Particulars of provision against non-performing advances:

<b>Category of classification - specific</b>	September 30, 2014 (Un-audited)			December 31, 2013 - Audited		
	Specific	General	Total	Specific	General	Total
	<b>Rupees in '000</b>					
<b>Opening balance</b>	<b>5,131,997</b>	<b>300,210</b>	<b>5,432,207</b>	4,860,099	158,169	5,018,268
Charge for the period / year	888,977	104,521	993,498	1,434,974	142,653	1,577,627
Reversals for the period / year	(800,121)	(669)	(800,790)	(1,014,628)	(612)	(1,015,240)
Net charge for the period / year	88,856	103,852	192,708	420,346	142,041	562,387
Amounts written off	(116,321)	-	(116,321)	(148,448)	-	(148,448)
<b>Closing balance</b>	<b>5,104,532</b>	<b>404,062</b>	<b>5,508,594</b>	5,131,997	300,210	5,432,207

**9.3.1** SBP vide various circulars has amended Prudential Regulations in respect of provisioning against non performing advances under which the benefit of Forced Sale Value (FSV) has been allowed for plant and machinery under charge, pledged stock and mortgaged residential, commercial and industrial properties held as collateral against non-performing loans and advances for five years from the date of classification.

In case of the Bank, SBP further allowed the Bank to avail FSV benefits on mortgaged residential, commercial and industrial properties upto December 31, 2012 at 100% for 1st and 2nd year, 90% for 3rd year, 75% for the 4th year and 50% for the 5th and 6th year of classification. The Bank had availed the enhanced FSV benefit of Rs. 1,158 million due to special relaxation allowed by SBP against the non-performing loans classified till December 31, 2012, which expired on December 31, 2012.

During the year 2013, SBP through letter No BPRD/BRD-05/Silk/2013/12339 dated August 20, 2013 has allowed the Bank further relaxation, subject to certain conditions. According to the letter, the provision shortfall of Rs. 1,158 million availed under enhanced FSV benefit against classified corporate / commercial and SME loans as of December 31, 2012 has to be provided in phases.

FSV benefit availed on loans and advances classified after December 31, 2012 is calculated under Prudential Regulations R-8.

As of September 30, 2014, enhanced FSV benefit allowed in accordance with abovementioned SBP letter has an after tax impact of Rs. 376 million (December 31, 2013: Rs. 602 million) on accumulated losses, which shall not be available for payment of cash or stock dividend.

As of September 30, 2014, total FSV benefit taken against all loans and advances including enhanced FSV benefit is Rs. 1,675 million - net of tax (December 2013: Rs. 1,967 million - net of tax), which shall not be available for payment of cash or stock dividend.

**9.4** General provision represents provision made equal to 1.5% of the consumer secured performing portfolio, 5% of the consumer unsecured performing portfolio and 1% on small enterprises performing portfolio as required by the Prudential Regulations issued by the State Bank of Pakistan for Consumer and Small Enterprises Financing.

September 30, 2014 Un-audited	December 31, 2013 Audited
<b>Rupees in '000</b>	

**10 DEPOSITS AND OTHER ACCOUNTS**

**Customers**

Fixed deposits	<b>32,958,257</b>	<b>30,051,389</b>
Savings deposits	<b>19,187,065</b>	<b>20,028,542</b>
Current accounts - non - remunerative	<b>19,407,121</b>	<b>16,499,952</b>
Margin accounts - non - remunerative	<b>828,689</b>	<b>713,559</b>
Others	<b>220,253</b>	<b>203,581</b>
	<b>72,601,385</b>	<b>67,497,023</b>

**Financial institutions**

Remunerative deposits	<b>3,734,799</b>	<b>1,849,745</b>
Non-remunerative deposits	<b>72,312</b>	<b>86,684</b>
	<b>3,807,111</b>	<b>1,936,429</b>
	<b>76,408,496</b>	<b>69,433,452</b>

# Notes to the Condensed Interim Financial Information - Unaudited for the Nine Months Ended September 30, 2014

## 11. SHARE CAPITAL

### 11.1 Authorised capital

September 30, 2014 Un-audited	December 31, 2013 Audited	No. of shares in '000 -----	September 30, 2014 Un-audited	December 31, 2013 Audited	Rupees in '000 -----
4,000,000	4,000,000	Ordinary shares of Rs.10 each	40,000,000	40,000,000	

### 11.2 Issued, subscribed and paid-up share capital

September 30, 2014 Un-audited	December 31, 2013 Audited	No. of shares in '000 -----	September 30, 2014 Un-audited	December 31, 2013 Audited	Rupees in '000 -----
800,315	800,315	Ordinary shares of Rs.10 each Fully paid in cash	8,003,150	8,003,150	
100,000	100,000	Ordinary shares of Rs.10 each Fully paid in cash and issued at a discount of Rs. 2.5 per share	1,000,000	1,000,000	
1,771,290	1,771,290	Ordinary shares of Rs.10 each Fully paid in cash and issued at a discount of Rs. 7.5 per share	17,712,898	17,712,898	
2,671,605	2,671,605		26,716,048	26,716,048	

**11.3** The SBP requires each commercial bank to: (a) hold the minimum level of the regulatory capital (net of losses) to be raised to Rs. 10 billion (net of loss and share discount) by December 31, 2013 and (b) maintain a ratio of total regulatory capital to the risk-weighted asset (the "Basel ratio") at or above the internationally agreed minimum of 10% (refer note 1.3).

**11.4** The Bank has approved issuance of right shares @ 311.00226% on December 2, 2009 at a discount of Rs. 7.5 per share having face value of Rs. 10 each to generate net additional capital of Rs. 7 billion. Out of these right shares, an amount of Rs. 2.572 billion is unsubscribed. SECP has granted three years extension for subscription of the rights, in line with tenor of convertible preference shares (note 12).

## 12 CONVERTIBLE PREFERENCE SHARES

The Bank has issued 880 million Convertible Preference Shares (CPS) in March 2013 at issue price of Rs. 2.50 per share aggregating to paid-up amount of Rs. 2,200 million. The CPS are subordinated to all other liabilities including deposits of the Bank. These CPS have 3 years tenor and are convertible into ordinary shares of the Bank at the conversion ratio of 1:1. There is no voting right and dividend on these CPS. The subscribers will have an option to exercise the put option at the end of the tenor through which they can sell their CPS to Arif Habib Corporation Limited ("the Guarantor") at the strike price of Rs. 3.70 per CPS. The Bank is entitled to exercise Call Option, which is exercisable in full or in parts at any time after one year from the issue date subject to subscription of unsubscribed right shares. Any partial redemption will be on a pro rata basis. The SBP has restricted the utilization of the funds received to investment in papers of Government of Pakistan and the amount will not be counted towards the compliance of applicable statutory liquidity requirement. Subsequently, SBP through letter No.BPRD / BA&CP-04 / 644 /4692 / 2014 dated March 26, 2014 has allowed to consider the investment in government papers held against the proceeds of Convertible Preference Shares for SLR purposes.

SBP has given approval of CPS as Tier-I capital for Capital Adequacy Ratio (CAR) purpose only. Further, the SBP vide their letter no. BPRD/BA&CP-04/15690/2013 dated October 24, 2013 allowed the Bank to disclose CPS in the "Capital Section" of its financial statements till the remaining maturity or earlier redemption, whichever is earlier.

# Notes to the Condensed Interim Financial Information - Unaudited for the Nine Months Ended September 30, 2014

		Note	September 30, 2014 Un-audited	December 31, 2013 Audited
			----- Rupees in '000 -----	
<b>13</b>	<b>SURPLUS ON REVALUATION OF ASSETS - NET OF TAX</b>			
	(Deficit) / Surplus on revaluation of securities	13.1	(121,697)	334,702
	Surplus on revaluation of property and equipment	13.2	71,385	73,199
			(50,312)	407,901
<b>13.1</b>	<b>(Deficit) / Surplus on revaluation of securities</b>			
	Federal Government Securities		(66,605)	(39,099)
	Ordinary shares - Listed		(124,354)	547,422
	Term Finance Certificates - Listed		1,945	2,098
	- Unlisted		1,788	(2,546)
	Sukuks		-	(85)
	Units of Mutual fund - Closed ended		-	7,135
	Deferred tax asset / (liability) recognised	8.1 / 8.2	(187,226)	514,925
			65,529	(180,223)
			(121,697)	334,702
<b>13.2</b>	<b>Surplus on revaluation of property and equipment</b>			
	Surplus on revaluation of properties		97,284	100,075
	Deferred tax liability recognised		(25,899)	(26,876)
			71,385	73,199
<b>14</b>	<b>CONTINGENCIES AND COMMITMENTS</b>			
<b>14.1</b>	<b>Transaction-related contingent liabilities</b>			
	Guarantees favouring			
	- Government		7,381,815	7,897,923
	- Banking companies and other financial institutions		477,001	484,069
	- Others		2,441,507	2,262,787
<b>14.2</b>	<b>Trade-related contingent liabilities</b>			
	Letters of credit & acceptances		3,157,382	3,015,850
<b>14.3</b>	<b>Claims against the bank not acknowledged as debt</b>			
			254,577	267,532
<b>14.4</b>	<b>Claims against the bank by Competition Commission of Pakistan &amp; Others</b>			
			35,000	35,000
<b>14.5</b>	<b>Commitments in respect of</b>			
	Forward exchange contracts with State Bank of Pakistan, banks and other institutions			
	Sale		2,576,339	3,134,530
	Purchase		7,611,351	9,623,107
	Forward purchase of listed equity securities		298,765	-
<b>14.6</b>	<b>Commitments in respect of</b>			
	Property civil work & equipment		50,740	8,510
	Purchase of hardware / software		29,900	36,772
			80,640	45,282

# Notes to the Condensed Interim Financial Information - Unaudited for the Nine Months Ended September 30, 2014

	September 30, 2014 Un-audited	September 30, 2013 Un-audited
	Rupees in '000 -----	
<b>15 MARK-UP / RETURN / INTEREST EARNED</b>		
On loans and advances to:		
Customers	5,896,234	4,538,276
On investments in:		
Held-for-Trading securities	120,626	21,776
Available-for-Sale securities	931,764	951,927
Held-to-Maturity securities	-	-
	<b>1,052,390</b>	<b>973,703</b>
On deposits with financial institutions	289	97
On call money lendings	437	3,664
On securities purchased under resale agreements	94,617	95,648
	<b>7,043,967</b>	<b>5,611,388</b>
<b>16 MARK-UP / RETURN / INTEREST EXPENDED</b>		
Deposits	3,415,569	3,174,786
Securities sold under repurchase agreements	270,699	225,046
Call borrowings	231,159	219,381
Borrowings from State Bank of Pakistan under export re-finance scheme	181,887	197,356
SWAP money market expense	220,023	264,899
Others	5,217	3,764
	<b>4,324,554</b>	<b>4,085,232</b>
<b>17 CASH AND CASH EQUIVALENTS</b>		
Cash and balance with treasury banks	6,299,982	5,744,359
Balance with other banks	112,225	115,018
	<b>6,412,207</b>	<b>5,859,377</b>
<b>18 TAXATION</b>		
The income tax returns of the Bank have been submitted up to tax year 2013. The Bank has filed appeals before Appellate Tribunal Inland Revenue (ATIR) against certain disallowances amounting to Rs. 1,996 million made by Tax officer for assessment of tax year(s) 2000-2001, 2001-2002, 2002-2003 and 2004. The disallowances amounting to Rs. 682 million in respect of tax year 2003 and 2006 are pending with Commissioner Inland Revenue (Appeal) CIR-A. Management is confident that the outcome of these appeals would be in favor of the Bank.		
The Bank's returns in respect of AJK operations have been submitted up to and including tax year 2013. Certain appeals were filed before the various appellate forums which are pending for adjudication. The Management is confident that the outcome of these appeals would be in favour of the Bank.		
<b>19 RELATED PARTY TRANSACTION</b>		
Related parties comprise of directors, major shareholders of the Bank and the companies owned by such shareholders, entities owned by the directors of the company, companies where directors of the Bank also hold directorship, associates, key employees and entities that have key management personnel in common and employee benefit plan.		
Transactions with related parties are carried out in the normal course of business at agreed terms other than those transactions which are made under the terms of employment. Majority of the transactions with related parties comprise of loans and advance, deposits, issuance of letter of credits and guarantees.		
Advances for house building, conveyance and for personal use have also been provided to the staff and executives at reduced rates in accordance with the employment and pay policy and such advances have not been disclosed in the following schedule. Facility of group life insurance and hospitalization insurance is also provided to staff and executives. In addition to this, executives of the Bank have been provided with Bank maintained cars.		

# Notes to the Condensed Interim Financial Information - Unaudited for the Nine Months Ended September 30, 2014

Details of transactions with related parties and balances with them as at the period-end / year-end, other than disclosed elsewhere in these condensed interim financial statements, are as follows:

	September 30, 2014 (Un-audited)			December 31, 2013 - Audited		
	Chief Executive and Directors	Key Management Personnel and Others	Associated Companies and Common Directorship	Chief Executive and Directors	Key Management Personnel and Others	Associated Companies and Common Directorship
----- Rupees in '000 -----						
<b>Balances</b>						
<b>Loans</b>						
Loans at the beginning of the period / year	1,996	4,009	778,814	1,871	20,560	57,918
Loans given during the period / year	194	15,287	-	250	29,393	3,844,544
Loans repaid during the period / year	(195)	(16,335)	(778,814)	(125)	(45,944)	(3,123,648)
<b>Loans outstanding at the end of the period / year</b>	<b>1,995</b>	<b>2,961</b>	<b>-</b>	<b>1,996</b>	<b>4,009</b>	<b>778,814</b>
<b>Deposits</b>						
Deposits at the beginning of the period / year	38,022	248,339	109,568	13,726	178,411	142,790
Deposits received during the period / year	444,458	1,447,547	563,442	509,817	1,647,050	1,268,140
Deposits repaid during the period / year	(443,693)	(1,555,822)	(470,366)	(485,521)	(1,577,122)	(1,301,362)
<b>Deposits at the end of the period / year</b>	<b>38,787</b>	<b>140,064</b>	<b>202,644</b>	<b>38,022</b>	<b>248,339</b>	<b>109,568</b>
<b>Investments- shares</b>						
At the beginning of the period / year	-	-	207,475	-	-	-
Investment made during the period / year	-	-	17,515	-	-	284,354
Redeemed during the period / year	-	-	(207,475)	-	-	(76,879)
<b>At the end of the period / year</b>	<b>-</b>	<b>-</b>	<b>17,515</b>	<b>-</b>	<b>-</b>	<b>207,475</b>

Balances pertaining to parties that were related at the beginning of the year but ceased to be so related during any part of the current period are not reflected as part of the closing balance of the current period. The same are accounted for through the movement presented above.

	September 30, 2014 (Un-audited)			September 30, 2013 (Un-audited)		
	Chief Executive and Directors	Key Management Personnel and Others	Associated Companies and Common Directorship	Chief Executive and Directors	Key Management Personnel and Others	Associated Companies and Common Directorship
----- Rupees in '000 -----						
<b>Transactions</b>						
Short term employees benefits	51,385	233,128	-	80,122	344,491	-
Termination benefits	4,022	16,237	-	7,025	22,171	-
Mark-up earned on loans	190	556	25,956	119	1,829	5,500
Mark-up paid on deposits	276	3,497	15,282	907	2,368	5,134
Services received / goods supplied	-	98,748	66,955	-	93,611	96,919
Meeting fee of non-executive directors	10,977	-	-	16,321	-	-
Share of profit from Associates	-	-	8,017	-	-	14,229

# Notes to the Condensed Interim Financial Information - Unaudited for the Nine Months Ended September 30, 2014

**20 ISLAMIC BANKING BUSINESS**

The Bank is operating with 10 (December 2013 : 10) Islamic Banking branches as of September 30, 2014.

	Note	September 30, 2014 Un-audited	December 31, 2013 Audited
		Rupees in '000	
<b>A) STATEMENT OF FINANCIAL POSITION</b>			
<b>ASSETS</b>			
Cash and balances with treasury banks		374,322	267,001
Balances with other banks		12,032	5,447
Due from financial institutions		1,639,675	1,480,133
Investments		819,423	740,697
Islamic financing and related assets	A-2.1	5,062,111	3,606,962
Operating fixed assets		115,029	127,745
Other assets		996,354	736,725
<b>Total Assets</b>		<b>9,018,946</b>	<b>6,964,710</b>
<b>LIABILITIES</b>			
Bills payable		67,738	72,091
Due to financial institutions		-	-
Deposits and other accounts			
-Current accounts		1,650,578	923,636
-Saving accounts		917,428	822,502
-Term deposits		2,236,430	1,824,708
-Others		25,000	-
-Deposit from financial institutions - remunerative		966,696	379,876
-Deposits from financial institutions - non-remunerative		204	3,069
Due to head office		2,507,147	2,507,147
Other liabilities		52,219	64,908
<b>Total Liabilities</b>		<b>8,423,440</b>	<b>6,597,937</b>
<b>NET ASSETS</b>		<b>595,506</b>	<b>366,773</b>
<b>REPRESENTED BY</b>			
Islamic banking fund		425,000	425,000
Reserves		-	-
Accumulated profit / (loss)		169,966	(62,525)
Surplus on revaluation of assets		594,966	362,475
		540	4,298
		<b>595,506</b>	<b>366,773</b>
<b>A-2.1 ISLAMIC FINANCING AND RELATED ASSETS</b>			
Murabaha financing		1,611,964	424,815
Musharaka financing		3,450,147	3,182,147
		<b>5,062,111</b>	<b>3,606,962</b>
<b>A-2.2 CONTINGENCIES AND COMMITMENTS</b>			
Guarantees favouring		-	-
Government		-	-
Banking companies and other financial institutions		-	-
Others		720,000	-
<b>Commitments in respect of forward exchange contracts</b>			
Forward exchange contracts with State Bank of Pakistan, banks and other institutions			
Sale		205,390	-
Purchase		205,390	-

# Notes to the Condensed Interim Financial Information - Unaudited for the Nine Months Ended September 30, 2014

		September 30, 2014 Un-audited	September 30, 2013 Un-audited
		Rupees in '000	
B)	<b>REMUNERATION TO SHARIA ADVISOR / BOARD</b>	<b>1,986</b>	1,815
C)	During the period no charity credited to Charity Fund Account nor any payment made out of it.		
D)	<b>PROFIT AND LOSS ACCOUNT</b>		
	Profit / return earned on financings, investments and placements	604,295	248,913
	Return on deposits and others dues expensed	(224,344)	(159,136)
	<b>Net Spread Earned</b>	<b>379,951</b>	89,777
	<b>Other Income</b>		
	Fees, commission and brokerage income	8,799	1,891
	Income from dealing in foreign currencies	4,288	3,126
	Gain on sale of securities	11,958	4,096
	Other income	2,629	1,032
	<b>Total Other Income</b>	<b>27,674</b>	10,145
	<b>Other Expenses</b>		
	Administrative expenses	(175,134)	(175,068)
	<b>Profit / (loss) before taxation</b>	<b>232,491</b>	(75,146)

**21 DATE OF AUTHORISATION FOR ISSUE**

This condensed interim financial information was authorised for issuance on October 28, 2014 by the Board of Directors of the Bank.

**22 GENERAL**

**22.1** Figures have been rounded off to the nearest thousand rupees.

**22.2** Following corresponding figures have been reclassified for the purpose of better presentation:

Information	Component from	Reclassification	Reclassification to	Rupees in '000
Profit and Loss	Non mark-up / interest income	Other income	Fee, commission and brokerage income	6,002
Profit and Loss	Non mark-up / interest income	Income from dealing in foreign currencies	Fee, commission and brokerage income	6,039
Profit and Loss	Non mark-up / interest expenses	Administrative expenses	Other charges	646
Balance sheet	Advances - net	Advances - net	Other assets	50,916
Balance sheet	Advances - net	Other liabilities	Advances - net	30,121

Azmat Tarin  
President & CEO

Munawar Hamid, OBE  
Chairman

Tariq Iqbal Khan  
Director

Shamsul Hasan  
Director

# Foreign Correspondents



## Afghanistan

Habib Bank Ltd.

## Algeria

Banque Al Baraka d'Algérie

## Argentina

The Royal Bank of Scotland  
Deutsche Bank AG

## Australia

JP Morgan  
Westpac Banking Corp.  
Deutsche Bank AG

## Austria

The Royal Bank of Scotland  
Raiffeisen Zentralbank Oesterreich  
Unicredit Bank Austria  
Deutsche Bank AG

## Bahrain

Arab Investment Bank  
Al Baraka Islamic Bank  
BMI Bank Bsc  
Habib Bank Ltd.  
United Bank Ltd.  
National Bank of Pakistan  
Kuwait Turkish Participation Bank Inc.

## Bangladesh

Habib Bank Ltd.  
Bank Al Falah

## Belgium

Habib Bank Ltd.  
Commerzbank Ag  
KBC Bank NV  
Fortis Bank SA./NV  
The Royal Bank of Scotland  
Deutsche Bank AG

## Brazil

Deutsche Bank AG

## Bulgaria

Citibank  
United Bulgarian Bank

## Canada

Habib Canadian Bank  
The Royal Bank of Scotland

## China

Agricultural Bank of China  
Commerzbank AG  
Bank of Jiangsu Co. Ltd.  
The Royal Bank of Scotland  
Bank of China  
Bank of Beijing  
Bank of Communication  
Deutsche Bank AG  
China Construction Bank  
China Ever Bright Bank  
Industrial and Comm'l Bank of China  
Laishang Bank Co. Ltd.

## JP Morgan

Shenzhen Development Bank  
Bank of New York Mellon  
Wells Fargo Bank  
West LB AG

## Czech Republic

Commerzbank AG  
The Royal Bank of Scotland

## Denmark

Danske Bank A/S  
Nordea Bank Denmark A/S

## Egypt

Mashreqbank PSC  
Al Baraka Bank

## Finland

Nordea Bank Finland PLC  
Skandinaviska Enskilda Banken

## France

Commerzbank AG  
National Bank of Pakistan  
UBAF  
Habib Bank Ltd.  
BNP Paribas SA

## Germany

Commerzbank AG  
Danske Bank

## Deutsche Bank AG

National Bank of Pakistan  
SEB AG  
Landesbank Baden-Wurttemberg  
Norddeutsche Landesbank  
Suedwestbank AG  
Unicredit  
JP Morgan

## Hungary

K and H Bank Zrt  
Magyarorszagi Volksbank RT  
Deutsche Bank AG.  
Calyon Bank  
CIB Bank Ltd.  
Commerzbank AG

## Hong Kong

BNP Paribas Fortis Bank  
DBS Bank  
Citibank N.A.  
Deutsche Bank AG  
Habib Finance Int'l Ltd.  
HBZ Finance Ltd.  
Intesa Sanpaolo  
National Bank of Pakistan  
Mashreqbank PSC  
JP Morgan  
The Royal Bank of Scotland  
UBAF  
Wells Fargo  
West LB AG

**India**

Mashreqbank  
The Royal Bank of Scotland  
Deutsche Bank AG  
JP Morgan

**Indonesia**

The Royal Bank of Scotland  
JP Morgan  
Deutsche Bank AG

**Ireland**

National Irish Bank

**Italy**

Commerzbank AG  
The Royal Bank of Scotland  
Banca Di Roma S.P.A.  
Banco Di Napoli S.P.A.  
Banco Popolare SOC  
Banco Popolare Di Bari S.C.P.A  
Banco Popolare Di Novara S.P.A.  
Banco Popolare Di Verona S.G.S.P  
Banca Monte Parma  
Banca Monte Dei Paschi Di Seina S.P.A  
Banca UBAE  
Iccrea Banca  
Deutsche Bank AG  
Intesa Sanpaolo  
Mizuho Corporate Bank Ltd.  
Unicredit Banca S.P.A.  
Unicredit Corporate Banking S.P.A.  
UBI Banca  
Cassa di Risparmio in Bologna

**Japan**

National Bank of Pakistan  
Citibank  
Commerzbank AG  
Bank of New York  
JP Morgan  
Mizuho Corporate Bank Ltd.  
Sumitomo Mitsui Banking Corp.  
UBAF  
The Royal Bank of Scotland  
Wells Fargo Bank  
ING Bank

**Kazakhstan**

BTA Bank JSC

**Kuwait**

Gulf Bank K.S.C.  
Alahli Bank of Kuwait K.S.C.  
National Bank of Kuwait  
Citibank N.A.  
Mashreqbank

**Korea**

Deutsche Bank AG  
Korea Exchange Bank  
Korea Development Bank  
Kookmin Bank  
JP Morgan  
National Bank of Pakistan  
Shinhan Bank  
Suhyup Bank  
UBAF  
The Royal Bank of Scotland  
Pusan Bank  
Wells Fargo Bank  
Woori Bank

**Lebanon**

Habib Bank Ltd.

**Malaysia**

Citibank N.A.  
The Royal Bank of Scotland  
JP Morgan

**Mexico**

Banco Del Bajio S.A.

**Mauritius**

Habib Bank Ltd.  
Mauritius Commercial Bank Ltd.

**Morocco**

Attijariwafa Bank

**Nepal**

Himalayan Bank Ltd.

**Netherlands**

Commerzbank AG  
The Royal Bank of Scotland  
Deutsche Bank AG  
Habib Bank Ltd.  
ING Bank NV

**Norway**

Nordea Bank Norge ASA  
DNB Nor Bank ASA

**New Zealand**

Westpac Banking Corporation

**Oman**

Habib Bank Ltd.  
Bank Muscat

**Poland**

Nordea Bank Poliska S.A.  
The Royal Bank of Scotland  
Deutsche Bank AG

**Philippines**

JP Morgan  
Mizuho Corporate Bank

**Portugal**

Banco BPI S.A.  
Deutsche Bank AG

**Qatar**

United Bank Ltd.  
Doha Bank  
BNP Paribas Fortis  
Mashreqbank PSC

**Romania**

Piraeus Bank

**Russia**

Citibank  
Commerzbank AG

**Saudi Arabia**

JP Morgan  
National Commercial Bank  
Saudi Hollandi Bank  
Deutsche Bank AG  
Bank Muscat  
National Bank of Pakistan  
Saudi British Bank

**Singapore**

The Royal Bank of Scotland  
Bank of America  
DBS Bank  
Deutsche Bank AG  
Fortis Bank S.A.  
Citibank N.A.  
BNP Paribas Fortis Bank  
Habib Bank Ltd.  
JP Morgan  
Mizuho Corporate Bank  
National Bank of Kuwait  
Rabo Bank  
Sumitomo Mitsui Banking Corporation Ltd.  
West LB AG  
UBAF

**South Africa**

Habib Overseas Bank Ltd.  
HBZ Bank Ltd.  
First Rand Bank

**Serbia**

Unicredit Bank  
Raiffeisen Bank

**Spain**

Commerzbank AG  
Fortis Bank S.A.  
Banco Popular Espanol, S.A.  
Bankinter S.A.  
Caja de Ahorres del Mediterraneo  
Caja Espana de Inversiones  
Caja D'estalvis I Pensions de Barcelona

**Sri Lanka**

Muslim Commercial Bank Ltd.  
Habib Bank Ltd.  
Deutsche Bank AG  
Hatton National Bank

**Sweden**

Nordea Bank  
Skandinaviska Enskilda Banken  
Svenska Handelsbanken  
The Royal Bank of Scotland  
Danske Bank

**Switzerland**

Banque Cantonale Voudoise  
Habib Bank AG Zurich  
BNP Paribas Fortis Bank  
Credit Agricole (Suisse) S.A.  
Habibsons Bank  
Deutsche Bank AG  
The Royal Bank of Scotland  
United Bank AG  
Citibank N.A.

**Taiwan**

Bank of New York  
Bank of America  
Deutsche Bank AG  
JP Morgan  
Wells Fargo

**Thailand**

Bank of Ayudha Public Company Ltd.  
Export Import Bank of Thailand  
The Royal Bank of Scotland  
Citibank N.A.  
Deutsche Bank AG  
JP Morgan

**Turkey**

The Royal Bank of Scotland  
Habib Bank Ltd.  
Deutsche Bank AG  
Al Baraka Turk Participation Bank  
Turkiye Vakiflar Bankasi T.A.O.  
Turkiye Garanti Bankasi AS  
Turk Ekonomi Bankasi AS

**U.A.E.**

Citibank N.A.  
Dubai Islamic Bank  
Deutsche Bank AG  
Emirates NBD Bank  
Emirates Islamic Bank  
United Bank Ltd.  
Habib Bank Ltd.  
Mashreqbank PSC  
The Royal Bank of Scotland  
National Bank of Fujairah  
Habib Bank AG Zurich  
Noor Islamic Bank

**U.K.**

ABC International Bank PLC  
Bank of America  
Clydesdale Bank  
Deutsche Bank AG  
Habib Bank AG Zurich  
Habib Allied PLC  
Fortis Bank  
Commerzbank AG  
Mashreqbank PSC  
Northern Bank  
JP Morgan  
Nordea Bank Finland  
The Royal Bank of Scotland  
Habibsons Bank  
Bank Leumi PLC

**Merrill Lynch Interantional Bank Ltd.**

Citibank N.A.  
United National Bank

**U.S.A.**

The Royal Bank of Scotland  
Bank of America  
Bank of New York Mellon  
Bank of the West  
Citibank N.A.  
Commerzbank AG  
Deutsche Bankers Trust Co.  
Doha Bank  
Habib American Bank  
Habib Bank Ltd.  
Intesa Sanpaolo S.P.A.  
JP Morgan  
Mashreqbank PSC  
Mizuho Corporate Bank Ltd.  
M & I Bank  
National Bank of Pakistan  
Sumitomo Mitsui Banking Corporation  
Union Bank of California  
Valley National Bank  
US Bank Minneapolis  
Union Bank N.A.  
United Bank Ltd.  
Wells Fargo N.A.  
Woori Bank

**Ukraine**

PJSC Deutsche Bank DBU

**Vietnam**

JP Morgan  
Deutsche Bank AG

# Branch Network



## CORPORATE SEGMENT

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## KARACHI REGION

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Fax: (021) 35312046

**Vaijha Ahsan Nagi**  
**Branch Manager**  
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Fax: (021) 35301114

**Muhammad Abid**  
**Branch Manager**  
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Fax: (022) 2781192

**Abu Tehseen**  
**Branch Manager**  
Gulshan-e-Iqbal Branch,  
Block 10/A, Saima Classic, Main Rashid  
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Fax: (021) 34989654

**Farhan Khan**  
**Branch Manager**  
Bahadurabad Branch,  
Ground Floor, ZN Tower,  
Plot No. 106, Bahadur Yar  
Jung Co-operative Housing Society,  
Block 3, K.C.H.S. Union Limited,  
Bahadurabad, Karachi.  
Tel.: (021) 34933277, 34123416-20  
Fax: (021) 34145182

**Sohail Soomar**  
**Branch Manager**  
S.I.T.E. Branch,  
Plot No. B/9, C-1, Unit No.2, Sindh  
Industrial Trading Estate, Karachi.  
Tel.: (021) 32586673-4  
Fax: (021) 32550279

**Nadeem Ahmed Khanzada**  
**Branch Manager**  
University Road Branch,  
Plot No. B-9/10, Block 16,  
Main University Road, Karachi.  
Tel.: (021) 34829590, 34829591  
Fax: (021) 34829592

**Saleem Ahmed Siddiqui**  
**Branch Manager**  
Hyderi Branch,  
D-11, Block H, Khayaban-e-Sher Shah Suri,  
North Nazimabad, Karachi.  
Tel.: (021) 36643280, 36643275-76  
Fax: (021) 36643263

**Muhammad Khalid Choudhry**  
**Branch Manager**  
M. A. Jinnah Road Branch,  
Plot No. 40, Sheet No. 7, Situated on  
Serai Quarters, Off: M.A Jinnah Road,  
Karachi  
Tel.: (021) 32601308-09,  
Fax: (021) 32601310

**Mohammad Nasir Jamal**  
**Acting Branch Manager**  
Sohrab Goth Branch,  
Al-Asif Square, Sohrab Goth, Karachi.  
Tel.: (021) 36340974, 36342889  
Fax: (021) 36343704

**Mohammad Hassan Riaz**  
**Branch Manager**  
P.E.C.H.S. Branch,  
Shop No. 11, Business Arcade,  
Plot No. 27-A, Block No. 6, P.E.C.H.S.,  
Shahrah-e-Faisal, Karachi.  
Tel.: (021) 34392041-42  
Fax: (021) 34392040

**Mahmood Ahmed**  
Branch Manager  
Port Qasim Branch,  
Shop No. 5, Port Trade Centre,  
Plot No. CP 1/20, Commercial Area,  
Phase-II, Port Qasim, Karachi.  
Tel.: (021) 34720215-, 34720217,  
Fax: (021) 34720216

**Chaudhry Zagfar Iqbal**  
Branch Manager  
Khalid Bin Waleed Road Branch,  
Shop No. 1, 2, 3 & 4, Plot No. 151-A,  
Khalid Bin Waleed Road/Allama Iqbal  
Road, Block 2, P.E.C.H.S., Karachi.  
Tel.: (021) 34306526, 34306521-23  
Fax: (021) 34306524

**Zahid Noshewani**  
Acting Branch Manager  
F. B. Area Branch,  
Plot No. C-31/A, Ground Floor, Block 6,  
F. B. Area, K.D.A. Scheme 16, Karachi.  
Tel.: (021) 36342995, 36342905-8  
Fax: (021) 36342904

#### ISLAMABAD REGION

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