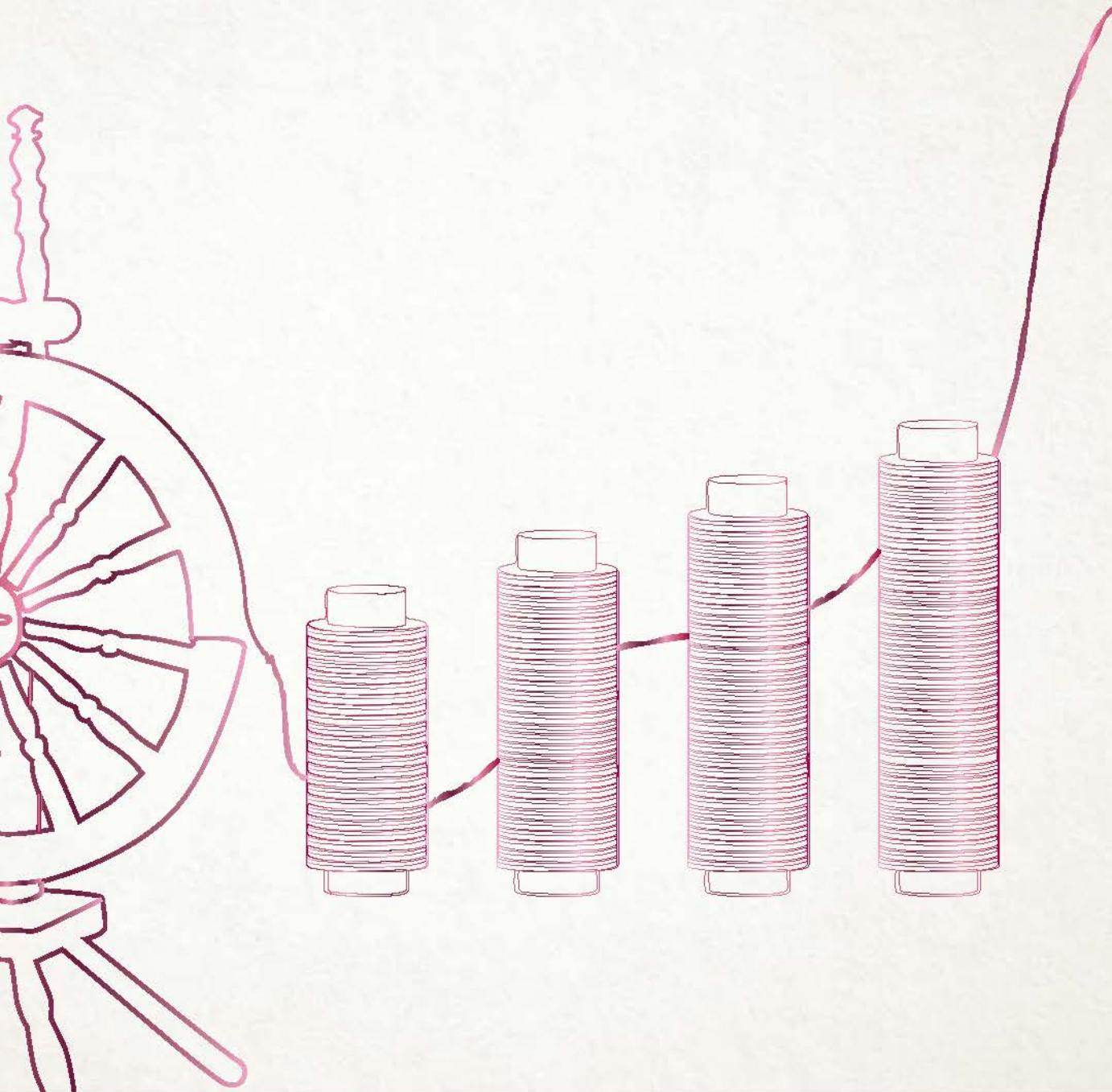


HALF YEARLY  
REPORT '17

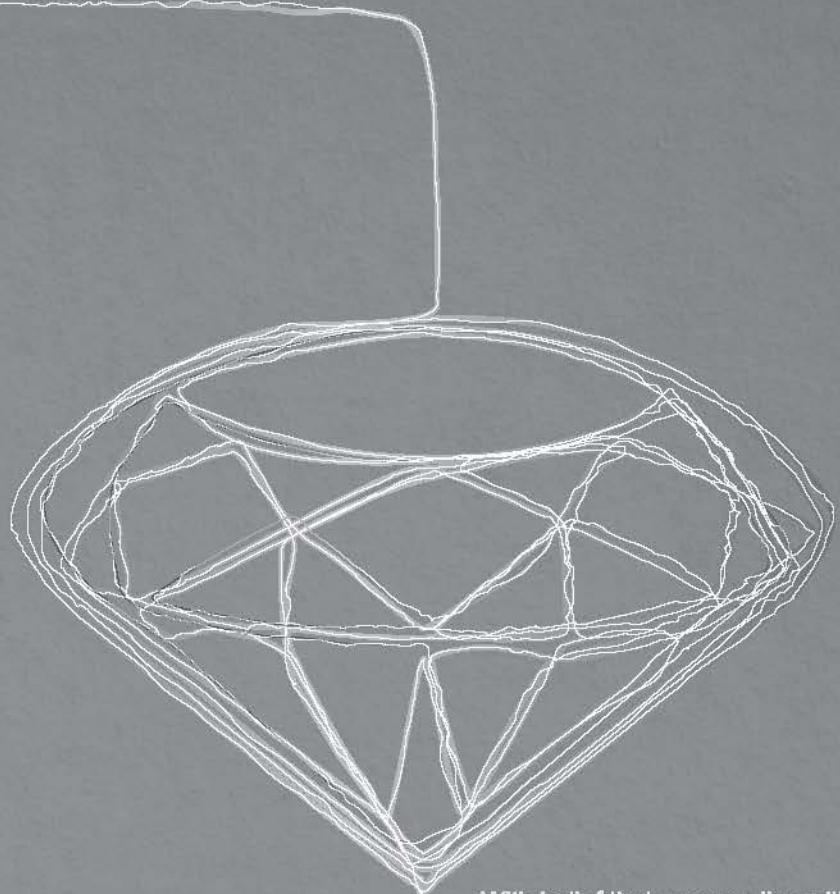
ASCENDING TOWARDS  
EXCELLENCE



ASCENDING TOWARDS

# EXCELLENCE

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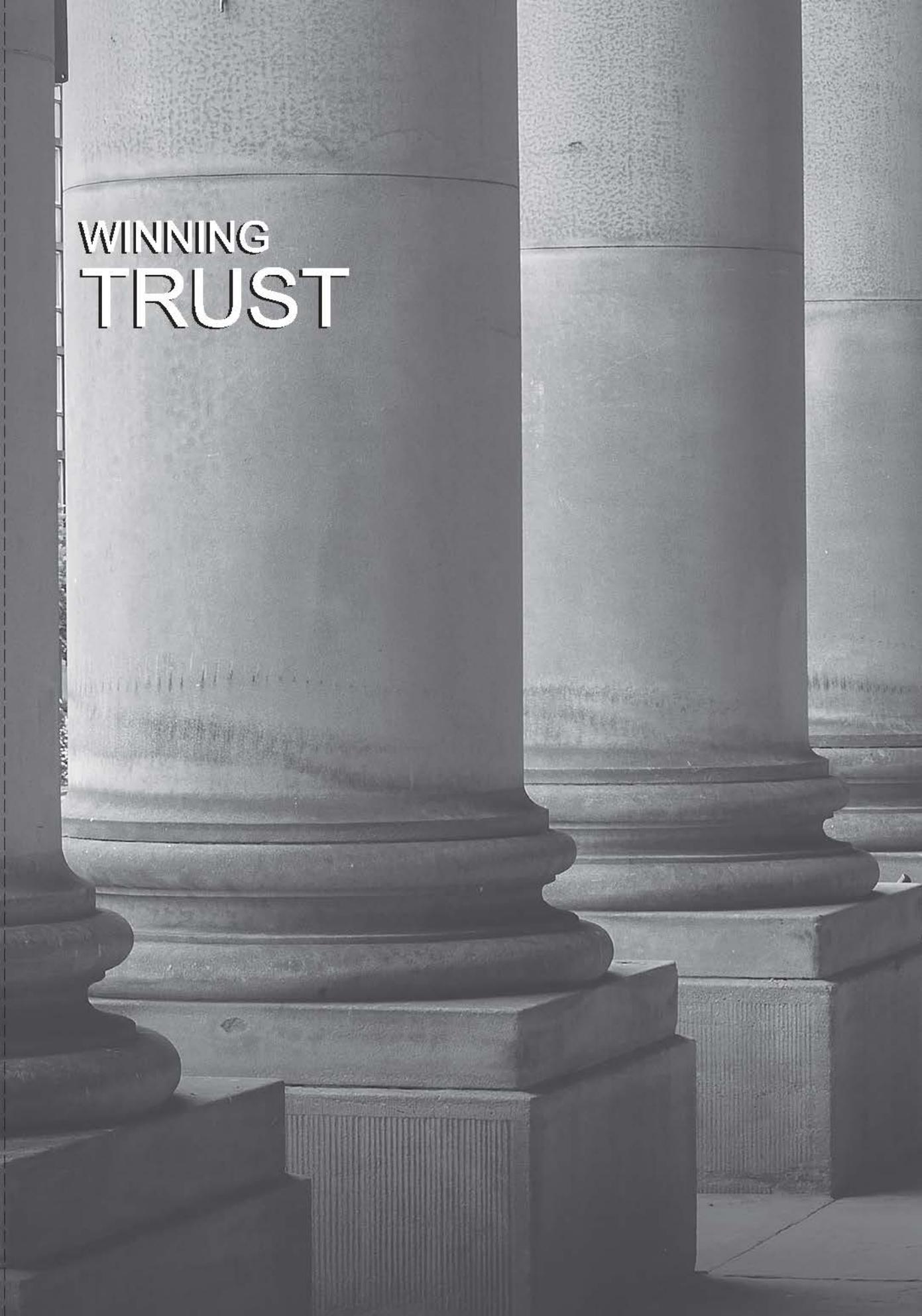
With belief that success lies within, Silkbank has put its best foot forward in the Year 2017 that became a stepping-stone in setting the momentum. While keeping up with the pace, Silkbank offers a range of innovative and convenient banking services that are simply a notch above. This year, the bank witnessed growth and achieved great recognition not only amongst its customers but also amongst its peers. This made Silkbank, 'Ascend towards Excellence' – because Excellence is what the bank aspires and destines.

# THE ASCENDANCE

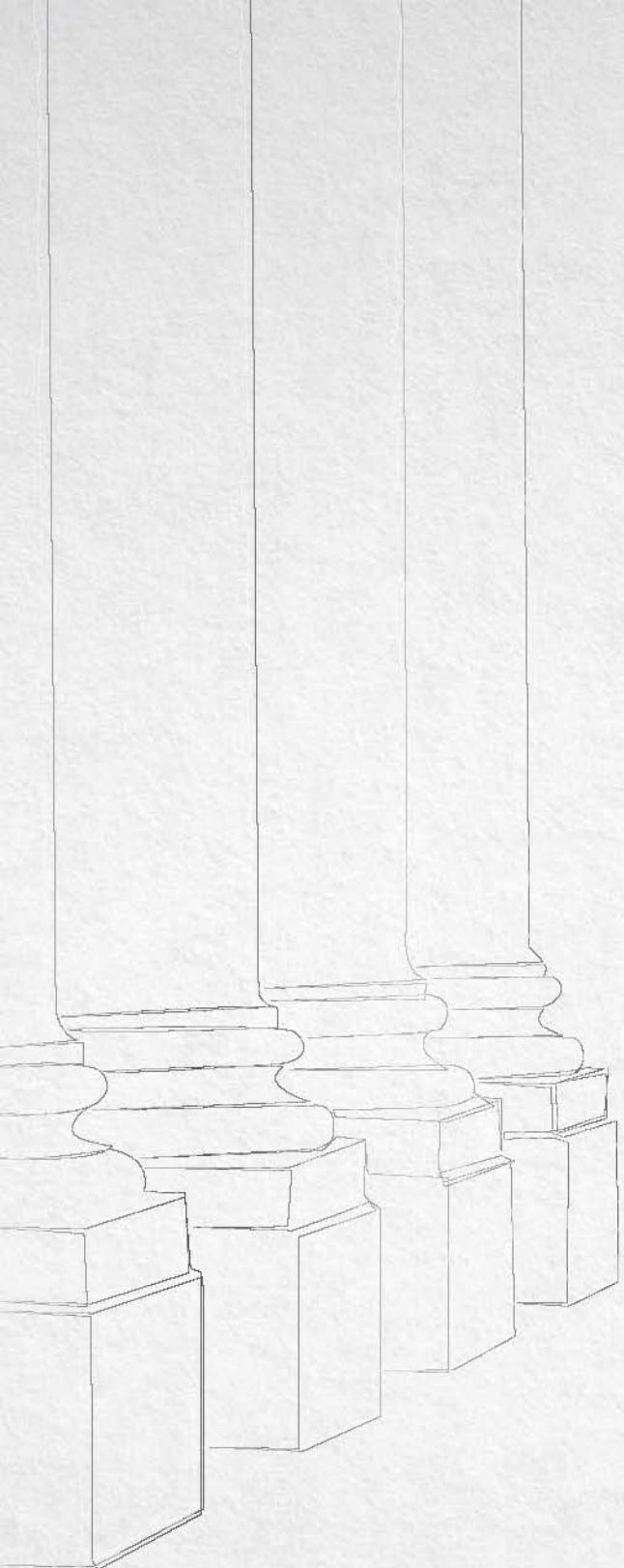


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WINNING  
TRUST



## **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.

# STRIKING A BALANCE



# 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 level of personal and corporate integrity.

## TEAMWORK

Teamwork is our key strength. Our success lies in unity.

## CREATIVITY

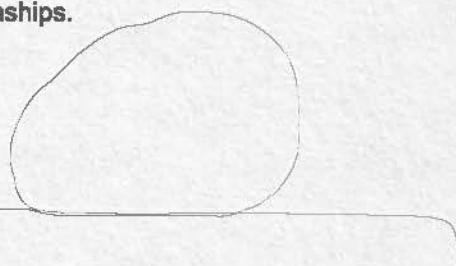
Out of the box thinking is the enabling factor for us to be recognized as an innovative organization.

## MERITOCRACY

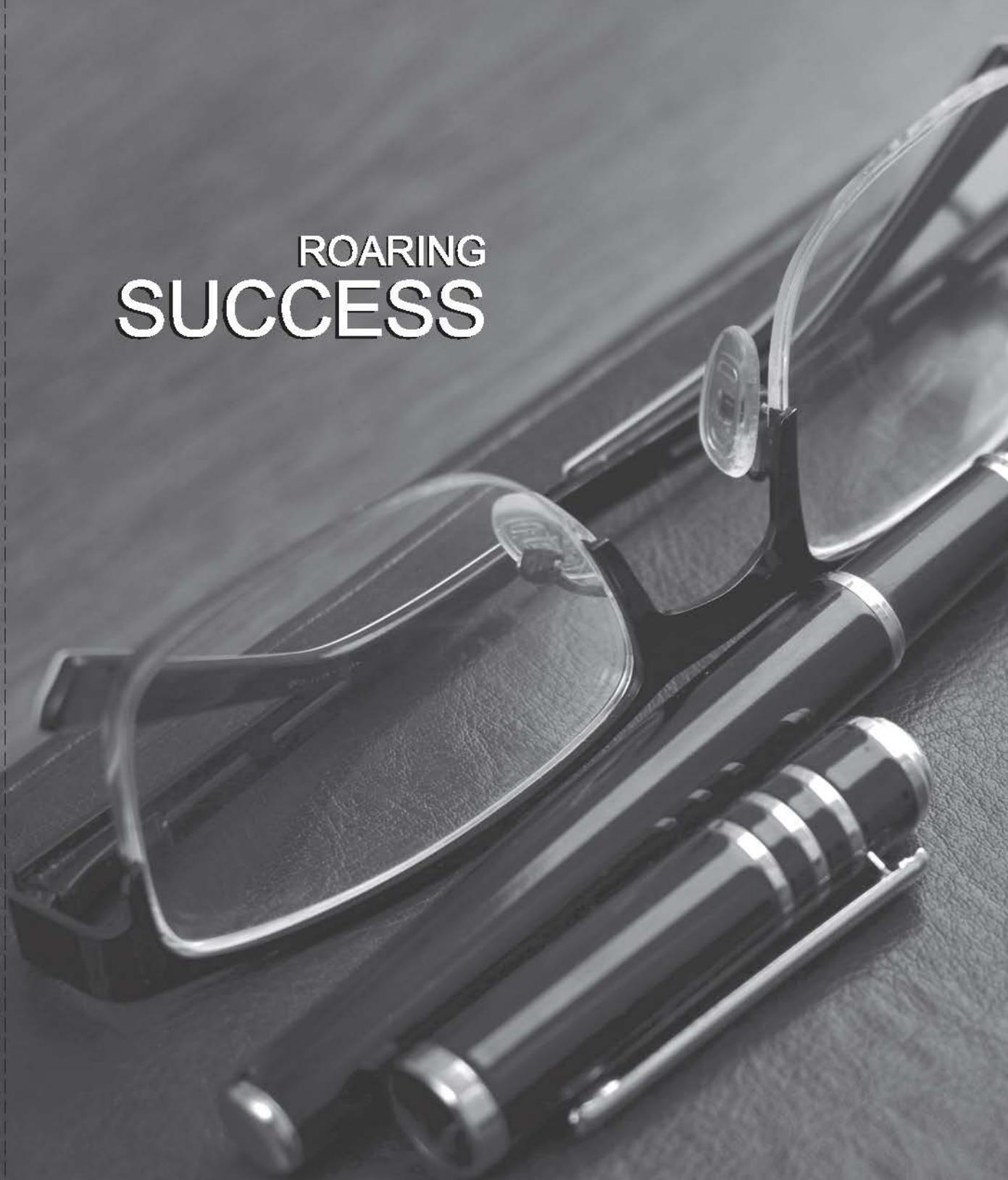
Merit remains our key primary criteria for rewarding performance.

## HUMILITY

Humility remains at the core of all our relationships.



ROARING  
**SUCCESS**



## CORPORATE INFORMATION

The hallmark of ascending towards excellence is only possible with a proficient team who grind day and night to become the notch. We at Silkbank understand that excellence is achieved by working together in extraordinary ways because big results require big ambitions.

# Corporate Information

as of June 30, 2017

## Board of Directors

|                           |                         |
|---------------------------|-------------------------|
| Munnawar Harnid, OBE      | Chairman                |
| Adnan Afzidi              | Director                |
| Khalid Aziz Mirza         | Director                |
| Nasim Beg                 | Director                |
| Sadeq Sayeed              | Director                |
| Shamsul Hasan             | Director                |
| Talha Saeed Ahmed         | Executive Director      |
| Tariq Iqbal Khan, FCA     | Director                |
| Zubair Nawaz Chattha      | Director                |
| Azmat Shahzad Ahmed Tarin | President & CEO         |
| Shaukat Tarin             | Advisor to the Chairman |

## Company Secretary

Uzman Naveed Chaudhary

## Chief Financial Officer

Khurram Khan

## Audit Committee

|                       |           |
|-----------------------|-----------|
| Tariq Iqbal Khan, FCA | Chairman  |
| Nasim Beg             | Member    |
| Adnan Afzidi          | Member    |
| Wajih Zaidi           | Secretary |

## Risk Committee

|                      |           |
|----------------------|-----------|
| Shamsul Hasan        | Chairman  |
| Sadeq Sayeed         | Member    |
| Adnan Afzidi         | Member    |
| Muhammad Atif Kauser | Secretary |

### **Human Resources Committee**

|                      |           |
|----------------------|-----------|
| Munnawar Hamid, OBE  | Chairman  |
| Khalid Aziz Mirza    | Member    |
| Zubair Nawaz Chattha | Member    |
| Azmat Tarin          | Member    |
| Sanam Kohati Faiz    | Secretary |

### **Auditors**

Deloitte Yousuf Adil  
Chartered Accountants

### **Legal Advisor**

Ghani Law Associates

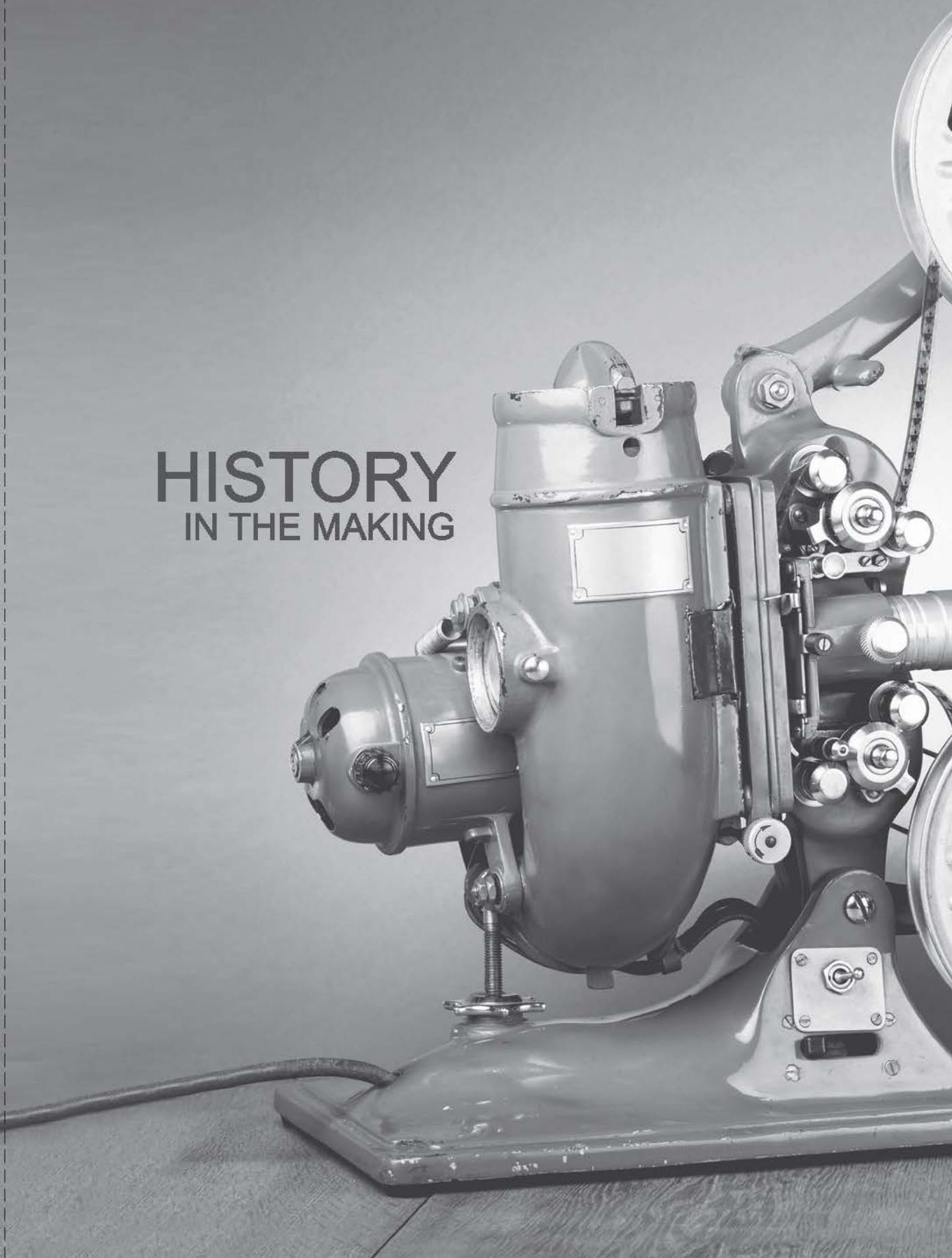
### **Registered Office**

**Silkbank Limited, Administration Division,**  
13 L, F-7 Markaz, Islamabad.  
Direct Tel: (051)-26080-26-27-28  
PABX: (051)-26080-77-78-79, EXT: 111  
Fax: (051)-26080-29  
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 Shahra-e-Faisal,  
Karachi-74400.  
Tel: Customer Support Services (Toll Free) 0800-CDCPL (23275)  
Fax: (92-21) 34326053  
Email: [info@cdcpak.com](mailto:info@cdcpak.com)  
Website: [www.cdcPakistan.com](http://www.cdcPakistan.com)

HISTORY  
IN THE MAKING



## **REPORTS AND STATEMENTS TO THE MEMBERS**

The year 2017 has been a great year so far in terms of progress, growth and leadership mapping the significant achievement in the history of Silkbank. The reports and statements reflect the status, which the Bank earned through the best practices. Therefore, today we say, we are ascending towards excellence.

# Director's Report

## Directors' Review Report as of June 30, 2017

### Dear Shareholders,

We are pleased to present the financial statements of the Bank for the half year ended June 30, 2017.



### Economic Review

Pakistan's economy has been continuously showing improvements. Major successes in the second quarter include the stability of economic growth and controlled inflation. Tax collection has been reduced slightly, hence increasing impact on the fiscal deficit. The stock market, on the other hand, looked optimistic during the second quarter of 2017.

Reflecting further on CPI tendencies, the headline inflation (in YoY terms) has softened at 3.9 percent in June 2017, while core inflation has stayed at 5.5 percent since April 2017. The latter does indicate rising demand.

The current account deficit has been managed by FX reserves and a financial account surplus which reached US\$ 9.6 billion during FY-17 from US\$ 6.8 billion in the same period last year. Apart from the increase in official inflows, this accumulation incorporates the impact of increase in private sector borrowing for CPEC projects. Going forward, the global forecasts project a positive outlook with both, growth and international trade picking up in FY-18. Based on this assessment coupled with positive domestic policy measures, Pakistan's exports are expected to post gains.

Imports on the other hand, albeit at a slower pace, are also expected to grow in line with continuation of CPEC related activities and improving economic growth.

### Banking Sector

The growth in private sector credit was one of the most encouraging developments during the quarter which contributed significantly in achieving the real GDP growth. The sharp surge in private sector credit is a reflection of increasing trust and confidence of the business community in the overall investment climate of the country.

The Discount Rate remained stable at 6.25% during the second quarter of the year and the banking sector's spreads average slightly improved to 5.02% compared to 4.97% in the preceding quarter. Advances made in the Banking Sector improved by Rs. 331 billion amounting to Rs. 6,028 billion for the second quarter of 2017, taking ADR (Asset to Deposit Ratio) to 51.51%. Investments also picked up by Rs. 7,989 billion and deposits reached to Rs. 11,702 billion during the second quarter 2017.

### Financial Performance

The Bank has posted after tax Profit of Rs. 478.26 million in the half year of 2017.

During this period, total deposits of the Bank grew by Rs. 15.2 billion to Rs. 101.98 billion and gross advances increased by Rs. 12.98 billion.

Summarized financial performance of Silkbank Limited for the half year ended June 30, 2017 is as follows:

| Financial Performance        | Rs. in million |
|------------------------------|----------------|
| Profit before tax            | 613.75         |
| Tax - Current                | -              |
| Prior                        | -              |
| Deferred                     | 135.49         |
| Profit after tax             | 478.26         |
| Rupee                        |                |
| Earnings per share – Basic   | 0.05           |
| Earnings per share – Diluted | 0.05           |

### Business Performance

#### Branch Banking

Branch Banking serves over 156,005 customers and approximately represents 86.52% of the Bank's deposit base. Branch Banking deposits increased to Rs. 68,372 million during the year from Rs. 57,560 million (as of Dec 31, 2016). This not only amounted to a historic high increase of Rs. 10,812 million during the first half of the year, but also enabled Branch Banking to surpass its budgeted targets.

The composition of the overall incremental volume accounted for 88% CASA deposit. The CASA YTD growth of Rs. 9,327 million reflects the management's focus on generating low cost deposits. Current account and Savings account registered YTD growth of Rs. 5.038 billion and 4.291 billion respectively, which favourably improved LCY-CASA deposit mix by 5% during the first half of 2017.

■ **Home Remittance:** Home remittance business recorded a total of 43,378 transactions and disbursed Rs. 3.03 billion during the first half of 2017. Further expansion is expected by adding new exchange companies and creating new business ventures along with focus on attracting end customers through incentivized campaigns.

■ **ADC Business:** Silkbank VISA Debit Card ("VDC") continued to show strong growth in 2017. 16,771 new VDCs were issued during the first half of 2017 and usage over Point of Sales (POS) during the first half of 2017 recorded a spend of Rs. 633.09 million through 158,047 transactions. Highest POS spend was recorded at Rs. 120.02 million during June, 2017. Silkbank ATMs dispensed a cash volume of Rs. 8,414 billion against 794,011 transactions during the first half of 2017 and recorded a monthly usage volume of Rs. 1.40 billion per month.

Alternate Distribution Services and e-delivery channels have added value to the product offerings of the Bank and have enhanced the reach/accessibility of banking services. SilkMobile registrations have reached 28,873 customers, where new features are continuously being added, alluring customers towards usage of digital platform.

■ **Bancassurance:** With unified goal of enhancing cross-sell and Non-Funded Income, the Bank has also put in significant efforts to increase the Bancassurance business. This resulted in YTD Revenue growth of more than 20% from corresponding period of year 2016. Cross-sell of Bancassurance products to existing branch customers have also strengthened customer relationship with the branches, while adding strong contribution into the bottom line of the Bank.

All the above contributors helped Branch Banking to remain on track with YTD budgeted P&L numbers. With new initiatives in pipeline and expected branch network expansion in second half of the year 2017, Branch Banking continues to move higher on the spectrum of positive outlook.

#### Consumer Banking Unsecured

Silkbank offers versatile product range to customers in consumer lending, to facilitate them in the best possible way as per their requirement and desire. Secured lending products include M'Power, a running finance facility against mortgage of property and unsecured lending offers products like Ready Line, Personal loan and Credit Cards. All of these products have performed better than budget in the first half of the year, contributing Rs. 592 million on EBIT. In PIL and RL, the Bank maintained its position as a market leader among the peer banks with remarkable ending net receivable of Rs. 9,097 million.

Going forward, focus for the year 2017 is on market expansion. The Bank has already expanded its reach to three new cities and planning to add more in the second half. Addition of acquisition channels like Tele Sales

Unit, Corporate and online, have also been made.

- **Personal Loan:** Silkbanks Personal Loan, an installment based product launched in year 2010, have successfully completed its first life cycle and is growing stronger with every passing month. In the first six months, we have disbursed 4,210 new loans, stood tall with 18,217 active customers and Rs. 4,535 million Ending Net Receivable (ENR). Many customer and staff promotions were launched to help the momentum going.



In the second quarter of the year, the Bank has changed its traditional pricing mechanism by introducing risk based pricing for new customers. We will be rewarding our good history customers by offering them rate rebate in the approved published rates of the Bank.

- **Ready Line:** Silkbanks Ready Line is a running finance facility which with its unique and convenient features facilitates customers to access and utilize their funds anytime and anywhere. During the first half of 2017, the Bank launched a thematic mass media campaign "Khawahishon ko chalne do". The three TVCs were made depicting different stages of life connecting your wishes with Ready Line. The campaign proved to be a superhit, receiving an overwhelming response from the public which resulted in ever highest login (3,261) and ever highest disbursement of Rs. 449 million.
- **Credit Cards:** Silkbanks has established itself as the leading credit card issuer in 2017 by acquiring 27,686 new cards in the first 6 months. This strong impetus from sales has elevated the total cards base to 117,512 cards. Spend Stimulation Unit continues to build momentum every month and has booked ENR volume of Rs. 831 million so far in 2017. Retail Spending on Credit Cards has also witnessed an admirable growth with Rs. 6.8 billion spending recorded during the first half of 2017. A host of spend and activation campaigns along with ENR building initiatives have helped in pushing the receivable base to Rs. 3.17 billion.

## Emaan Islamic Banking



Emaan Islamic Banking, the Islamic banking division of the bank achieved profit before tax of Rs. 148.609 million in the first half of 2017. Deposit book stood at Rs. 11.532 billion, with YTD increase of Rs. 0.631 billion. CASA/Term Deposit ratio stood at 78:22. Corporate advances book increased by Rs. 3.482 billion and stood at Rs. 11.705 billion (Dec' 16: Rs 8.223 billion), registering a year to date growth of 42.35%.

## Election of Directors

The term of previous Board of Directors of the Bank expired on August 12, 2017. In this regard, an Extra Ordinary General Meeting for the election of Directors of the Bank was held on August 11, 2017. The following nine members were duly elected as Directors on the Board of the Bank, for a three-year term commencing from August 11, 2017.

1. Mr. Munnawar Hamid, OBE
2. Mr. Adnan Afridi
3. Mr. Khalid Aziz Mirza
4. Mr. Nasim Beg

5. Mr. Rashid Akhtar Chughtai
6. Mr. Shamsul Hasan
7. Mr. Tariq Iqbal Khan
8. Mr. Talha Saeed Ahmad
9. Mr. Zubair Nawaz Chattha

Subsequently, the newly elected Board has reappointed Mr. Azmat Tarin as the President/CEO of the Bank.

## Compliance with Minimum Capital Requirement (MCR) and Capital Adequacy Ratio (CAR)

The Bank is compliant with the MCR and CAR requirements as prescribed by the State Bank of Pakistan. During the first half of 2017, the Bank successfully raised Tier-II Capital of Rs. 2.00 billion (inclusive of Green Shoe Option of up to Rs. 500 million) by means of issuance of Rated, Privately Placed, Unsecured and Subordinated Term Finance Certificates ("TFC Issue") as an instrument of redeemable capital under Section 66 of the Companies Act, 2017.

The SBP has allowed the amount of Rs. 2.0 billion to be treated as Tier-II Capital, in calculation of the Minimum Capital Adequacy Requirement (CAR) and maintenance of Capital Conservation Buffer (CCB) as of June 30, 2017. The TFC issue will contribute towards the Silkbanks Tier-II Capital for complying with the Capital Adequacy Ratio ("CAR") requirement prescribed by the State Bank of Pakistan under its Basel-III framework and the funds so raised will be utilized towards the Banks business operations and further expansion.

## Credit Rating

The JCR VLS Credit Rating Company Limited has reaffirmed the Long-Term entity rating of Silkbanks as A- (Single A Minus) and Short-Term rating as A-2 (A-Two). Outlook on the assigned ratings is "Stable".

## Future Outlook

Going forward in 2017, customer service excellence would continue to be a primary objective and key differentiator in the market place. Low cost of funds will be maintained and sales and marketing efforts will increase introduction of new accounts. With the successful conclusion of the Rights Issue of Rs. 10.00 billion by the Bank in January 2017 and the TFC Issue in June/July 2017, it is expected that the Banks rating would improve which will eventually improve the core deposits ratio w/s total deposits. The Bank is also planning to increase its distribution footprint by introducing the smart branch concept at strategic locations all over the country which should enhance the Banks ability to mobilize deposits and subsequently lend and invest increasingly in earning assets. SBP has provided the approval to the Bank for opening of 20 Islamic and 15 conventional branches in 2017. On the other hand, the Non-Earning Assets will be reduced by reducing OREO assets as well as Bank owned properties to accrue additional capital gains. Going forward, productivity initiatives will continue in 2017 focusing on premises rent, utility & other operating expenses. The Bank will also continue to focus on the Customer Franchise by reducing the corporate bank book, exposure on evergreen and term facilities in the Corporate & SME segments and replacing them with short-term trade finance and self-liquidating exposure. Efforts will also be made to revive the mortgage business in the current low interest rate scenario, to provide further growth in the consumer banking business. Most importantly, the Bank will increasingly emphasize on human capital by strengthening a pay for performance culture and an improved succession planning process.

With the strong base built to date and the successful implementation of the key strategies outlined above, your Directors are hopeful that a profitable growth of the Bank will show an increasing trend in the year to come.

## Acknowledgement

We once again take this opportunity to express our deepest gratitude to our customers and business partners for their continued support and trust, and our sincere appreciation to the State Bank of Pakistan for their guidance and cooperation extended to the Bank. We are also equally thankful to our associates, staff and colleagues for their committed services to the Bank, and look forward to their continued support.

For and on Behalf of the Board of  
Silkbanks Limited

Azmat Tarin  
President & CEO

Munnawar Hamid, OBE  
Chairman

Karachi, August 24, 2017

- 1- جانب مکمل
  - 2- جانب مدنان الگردی
  - 3- جانب تالاری خزانه
  - 4- جانب گمگ
  - 5- جانب راشد خزانه
  - 6- جانب سرگ
  - 7- جانب طارق اقبال خان
  - 8- جانب طلاق شاهزاد
  - 9- جانب دیر عالمگرد

بھالاں سے اچھ کرنا ہے جناب حلت تین کو بخوبی دیکھ کے صدر میں ای اور بارہ مرد رکھا ہے۔

کم سے کم کھیل کی خود ریات اور کھیل کے موزوں تاہب کی محیل

پاکستانی ایجنسی آف اسٹان کی طرف سے جو کوہا کم سے کم کھول کی خرید رات اور کھول کے مدد میں تاسیس کی گئی تھا ہے 2017 کی ملکی شماری کے مطابق، پاکستان کے مقابلے میں 2017 کے مقابلے میں 66 کے مقابلے میں 100 کی وجہ پر کمی، خرید کا متوسط قیمت 100 روپے (TFC) کا تھا جو ایک ایجاد کے انتہا درج کار کے کیا کامیل کے سامنے 2 یونیٹز پر کھول

卷之三

JCR VIS کی پڑھنے کا طریقہ نسلی A (شل، اس، ٹولی) میں ایک پیشہ اور جو ایک "Stable" قرار دے۔

سید علی بن ابی طالب

2۔ 2017ء میں، اسلام آبادی مدد شاہزادہ کسریوں کی تعداد اور اسکے میں احمد قاسم خاں اور جمیل کے نامات کے حذف کی وجہ سے اور اسی وجہ سے ایک دوسری کوشش ہے جو اسی دوسری کوشش کے بعد جائی گے جس سے 2017ء میں وہ کسی طرف پر 10 میلیون روپے کے سامانہ ادا کرنے والے ایسی افسوس کا سامنہ کا مرتباً بنا کر کیا گی کہ بودھی قیمت کی وجہ سے ایک دوسری کوشش کے بعد جائی گے۔

بے سکلِ حکم خداوند کوہ الامم حکمت میں کیا طرف بھی کس انتہا پر کے دارِ کثریٰ امیر ہیں کہ جانشِ عالم بیوی اور اُنی  
بِهِ مَنْجَلَةُ الْأَمْمَ إِنَّمَا يَعْلَمُ مَا فِي الْأَرْضِ وَمَا فِي السَّمَاوَاتِ وَمَا فِي الْأَنْتَهَىٰ

三

Ergonomics and Ergonomics

میرزا میرزا  
میرزا میرزا

Ames  
J. T.  
W. H.

کاغذ ۱۲۴ آگسٹ ۲۰۱۷ء

سال 2017 میں جو اگرچہ اپنے پوک کی تجویز کی کہا تھا ہے۔ وہ پہلی باری میں خود اپنے سبق کرکٹ کے  
دوسری سماں میں جو اپنے کاروبار کرتا ہے۔ جو پہلی باری میں بلکل پورا نہ کر سکتا تھا اور ان لئے اپنے کاروبار کا انتہا بھی کیا چاہکا ہے۔

سکن و بک پریس بلجن جوک اسٹاپ پریس کے پروگرام 2010 میں حاصل کیا گی۔ پروگرام کا پہلا انسائیٹیل کامپنی کے ساتھ مکمل ریکارڈ ہے اور جوئی سترنیزی ہے پہلے چھ ماہ میں ام ۲۱۰، ۴۲۱ فوجیات ادا کیے 118,217 کو مارٹین کا سائبنس سب سے اگر پر بیان ہے پھر دشمن پر کامیاب حملہ بنا لے گی اس طبقہ کوڑے کے حوالے پر لہجہ ایجاد کرے گی۔



سال کا ایک ایسا بڑا شیخ پوک، اپنے تین ساریں کے لیے پیدا کی ایک اس طریقہ پر کیا تھا کہ اسکے لئے دوسرے ایک شیخ پوک کے مدد و مدد اور شان کرنے والے خوشی میں پہنچ رہا تھا جس کو اپنے اگر کے

لے کر پکڑ دیا تھا اور اس قاتل سے متعلق ہے جو کامیاب تراویح ایجاد خصوصیات کے نتیجے مارٹین لوگن بھی کچھ میں اپنی کی قدم رکھ رہا تھا اس کا تسلیم کی طبقہ فرمائی گئی تھی۔ 2017 کی ملکیتی شان کے بعد، پیک ٹائپ ریزستنس میڈیا کی جانب مندرجہ ذیل اخبار کو منتشر کر کر اخلاقی سکافٹ ورلڈ کی طرف کی توجہ علیحدگی کے لئے اپنے شعبہ اپنے کام کی طرف کے ساتھ پہنچا۔ اس کی کامیابی جس کے نتیجے میں اپنے کام کی طرف سے بے شمار افراد بھی جس کے نتیجے میں اپنے کام کی طرف کی تحفیل شدہ پہنچ لائی اور اپ کے ساتھ پہنچے اس کی کامیابی کو ہم کی طرف سے بے شمار افراد بھی جس کے نتیجے میں اپنے کام کی طرف کی تحفیل شدہ پہنچ لائی۔

ایمان اسلام کے جیکنگ



ایمان اسلام پیکنک، یونگ ایساک پیکنک بیلیو چون پیچس 2017 کی سالانہ شرکتی شش 146.608 ملین روپے کا  
محاذی قیمت ایکسپریس میں کیا تھا جو کے اخافے کے ساتھ پیارٹ گپ میں 11.532 ملین روپے پر کارو  
یکے کم کرتے اور ایک کاروں اور پیارٹ کا تسبیب 78.78، پکار پیارٹ کی نیشنل سرکپ کار پارک کی 3.482 ملین روپے<sup>2</sup>  
کا تباہ کے ساتھ 11.706 ملین روپے (جس کا 8.223 ملین روپے) کا تباہ کیا جائے۔  
Year to date  
↑ 42.35% growth

سماجی پروگرام اخلاق کوئٹہ کی مدت 12 اگست، 2017 کا تاریخ ہے۔ اس مطابق، 11 اگست، 2017 کو بک کے اخلاق کوئٹہ  
کے اخلاق کے لیے پیری فرم اسلام اپنے ملک کی۔ مددگاری اخلاق کوئٹہ کے لیے پیری اخلاق کوئٹہ کا اخلاق کیا گی۔  
اخلاق کوئٹہ کی مدت کے لیے پیری کے لیے چھ ماہ مدت 11 اگست، 2017 سے ہے۔

## ڈائریکٹر پورٹ

30 جون، 2017 تک

ڈائریکٹری جائزہ رپورٹ

مکتبہ شیعہ اسلام

۳۰ جون، ۲۰۱۷ء کشم ہوتے والے شماں میں کے لیے بچ کے مالیاتی کھوارے

پیش کرتے میں خوش بھروسی کرتے ہیں۔

|        |                         |
|--------|-------------------------|
| 613.75 | گل ارگیس مخابغ          |
| -      | موجنده گل               |
| -      | ساق                     |
| 135.49 | موز                     |
| 478.26 | ارگیس مخابغ             |
| ۰.۰۵   | لی شترکامنی - چهاری     |
| ۰.۰۵   | لی شترکامنی - دانگی خود |

کاروباری کارکردگی  
بدانجی میکنگ

卷之三

2017 کی لائلہ شما تی کے درود ان 43,378 پھنس کے کام اپنے اگلے 43,378 پھنس کے کام کا رکارڈ ٹیکھا رکھتے ہیں جو حق ہے جس کے لئے ایک کمیٹی کی اشاعت اور دو کاروباری رائج پیار کرنے کے سامنے رکھا گی۔

سٹوکی بخشن:

انواعی اسٹریلیا شہر اور ای ایڈمی کے طور پر بکھر کر ایک اگر کوئی قدر دوست میں اضافہ کیا ہے اسکے سارے رکھے سائی کا انسان ہے۔ سکھوں کے ساتھ جو ہے مالے اسرا گین کی تعداد 28,733 گئی تھی اسکی وجہ سے اس سر زمین پر  
خصوصیات کا سلسلہ اضافہ کر رہا ہے جس سے بھلکل بیش قدر کی طرف مکانیں اور مکانیں بڑھا رہیں۔

二

کسی ملک امنان لڑاکوچور حاصلے کی طاری پر کے کا شہریوں نے اپنے کے لئے اکٹھیں گئی ہیں۔ جس کے بعد 2016ء کے قابضے والی ذی یونیورنگ (YTD Revenue Growth) 20٪ تک ہے اور اس کے بعد شرکت کی سماں کرنے سے باہمی میکرو بیزینس کی تحریک مل دی ہے جس سے بیک کئے

عہد، بالاتمام اکاؤنٹس کی وجہ سے YTD میں مشتمل P&L numbers کے اعلانیٰ چکنگ کا منظر پڑھ سے گا۔  
مشتمل ہے اپنے اکاؤنٹس میں موجود اقدامات اور سال 2017 کی سری شہادی میں تحقیق کا پیداگوگی کی وجہ سے  
لائی ہے۔

فهرست مخوبات کنمایم پیکچ



سماں جاہ

پاکستان کی معاشری مالکیت میں مسلسل پہلویوں کی بڑی چاروں سے اسی طبقے کی بڑی کامیابی حاصل شد جو اور ملک کا ایک اور پہلوی تھا۔ اور اسی طبقے کی بڑی ایجاد کی وجہ سے اسی طبقے کے میانے میں سے ایسا کسی ازمنی اضافہ ہوا۔ اس کے بعد اسی 2017 کے درمیان انگریز اور امریکہ کے بین المذاہبی تجارتی تعلقات کو تکمیل کیا۔

GPI کے مطابق جو اگر 2017ء میں اپنی آن ہائیکاٹ (سال پر مال کے لاملاستے) میں 3.9٪ تک پہنچ کر آئے جب کہ ایسے 2017ء سے پہلی بار 5.5٪ تک پہنچ کر آئے تو یہ مول طبقہ کیا کہار رہے۔

دوسرا طرف CPEC سے حصہ لے رہا ہے اور جنپی ہوئی ملٹری ترقی کے ساتھ ساتھ اکچے کمپنیز و تاریخی تناؤ نامات میں بھی اضافہ ہوتا ہے۔

卷之三

پاکستان کی کمک کریٹریٹ میں ترقی سائنسی کی سب سے علاوہ حوصلہ خارجہ میں میں سے ایک تھی جس نے چل GDP کو تھاں کر کر تین ایام کو کروالا کیا۔ پاکستان کی کمک کریٹریٹ میں ترقی سائنسی سے علاوہ اخلاق، ایک کام اور سرمایکا کا شامل میں پوسٹ کیتی گئی تھی۔

سال کی دوسری سماں کے درمیان اپنی شرکت 8.25 فہری خرچ کی ادائیگی کے پر یا ادا نہ کر کے 5.02 فہری خرچ کا  
دریافت کریں گے۔ اپنی شرکت کی ادائیگی میں اپنے ایکٹری اور ایکٹری ایڈمینیسٹریشن کے 331 ایڈمینیسٹریشن پر بھی اپنے ایڈمینیسٹریشن کے 2017 کی دوسری  
سماں میں 4.87 فہری خرچ کی ادائیگی میں اپنے ایکٹری اور ایکٹری ایڈمینیسٹریشن کے 6,028 ایڈمینیسٹریشن  
کے 2017 کی دوسری سماں میں 4.87 فہری خرچ کی ادائیگی میں اپنے ایکٹری اور ایکٹری ایڈمینیسٹریشن کے 11,702 ایڈمینیسٹریشن  
کے 2017 کی دوسری سماں میں 4.87 فہری خرچ کی ادائیگی میں اپنے ایکٹری اور ایکٹری ایڈمینیسٹریشن کے 7,989 ایڈمینیسٹریشن  
کے 2017 کی دوسری سماں میں 4.87 فہری خرچ کی ادائیگی میں اپنے ایکٹری اور ایکٹری ایڈمینیسٹریشن کے 51.51 ایڈمینیسٹریشن  
کے 2017 کی دوسری سماں میں 4.87 فہری خرچ کی ادائیگی میں اپنے ایکٹری اور ایکٹری ایڈمینیسٹریشن کے 151 ایڈمینیسٹریشن

الطبعة الأولى

2017 کے مشتمل سال میں پونک 478.26 میلین پر کوئٹہ ایکسپریس وے ایجاد کیا گی۔ اس مدت کے درمیان، پونک کے کل ایکسپریس وے 15.2 میلین پر کوئٹہ ایکسپریس وے کے مقابلے میں 101.98 میلین پر کوئٹہ ایکسپریس وے کے مقابلے میں اضافہ ایجاد کیا گی۔

30 جن. 2017 کو قوم ہونے والے شہنشاہی سال کے لئے سک چیک لمبچکی بالیائی کارکردگی کا خاصہ مددجہ دیا گی ہے:

# Auditors' Report To The Members on Review of Interim Financial Information

## Deloitte.

Deloitte Younus Adil  
Chartered Accountants  
Cavish Court, A-35, Block 7 & 8 KCHSU,  
Sharae Faisal, Karachi-75350, Pakistan

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### Introduction

We have reviewed the accompanying condensed interim statement of financial position of Silkbank Limited (the Bank) as at June 30, 2017 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity together with the notes forming part thereof for the half year then ended (here-in-after referred to as the "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

### Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information as of and for the half year ended June 30, 2017, is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

### Emphasis of Matter

We draw attention to the following matters:

- a) Note 12 to the interim financial information relating to deferred tax assets where management has disclosed that the Bank, based on the financial projections for taxable profits for five years, which have been approved by the Board of Directors, will be able to realise the net deferred tax assets of Rs. 3,577 million. The preparation of projections involve management's assumptions regarding future business and economic conditions and therefore any significant change in such assumptions or actual outcomes that are different from assumptions, may have an effect on the realisability of the deferred tax assets in future.
- b) Note 13 to the interim financial information which discloses that the aggregate carrying value of non-banking assets (NBAs) acquired in satisfaction of claims amounted to Rs. 12,299 million (net of impairment) as at June 30, 2017. Further, there is limited disposal of such assets in the current period and previous year(s) and the Bank's exposure in such assets exceeds the level prescribed by the State Bank of Pakistan under Regulations for Debt Property

Swap. We are highlighting this matter owing to significant uncertainty with regard to the disposal and recovery of such assets in near future.

Our conclusion is not qualified in respect of above matters.

## Other Matter

The figures of the condensed interim profit and loss account and the condensed interim statement of comprehensive income for the quarters ended June 30, 2017 and 2016 have not been reviewed and we do not express a conclusion on them, as we are required to review only the cumulative figures for the half year ended June 30, 2017.

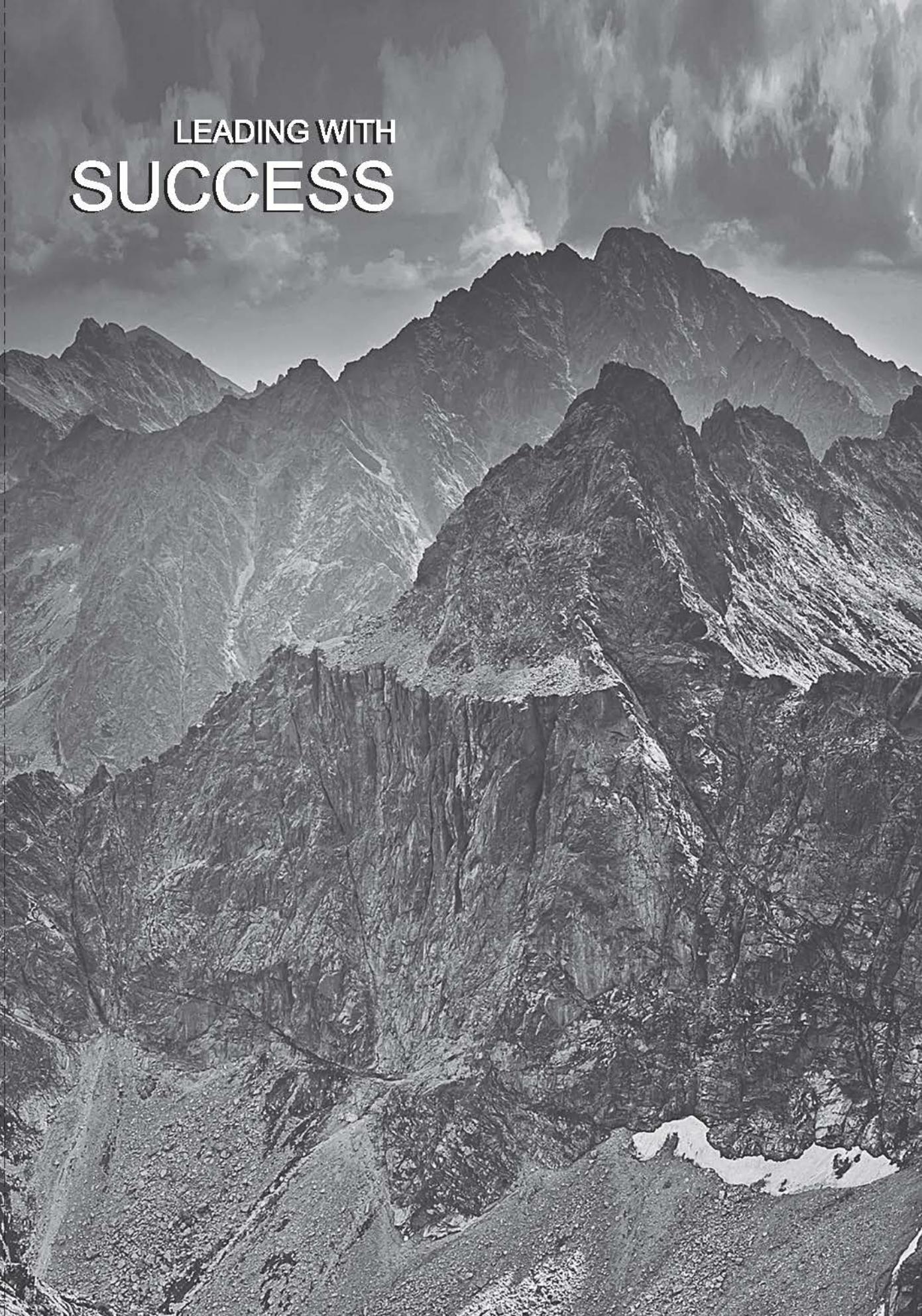
Chartered Accountants

Engagement Partner:

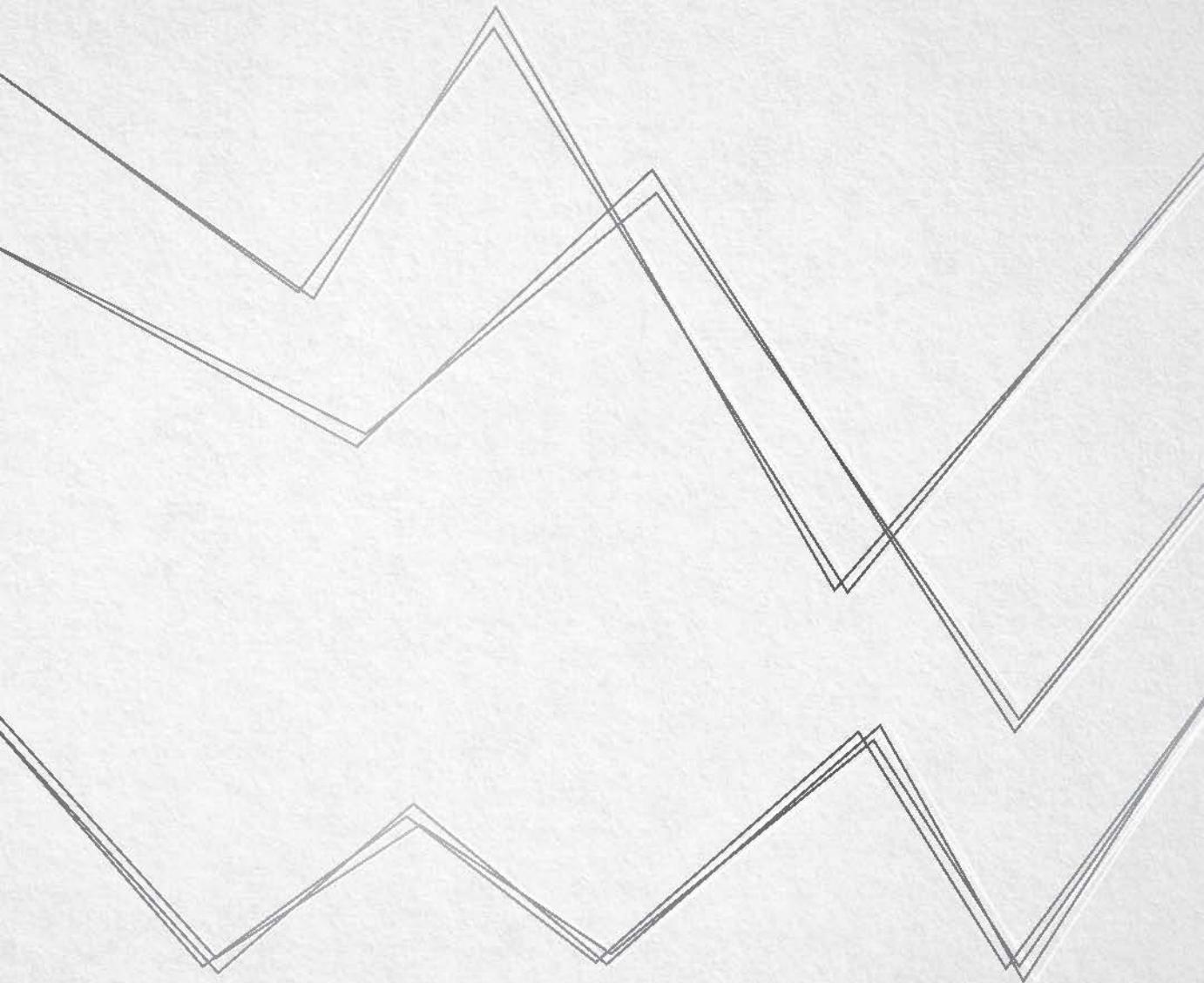
Syed Asad Ali Shah

Date: August 24, 2017

Place: Karachi



# LEADING WITH SUCCESS



## FINANCIAL STATEMENTS

After a long haul of perseverance, integrity, humility and teamwork, we have reached the impeccable results, which is yours and our success in the long run. Your passion and commitment has made it possible for Silkbank to embrace success.

# Condensed Interim Statement of Financial Position

As at June 30, 2017

|   | Note | June 30,<br>2017<br>Un-audited | December 31,<br>2016<br>Audited |
|---|------|--------------------------------|---------------------------------|
|   |      | Rupees in '000                 |                                 |
| <b>ASSETS</b>                                       |      |                                |                                 |
| Cash and balances with treasury banks               |      | 7,712,376                      | 7,370,962                       |
| Balances with other banks                           |      | 203,921                        | 87,748                          |
| Lendings to financial institutions                  | 8    | 10,628,268                     | 706,572                         |
| Investments - net                                   | 9    | 25,489,963                     | 37,488,482                      |
| Advances - net                                      | 10   | 77,826,488                     | 64,802,628                      |
| Operating fixed assets                              | 11   | 4,108,291                      | 4,101,219                       |
| Deferred tax assets - net                           | 12   | 3,576,505                      | 3,704,745                       |
| Other assets  | 13   | 17,280,686                     | 16,771,466                      |
|   |      | 146,826,498                    | 135,033,822                     |
| <b>LIABILITIES</b>                                  |      |                                |                                 |
| Bills payable                                       |      | 2,494,940                      | 3,996,044                       |
| Borrowings  | 14   | 25,143,834                     | 30,195,702                      |
| Deposits and other accounts                         | 15   | 101,984,003                    | 86,787,423                      |
| Sub-ordinated loans                                 |      | -                              | -                               |
| Liabilities against assets subject to finance lease |      | 8,835                          | 10,694                          |
| Deferred tax liabilities                            |      | -                              | -                               |
| Other liabilities                                   | 16   | 4,676,750                      | 1,989,371                       |
|   |      | 134,308,362                    | 122,979,234                     |
| <b>NET ASSETS</b>                                   |      | <b>12,518,136</b>              | <b>12,054,588</b>               |
| <b>REPRESENTED BY</b>                               |      |                                |                                 |
| Share capital                                       | 17   | 90,818,612                     | 77,998,099                      |
| Discount on issue of right shares                   |      | (67,387,238)                   | (56,566,725)                    |
| Reserves  |      | 327,845                        | 327,845                         |
| Advance against shares subscription                 | 1.3  | -                              | 2,000,000                       |
| Accumulated loss                                    |      | (11,293,320)                   | (11,757,111)                    |
|   |      | 12,465,899                     | 12,002,108                      |
| Surplus on revaluation of assets - net of tax       | 18   | 52,237                         | 52,480                          |
|   |      | 12,518,136                     | 12,054,588                      |
| <b>CONTINGENCIES AND COMMITMENTS</b>                | 19   |                                |                                 |

The annexed notes 1 to 31 form an integral part of these condensed interim financial statements.

Azmat Tarin  
President & CEO

Munnawar Hamid, OBE  
Chairman

Shamsul Hasan  
Director

Tariq Iqbal Khan  
Director

# Condensed Interim Profit and Loss Account - Unaudited

For the half year ended June 30, 2017

|   | Note    | Quarter ended<br>June 30,<br>2017 | Quarter ended<br>June 30,<br>2016 | Half year ended<br>June 30,<br>2017 | Half year ended<br>June 30,<br>2016 |
|---|---------|-----------------------------------|-----------------------------------|-------------------------------------|-------------------------------------|
|   |         | Rupees in '000                    |                                   |                                     |                                     |
| Mark-up / return / interest earned  | 20      | 2,669,176                         | 2,536,766                         | 5,158,004                           | 5,113,251                           |
| Mark-up / return / interest expensed                                      | 21      | (1,325,539)                       | (1,486,653)                       | (2,555,596)                         | (2,923,619)                         |
| <b>Net Mark-up / interest income</b>                                      |         | <b>1,343,637</b>                  | <b>1,050,113</b>                  | <b>2,602,408</b>                    | <b>2,189,632</b>                    |
| Provision against non-performing loans and advances - net (specific)      | 10.3    | (102,752)                         | (129,119)                         | (262,079)                           | (322,184)                           |
| Provision against small enterprise and consumer financing - net (general) | 10.3    | (23,083)                          | (18,321)                          | (27,766)                            | (25,082)                            |
| Recovery against written off loans  |         | 22,932                            | 4,074                             | 39,355                              | 5,074                               |
| Impairment in the value of investments                                    | 9.7     | (14,177)                          | (4,822)                           | (22,723)                            | (10,654)                            |
|   |         | (117,080)                         | (148,188)                         | (273,213)                           | (352,846)                           |
| <b>Net mark-up / interest income after provisions</b>                     |         | <b>1,226,557</b>                  | <b>901,925</b>                    | <b>2,329,195</b>                    | <b>1,836,786</b>                    |
| <b>NON MARK-UP / INTEREST INCOME</b>                                      |         |                                   |                                   |                                     |                                     |
| Fee, commission and brokerage income                                      |         | 359,234                           | 299,834                           | 684,521                             | 605,950                             |
| Dividend income   | 22      | 13,267                            | 4,528                             | 22,244                              | 28,408                              |
| Income from dealing in foreign currencies                                 |         | 30,351                            | 52,252                            | 72,075                              | 96,372                              |
| Gain on sale of securities - net  |         | 34,073                            | 19,983                            | 48,437                              | 61,846                              |
| Unrealized (loss) / gain on revaluation of investments - held-for-trading | 9.1     | (652)                             | 356                               | (652)                               | (90)                                |
| Other income  | 13.4    | 356,741                           | 118,577                           | 492,576                             | 148,566                             |
| <b>Total non mark-up / interest income</b>                                |         | <b>793,014</b>                    | <b>495,530</b>                    | <b>1,319,201</b>                    | <b>941,052</b>                      |
| <b>NON MARK-UP / INTEREST EXPENSES</b>                                    |         | <b>2,019,571</b>                  | <b>1,397,455</b>                  | <b>3,648,396</b>                    | <b>2,777,838</b>                    |
| Administrative expenses   |         | (1,494,456)                       | (1,273,167)                       | (2,971,107)                         | (2,611,179)                         |
| Other (provisions) / (write off) / reversals - net                        | 23      | (95,357)                          | 144,901                           | (2,597)                             | 413,433                             |
| Other charges   |         | (30,284)                          | (43,638)                          | (60,936)                            | (43,944)                            |
| <b>Total non mark-up / interest expenses</b>                              |         | <b>(1,620,097)</b>                | <b>(1,171,904)</b>                | <b>(3,034,640)</b>                  | <b>(2,241,690)</b>                  |
| Extra ordinary / unusual items  |         | 399,474                           | 225,551                           | 613,756                             | 536,148                             |
| <b>PROFIT BEFORE TAXATION</b>   |         | <b>399,474</b>                    | <b>225,551</b>                    | <b>613,756</b>                      | <b>536,148</b>                      |
| Taxation  |         |                                   |                                   |                                     |                                     |
| - Current   |         | -                                 | -                                 | -                                   | -                                   |
| - Prior years   |         | -                                 | -                                 | -                                   | -                                   |
| - Deferred  |         | (57,042)                          | (82,057)                          | (135,496)                           | (190,850)                           |
| <b>PROFIT AFTER TAXATION</b>  | 12 & 24 | <b>(57,042)</b>                   | <b>(82,057)</b>                   | <b>(135,496)</b>                    | <b>(190,850)</b>                    |
|   |         | <b>342,432</b>                    | <b>143,494</b>                    | <b>478,260</b>                      | <b>345,298</b>                      |
|   |         | <b>Rupee</b>                      |                                   |                                     |                                     |
| Basic earnings per share  |         | 0.04                              | 0.02                              | 0.05                                | 0.04                                |
| Diluted earnings per share  |         | 0.04                              | 0.02                              | 0.05                                | 0.04                                |

The annexed notes 1 to 31 form an integral part of these condensed interim financial statements.

Azmat Tarin  
President & CEO

Munnawar Hamid, OBE  
Chairman

Shamsul Hasan  
Director

Tariq Iqbal Khan  
Director

# Condensed Interim Statement of Comprehensive Income - Unaudited

For the half year ended June 30, 2017

|   | Quarter ended<br>June 30,<br>2017 | June 30,<br>2016 | Half year ended<br>June 30,<br>2017 | June 30,<br>2016 |
|---|-----------------------------------|------------------|-------------------------------------|------------------|
|   | Rupees in '000                    |                  |                                     |                  |
| <b>Profit after taxation</b>                                      | <b>342,432</b>                    | 143,494          | <b>478,260</b>                      | 345,298          |
| <b>Other comprehensive income</b>                                 |                                   |                  |                                     |                  |
| Items that will not be reclassified to profit and loss            |                                   |                  |                                     |                  |
| Remeasurement (loss) / gain defined benefit plan                  | (20,365)                          | 505              | <b>(20,365)</b>                     | 505              |
| Related effect tax  | 7,128                             | (176)            | 7,128                               | (176)            |
|   | <b>(13,237)</b>                   | 329              | <b>(13,237)</b>                     | 329              |
| <b>Comprehensive income transferred to equity</b>                 | <b>329,195</b>                    | 143,823          | <b>465,023</b>                      | 345,627          |
| <b>Components of comprehensive income not reflected in equity</b> |                                   |                  |                                     |                  |
| Net change in fair value of available for sale securities         | (80,382)                          | 38,240           | <b>(47,159)</b>                     | (80,744)         |
| Related tax effect  | 28,134                            | (13,385)         | 16,506                              | 28,260           |
|   | <b>(52,248)</b>                   | 24,855           | <b>(30,653)</b>                     | (52,484)         |

The annexed notes 1 to 31 form an integral part of these condensed interim financial statements.

Azmat Tarin  
President & CEO

Munnawar Hamid, OBE  
Chairman

Shamsul Hasan  
Director

Tariq Iqbal Khan  
Director

# Condensed Interim Statement of Changes in Equity - Unaudited

For the half year ended June 30, 2017

|  | Share Capital | Discount on Issue of Shares | Statutory Reserves* | Advance against shares subscription | Convertible Preference Shares | Accumulated Loss | Total Equity |
|--|---------------|-----------------------------|---------------------|-------------------------------------|-------------------------------|------------------|--------------|
| Rupees in '000   |               |                             |                     |                                     |                               |                  |              |
| <b>Balance as at January 01, 2016 - Audited</b>  | 77,998,099    | (56,566,725)                | 180,134             | 2,000,000                           | 2,200,000                     | (11,334,916)     | 14,476,592   |
| <b>Total comprehensive income for the half year ended June 30, 2016</b>                                  |               |                             |                     |                                     |                               |                  |              |
| Profit after tax for the half year ended June 30, 2016 - Un-audited                                      | -             | -                           | -                   | -                                   | -                             | 345,298          | 345,298      |
| Other comprehensive Income   | -             | -                           | -                   | -                                   | -                             | 329              | 329          |
| <b>Total comprehensive income for the half year ended June 30, 2016 - Un-audited</b>                     | -             | -                           | -                   | -                                   | -                             | 345,627          | 345,627      |
| Redemption of Convertible Preference Shares including profit   | -             | -                           | -                   | -                                   | (2,200,000)                   | (1,020,800)      | (3,220,800)  |
| Transaction cost of redemption of Convertible Preference Shares  | -             | -                           | -                   | -                                   | -                             | (10,138)         | (10,138)     |
| Transfer from surplus on revaluation of fixed assets on account of incremental depreciation- net of tax  | -             | -                           | -                   | -                                   | -                             | 10,962           | 10,962       |
| <b>Balance as at June 30, 2016 - Un-audited</b>  | 77,998,099    | (56,566,725)                | 180,134             | 2,000,000                           | -                             | (12,009,265)     | 11,602,243   |
| <b>Total comprehensive income for the half year ended December 31, 2016</b>                              |               |                             |                     |                                     |                               |                  |              |
| Profit after tax for the half year ended December 31, 2016 - Un-audited                                  | -             | -                           | -                   | -                                   | -                             | 393,255          | 393,255      |
| Other comprehensive income   | -             | -                           | -                   | -                                   | -                             | 4,226            | 4,226        |
| <b>Total comprehensive income for the half year ended December 31, 2016 - Un-audited</b>                 | -             | -                           | -                   | -                                   | -                             | 397,481          | 397,481      |
| Transfer to statutory reserves   | -             | -                           | 147,711             | -                                   | -                             | (147,711)        | -            |
| Transfer from surplus on revaluation of fixed assets on account of incremental depreciation- net of tax  | -             | -                           | -                   | -                                   | -                             | 2,384            | 2,384        |
| <b>Balance as at December 31, 2016 - Audited</b>   | 77,998,099    | (56,566,725)                | 327,845             | 2,000,000                           | -                             | (11,757,111)     | 12,002,108   |
| <b>Total comprehensive income for the half year ended June 30, 2017</b>                                  |               |                             |                     |                                     |                               |                  |              |
| Profit after tax for the half year ended June 30, 2017 - Un-audited                                      | -             | -                           | -                   | -                                   | -                             | 478,260          | 478,260      |
| Other comprehensive Income   | -             | -                           | -                   | -                                   | -                             | (13,237)         | (13,237)     |
| <b>Total comprehensive income for the half year ended June 30, 2017 - Un-audited</b>                     | -             | -                           | -                   | -                                   | -                             | 465,023          | 465,023      |
| Issuance of right shares at discount   | 12,820,513    | (10,820,513)                | -                   | (2,000,000)                         | -                             | -                | -            |
| Share issue cost   | -             | -                           | -                   | -                                   | -                             | (3,616)          | (3,616)      |
| Transfer from surplus on revaluation of fixed assets on account of incremental depreciation - net of tax | -             | -                           | -                   | -                                   | -                             | 2,384            | 2,384        |
| <b>Balance as at June 30, 2017 - Un-audited</b>  | 90,818,612    | (67,387,238)                | 327,845             | -                                   | -                             | (11,293,320)     | 12,465,899   |

\* Statutory reserve represents amount set aside as per requirement of section 21 of the Banking Companies Ordinance, 1962.

The annexed notes 1 to 31 form an integral part of these condensed interim financial statements.

Azmat Tarin  
President & CEO

Munnawar Hamid, OBE  
Chairman

Shamsul Hasan  
Director

Tariq Iqbal Khan  
Director

# Condensed Interim Cash Flow Statement - Unaudited

For the half year ended June 30, 2017

|   | Note | June 30,<br>2017 | June 30,<br>2016 |
|---|------|------------------|------------------|
|   |      | Rupees in '000   |                  |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                               |      |                  |                  |
| Profit before taxation  |      | 613,756          | 536,148          |
| Less : dividend income  |      | (22,244)         | (28,408)         |
|   |      | 591,512          | 507,740          |
| <b>Adjustments for non-cash items</b>                                     |      |                  |                  |
| Depreciation on fixed assets  |      | 191,602          | 173,394          |
| Depreciation on non-banking assets  |      | 46,330           | 41,560           |
| Amortization of intangible assets   |      | 44,760           | 39,331           |
| Amortization of premium on investments                                    |      | 135,683          | 211,020          |
| Provision against non-performing loans and advances - net (specific)      | 10.3 | 262,079          | 322,184          |
| Provision against small enterprise and consumer financing - net (general) | 10.3 | 27,766           | 25,082           |
| Impairment in the value of investments                                    | 9.7  | 22,723           | 10,654           |
| Unrealized loss on revaluation of investments - held-for-trading          | 9.1  | 652              | 90               |
| Share of loss / (profit) from associate                                   |      | 694              | (8,314)          |
| Other provision / write off / (reversals) - net                           |      | 2,597            | (413,433)        |
| Gain on sale of operating fixed assets                                    |      | (884)            | (128,588)        |
|   |      | 734,002          | 272,980          |
|   |      | 1,325,514        | 780,720          |
| <b>(Increase) / decrease in operating assets</b>                          |      |                  |                  |
| Lendings to financial institutions  |      | (9,921,696)      | 1,343,301        |
| Net investments in held-for-trading securities                            |      | (4,238)          | (1,061,399)      |
| Advances  |      | (13,313,705)     | (299,140)        |
| Other assets  |      | (402,871)        | (1,010,400)      |
|   |      | (23,642,510)     | (1,027,638)      |
| <b>Increase / (decrease) in operating liabilities</b>                     |      |                  |                  |
| Bills payable   |      | (1,501,104)      | 365,564          |
| Borrowings  |      | (5,051,868)      | 9,810,631        |
| Deposits  |      | 15,196,580       | 3,785,948        |
| Other liabilities   |      | 991,103          | 282,176          |
|   |      | 9,634,711        | 14,244,319       |
| Income tax paid   |      | (12,682,285)     | 13,997,401       |
| <b>Net cash flows (used in) / generated from operating activities</b>     |      | (132,403)        | (71,200)         |
|   |      | (12,814,688)     | 13,926,201       |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                               |      |                  |                  |
| Net investment in available-for-sale securities                           |      | 11,795,846       | (11,294,184)     |
| Dividend received   |      | 26,102           | 28,282           |
| Proceeds from sale of operating fixed assets                              |      | 21,526           | 409,582          |
| Net investment in operating fixed assets                                  |      | (270,724)        | (159,485)        |
| <b>Net cash flows generated / (used in) from investing activities</b>     |      | 11,572,750       | (11,015,805)     |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                               |      |                  |                  |
| Redemption of Convertible Preference Shares                               |      | -                | (2,200,000)      |
| Profit paid on redemption of Convertible Preference Shares                |      | -                | (1,020,800)      |
| Transaction cost paid on redemption of Convertible Preference Shares      |      | -                | (10,138)         |
| Transaction cost paid on right share issue                                |      | (3,616)          | -                |
| Advance against proposed issue of Term Finance Certificates               |      | 1,705,000        | -                |
| Finance lease obligation paid   |      | (1,859)          | (1,682)          |
| <b>Net cash flows used in financing activities</b>                        |      | 1,699,525        | (3,232,620)      |
| <b>Net increase / (decrease) in cash and cash equivalents</b>             |      | 457,587          | (322,224)        |
| Cash and cash equivalents at the beginning of the half year               |      | 7,458,710        | 7,537,735        |
| <b>Cash and cash equivalents at the end of the half year</b>              | 25   | 7,916,297        | 7,215,511        |

The annexed notes 1 to 31 form an integral part of these condensed interim financial statements.

Azmat Tarin  
President & CEO

Munnawar Hamid, OBE  
Chairman

Shamsul Hasan  
Director

Tariq Iqbal Khan  
Director

# Notes To The Condensed Interim Financial Statements - Unaudited

## For the half year ended June 30, 2017

### 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 Pakistan Stock Exchange Limited. The Bank is engaged in banking services as described in the Banking Companies Ordinance, 1962. The Bank operates through 88 branches (December 31, 2016: 88 branches) including 10 (December 31, 2016: 10) Islamic banking branches in Pakistan. The Bank's registered office is located at Silkbank Building, Kaghan Road, F-8 Markaz, Islamabad. The short-term and long-term credit ratings of the Bank rated by JCR-VIS Credit Rating Company Limited in June 2017 are 'A-2' and 'A-' respectively.
- 1.2 Major shareholders of the Bank as on June 30, 2017 are Sinthos Capital (comprising of Mr. Shaukat Tarin, Mr. Sadeq Sayeed and Mr. Azmat Tarin), Arif Habib Corporation Limited, International Finance Corporation (IFC), Nomura European Investment Limited, Bank Muscat S.A.O.G, Mr. Zulqarnain Nawaz Chatta / Mr. Zubair Nawaz Chatta of Gourmet Group and Mr. Atifullah Khan / Mr. Kifayat Ullah Khan / Mrs. Shanaz Begum / Mr. Muhammad Abdullah Khan of the Bangash Family.
- 1.3 In order to meet the capital requirements prescribed by the State Bank of Pakistan (SBP), the Bank in 2014, had announced Rights Issue of Rs. 10 billion through issuance of 6,410,256,410 rights shares at Rs. 1.56 per share (at a discount of Rs. 8.44 per share). The Bank received Rs. 10 billion (including Rs. 2 billion received in December 2014 from certain investors) in its rights shares Subscription Account (maintained with the Bank) out of which the Bank issued shares for Rs. 8 billion in the financial year ended December 31, 2015.

The State Bank of Pakistan (SBP) had allowed (to meet the MCR and CAR requirements) the Bank to consider the advance against shares subscription of Rs. 2 billion, received from the Bangash Family, for the purpose of MCR and CAR as of December 31, 2016 subject to the conditions that the Bank will carry out the due diligence of the investors and issue the shares by January 31, 2017. Accordingly, the Bank issued 1,282,051,282 shares against the subscription amount of Rs. 2 billion to four investors (of the Bangash Family) on January 13, 2017. After the issuance of shares, the Bank was able to meet prescribed requirements of MCR.

During the period, the Bank has planned to issue privately placed, unsecured and subordinated Term Finance Certificates (TFCs) of the Bank aggregating to Rs. 2 billion. As disclosed in note 16.2 to the condensed interim financial statements, the Bank has received advance of Rs. 1.705 billion (out of Rs. 2 billion) against the proposed issue of TFCs. SBP through its letter No. BPRD/BA&CP/644/17207/2017 dated July 24, 2017, allowed the Bank to consider advance of Rs. 1.705 billion for CAR purpose subject to the conditions that the advance received from investors cannot be returned to the investors without prior approval of SBP and the TFC issuance process shall be fully completed by August 31, 2017. Subsequent to the period end, the Bank has received remaining amount of Rs. 295 million and will complete the issue by August 31, 2017.

As at June 30, 2017, the capital of the Bank (net of losses and discount on shares) amounted to Rs. 12.14 billion excluding general reserves of Rs. 327.84 million. Further the CAR of the Bank (including advance received against the proposed issue of TFCs) as at June 30, 2017 is 11.14%.

Further, the SBP has allowed staggering of provision against certain non-banking assets (refer note 13.5.1) amounting to Rs. 190 million. Had this benefit of staggering not taken by the Bank, profit before tax and CAR would have been lower by Rs. 190 million and 0.16% respectively.

### 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 SBP has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by the banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these condensed interim financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of mark-up thereon.
- 2.2 The Islamic Banking branches of the Bank have complied with the requirements set out under the Islamic Financial Accounting Standard (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) and notified under the provisions of the Companies Ordinance, 1984, except for the adoption of IFAS-3 'Profit and Loss Sharing on Deposits' as disclosed in Note 4.3.
- 2.3 The financial results of the Islamic Banking branches have been included in these condensed interim financial statements for reporting purposes, after eliminating material inter-branch transactions / balances. Key financial figures of the Islamic Banking branches are disclosed in note 28 to these condensed interim financial statements.
- 2.4 These condensed interim financial statements have been prepared in Pakistani Rupee which is the reporting and functional currency of the Bank. The amounts are rounded off to the nearest thousand rupee, otherwise stated.

### 3 BASIS OF MEASUREMENT

These condensed interim financial statements 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 have been prepared under the historical cost convention except that certain fixed assets and non-banking assets acquired in satisfaction of claims are stated at revalued amounts less accumulated depreciation and accumulated impairment losses (where applicable) and certain investments and derivative financial instruments have been measured at fair value.

# Notes To The Condensed Interim Financial Statements - Unaudited

## For the half year ended June 30, 2017

These condensed interim financial statements have been prepared following the accrual basis of accounting except for the cash flow statement.

### 4 STATEMENT OF COMPLIANCE

- 4.1 These condensed interim financial statements of the Bank for the half year ended June 30, 2017 have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved Accounting Standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and Islamic Financial Accounting Standards (IFASs) issued by the Institute of Chartered Accountants of Pakistan (ICAP), as are notified under the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the directives issued by SBP and the Securities and Exchange Commission of Pakistan (SECP). In case requirements differ, the provisions of and directives issued under the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the directives issued by SBP and SECP shall prevail.

The Companies Ordinance, 1984 has been repealed as a result of the enactment of the Companies Act, 2017. However, as directed by the Securities and Exchange Commission of Pakistan vide circular no. 17 of 2017, dated July 20, 2017, this condensed interim unconsolidated financial information has been prepared in accordance with the provisions of the repealed Companies Ordinance, 1984.

- 4.2 The 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. Further, the 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 these condensed interim financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.
- 4.3 The SBP through BPRD Circular No. 04 of 2015 dated February 25, 2015 has deferred applicability of Islamic Financial Accounting Standard-3 for Profit & Loss Sharing on Deposits (IFAS-3) issued by The Institute of Chartered Accountants of Pakistan and notified by the SECP, vide their SRO No. 571 of 2013 dated June 12, 2013 for Institutions offering Islamic Financial Services (IIFS). The standard will result in certain new disclosures in the condensed interim financial statements of the Bank.
- 4.4 The disclosures made in these condensed interim financial statements 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, these condensed interim financial statements should be read in conjunction with the annual financial statements of the Bank for the year ended December 31, 2016.

### 5 ACCOUNTING POLICIES

The accounting policies and methods of computation adopted for the preparation of these condensed interim financial statements are same as those followed in the preparation of the annual financial statements of the Bank for the year ended December 31, 2016 except as mentioned below:

#### Non-banking assets acquired in satisfaction of claims

Effective from January 01, 2017, the Bank has changed its accounting policy prospectively for recording of non-banking assets acquired in satisfaction of claims to comply with the requirements of the 'Regulations for Debt Property Swap' (DPS Regulations) issued by SBP vide its BPRD Circular No. 1 of 2016 dated January 01, 2016. Non-banking assets acquired in satisfaction of claims are now carried at revalued amount less accumulated depreciation and impairment, if any. Previously, non-banking assets acquired in satisfaction of claims were carried at cost less depreciation and impairment, if any. In the previous year, the Bank had taken exemption from SBP for recognizing revaluation surplus arising on revaluation of non-banking assets acquired in satisfaction of claims as disclosed in note 6 to the annual audited financial statements for the year ended December 31, 2016.

Had there been no change in accounting policy, the net book value of non-banking assets acquired in satisfaction of claims and surplus on revaluation of assets would have been lower by Rs. 49 million and Rs. 32 million (net of tax) respectively and deferred tax assets would have been higher by Rs. 17 million.

### 6 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The basis and methods used for critical accounting estimates and judgments adopted in these condensed interim financial statements are same as those applied in the preparation of the annual financial statements of the Bank for the year ended December 31, 2016.

### 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, 2016.

# Notes To The Condensed Interim Financial Statements - Unaudited

## For the half year ended June 30, 2017

### 8 LENDINGS TO FINANCIAL INSTITUTIONS

|  | Note | June 30,<br>2017<br>Un-audited | December 31,<br>2016<br>Audited |
|--|------|--------------------------------|---------------------------------|
|  |      | Rupees in '000                 |                                 |
| Repurchase agreement lendings (Reverse repo) | 8.1  | 10,226,992                     | 306,274                         |
| Foreign Placement                            | 8.2  | 401,276                        | 400,298                         |
|  |      | <b>10,628,268</b>              | <b>706,572</b>                  |

- 8.1 These are short-term lendings to financial institutions against Government securities. These carry mark-up rates ranging from 5.90% to 6.20% (December 31, 2016: upto 6.15%) per annum with maturities in July 2017.
- 8.2 These have been placed with a foreign bank as pledge against issuance of Standby Letter of Credit (SBLC) favouring VISA at the interest rate of 0.17% (December 31, 2016: 0.17%) per annum with maturity in November 2017.

### 9 INVESTMENTS - NET

| Note | June 30, 2017 - (Un-audited) |                     |       | December 31, 2016 - Audited |                     |       |
|------|------------------------------|---------------------|-------|-----------------------------|---------------------|-------|
|      | Held by bank                 | Given as collateral | Total | Held by bank                | Given as collateral | Total |

|   | Rupees in '000 |           |            |            |            |            |
|---|----------------|-----------|------------|------------|------------|------------|
| 9.1 INVESTMENTS BY TYPES:   |                |           |            |            |            |            |
| Held-for-trading securities   |                |           |            |            |            |            |
| Ordinary shares of listed companies   |                | 16,386    | -          | 16,386     | 12,636     | -          |
| Available-for-sale securities   |                |           |            |            |            | 12,636     |
| Market Treasury Bills   | 9.3            | 1,832,779 | 11,854,332 | 13,687,111 | 11,052,340 | 15,807,762 |
| Pakistan Investment Bonds   | 9.4            | 2,833,960 | 3,914,166  | 6,748,126  | 574,723    | 8,476,758  |
| GOP Ijara Sukuks  |                | 3,808,208 | -          | 3,808,208  | 983,045    | -          |
| Sukuks  | 9.5            | 200,000   | -          | 200,000    | -          | -          |
| Term Finance Certificates - Listed  |                | 100,000   | -          | 100,000    | 100,000    | -          |
| Term Finance Certificates - Unlisted - (fully provided)   | 9.6            | 8,780     | -          | 8,780      | 8,780      | -          |
| Ordinary shares of listed companies   | 9.7            | 888,121   | -          | 888,121    | 391,190    | -          |
| Ordinary shares of unlisted companies - (fully provided)  |                | 5,680     | -          | 5,680      | 5,680      | -          |
|   |                | 9,677,528 | 15,768,498 | 25,446,026 | 13,115,758 | 24,284,520 |
| Held-to-maturity securities   |                |           |            |            |            | 37,400,278 |
| Shares repurchase (fully provided)  |                | 74,910    | -          | 74,910     | 74,910     | -          |
| Investment in associate   |                |           |            |            |            | 74,910     |
| SPI Insurance Company Limited   |                | 102,130   | -          | 102,130    | 102,824    | -          |
| Investments at cost   |                | 9,870,954 | 15,768,498 | 25,639,452 | 13,306,128 | 24,284,520 |
| Less: Provision for diminution in value of investments  |                | (89,370)  | -          | (89,370)   | (89,370)   | -          |
| Investments - net of provision  |                | 9,781,584 | 15,768,498 | 25,550,082 | 13,216,758 | 24,284,520 |
| Unrealized loss on revaluation of investments - held-for-trading (Deficit) / surplus on revaluation of available-for-sale investments |                | (652)     | -          | (652)      | (488)      | -          |
| 18.1 Total investments at market value  |                | (60,294)  | 827        | (59,467)   | 27,986     | (40,294)   |
|   |                | 9,720,638 | 15,769,325 | 25,489,963 | 13,244,256 | 24,244,226 |
|   |                |           |            |            |            | 37,488,482 |

# Notes To The Condensed Interim Financial Statements - Unaudited

For the half year ended June 30, 2017

|  | Note | June 30,<br>2017<br>Un-audited | December 31,<br>2016<br>Audited |
|--|------|--------------------------------|---------------------------------|
|  |      | Rupees in '000                 |                                 |
| <b>9.2 INVESTMENTS BY SEGMENTS</b>   |      |                                |                                 |
| <b>Federal Government Securities</b>   |      |                                |                                 |
| Market Treasury Bills  | 9.3  | <b>13,687,111</b>              | 26,860,102                      |
| Pakistan Investment Bonds  | 9.4  | <b>6,748,126</b>               | 9,051,481                       |
| GOP Ijara Sukus  |      | <b>3,808,208</b>               | 983,045                         |
|  |      | <b>24,243,445</b>              | 36,894,628                      |
| <b>Term Finance Certificate, Debentures,<br/>Bonds and Participation Term Certificates</b> |      |                                |                                 |
| Sukus  | 9.5  | <b>200,000</b>                 | -                               |
| Term Finance Certificates - Listed   |      | <b>100,000</b>                 | 100,000                         |
| Term Finance Certificates - Unlisted (fully provided)                                      | 9.6  | <b>8,780</b>                   | 8,780                           |
|  |      | <b>308,780</b>                 | 108,780                         |
| <b>Fully paid-up ordinary shares</b>   |      |                                |                                 |
| Listed companies   | 9.7  | <b>904,507</b>                 | 403,826                         |
| Unlisted companies (fully provided)  |      | <b>5,680</b>                   | 5,680                           |
|  |      | <b>910,187</b>                 | 409,506                         |
| <b>Other Investments</b>   |      |                                |                                 |
| Investment in associate  |      | <b>102,130</b>                 | 102,824                         |
| Shares repurchase (fully provided)   |      | <b>74,910</b>                  | 74,910                          |
|  |      | <b>177,040</b>                 | 177,734                         |
| <b>Investments at cost</b>   |      | <b>25,639,452</b>              | 37,590,648                      |
| Less : Provision for diminution in the value of investments                                |      | <b>(89,370)</b>                | (89,370)                        |
| <b>Investments - net of provision</b>  |      | <b>25,550,082</b>              | 37,501,278                      |
| Unrealized loss on revaluation of held-for-trading investments                             |      | <b>(652)</b>                   | (488)                           |
| Deficit on revaluation of available-for-sale investments                                   | 18.1 | <b>(59,467)</b>                | (12,308)                        |
| <b>Total Investments at market value</b>   |      | <b>25,489,963</b>              | 37,488,482                      |

- 9.3** These include securities having face value of Rs. 740 million (December 31, 2016: Rs. 704.5 million) pledged with United Bank Limited for Global Industrial and Defence Solutions, Pakistan as Guarantor.
- 9.4** These include securities having face value of Rs. 35 million (December 31, 2016: Rs. 47.70 million) pledged with SBP and National Bank of Pakistan as security to facilitate T.T. discounting facilities sanctioned to branches of the Bank.
- 9.5** During the period, the Bank invested in privately placed sukus offered by BYCO Oils Pakistan Limited (now Byco Petroleum Limited – the issuer) amounting to Rs. 200 million. As of June 30, 2017, the sukus have not been credited to Bank's CDC account as certain legal formalities are yet to be fulfilled by the issuer after which the sukus will be credited to holders' CDC accounts. These sukus carry quarterly profit rate of Kibor + 1.05% and the first profit payment was received by the Bank on April 18, 2017.
- 9.6** These represents zero coupon privately placed TFCs of Azgard Nine Limited acquired against markup settlement of Rs. 8.78 million on the credit facilities provided to Azgard Nine Limited. The amount is fully provided in these condensed financial statements.
- 9.7** During the financial year 2016, the Bank acquired 1,528,403 shares of Agritech Limited for Rs. 54 million (Rs. 35 per share), as a result of exercise of Put Option by National Bank of Pakistan (NBP) in accordance with the terms of Investors Buy-Back Agreement dated July 26, 2012 entered into between various banks / financial institutions including the Bank. The market value of these shares as at June 30, 2017 was Rs. 8.98 per share resulting in an impairment loss of Rs. 39.79 million. The SBP vide its letter no. BPRD/BRD(Policy)/2016-14898 dated June 14, 2016, relaxed the provisions of Regulation R-8 of the Prudential Regulations as a result of which the Bank was allowed to record provision (on the basis of cost less market value of shares) in a phased manner, i.e., 10%, 25%, 50%, 75% and 100% as at June 30, 2016, September 30, 2016, December 31, 2016, March 31, 2017 and June 30, 2017, respectively. Consequently, the Bank recorded impairment loss of Rs. 17.07 million in 2016 and remaining impairment loss of Rs. 22.72 million has been recorded during half year ended June 30, 2017.

# Notes To The Condensed Interim Financial Statements - Unaudited

For the half year ended June 30, 2017

|   | Note  | June 30,<br>2017<br>Un-audited      | December 31,<br>2016<br>Audited |
|---|---|-------------------------------------|---------------------------------|
|   |   | Rupees in '000                      |                                 |
| <b>10 ADVANCES - NET</b>  |   |                                     |                                 |
| Loans, cash credits, running finances, etc.                         |   |                                     |                                 |
| In Pakistan   |   | 70,187,263                          | 60,815,570                      |
| Outside Pakistan  |   | -                                   | -                               |
|   |   | 70,187,263                          | 60,815,570                      |
| Islamic Financing and related assets                                | 10.1  | 11,705,212                          | 8,222,658                       |
| Bills discounted and purchased (excluding treasury bills)           |   |                                     |                                 |
| Payable in Pakistan   |   | 214,070                             | 83,647                          |
| Payable outside Pakistan  |   | 184,150                             | 190,310                         |
|   |   | 398,220                             | 273,957                         |
|   |   | 82,290,695                          | 69,312,185                      |
| <b>Advances - gross</b>   |   |                                     |                                 |
| Provision against non-performing advances - specific                | 10.3  | (3,957,892)                         | (4,031,008)                     |
| Provision against small enterprises and consumer advances - general | 10.3  | (506,315)                           | (478,549)                       |
| <b>Advances - net of provision</b>                                  |   | <b>77,826,488</b>                   | <b>64,802,628</b>               |
| <b>10.1 Islamic financing and related assets</b>                    | 28  |                                     |                                 |
| Murabaha  | 10.1.1  | 1,278,931                           | 1,228,192                       |
| Musawamah   |   | 857,851                             | 887,155                         |
| Diminishing Musharaka   |   | 9,568,430                           | 6,107,311                       |
|   |   | 11,705,212                          | 8,222,658                       |
| <b>10.1.1 Murabaha Financing</b>                                    |   |                                     |                                 |
| Financing   |   | 1,163,452                           | 683,057                         |
| Advances  |   | 115,479                             | 545,135                         |
|   |   | 1,278,931                           | 1,228,192                       |
| <b>10.2</b>   | Advances include Rs. 5,438 million (December 2016: Rs. 5,820 million) which have been placed under non-performing status as detailed below: |                                     |                                 |
|   |   | <b>June 30, 2017 - (Un-audited)</b> |                                 |
|   |   | Classified Advances                 | Provision required (Domestic)   |
|   |   | Provision held                      |                                 |
|   |   | Rupees in '000                      |                                 |
| <b>Category of classification - specific</b>                        |   |                                     |                                 |
| Sub-standard  |   | 437,117                             | 103,524                         |
| Doubtful  |   | 506,350                             | 100,903                         |
| Loss  |   | 4,494,770                           | 3,753,465                       |
|   |   | 5,438,237                           | 3,957,892                       |
|   |   | 573,288                             | 114,248                         |
|   |   | 209,794                             | 43,153                          |
|   |   | 5,037,243                           | 3,873,607                       |
|   |   | 5,820,325                           | 4,031,008                       |
|   |   |                                     |                                 |

# Notes To The Condensed Interim Financial Statements - Unaudited

## For the half year ended June 30, 2017

### 10.3 Particulars of provision against non-performing advances:

| Note  | June 30, 2017 - (Un-audited) |         |           | December 31, 2016 - Audited |           |             |
|---|------------------------------|---------|-----------|-----------------------------|-----------|-------------|
|   | Specific                     | General | Total     | Specific                    | General   | Total       |
| Rupees in '000                                |                              |         |           |                             |           |             |
| Opening balance                               | 4,031,008                    | 478,549 | 4,509,557 | 5,455,331                   | 515,802   | 5,971,133   |
| Charge for the period / year                  | 414,342                      | 27,766  | 442,108   | 1,054,580                   | 70,228    | 1,124,808   |
| Reversals for the period / year               | (152,263)                    | -       | (152,263) | (1,063,587)                 | (107,481) | (1,171,068) |
| Net charge / (reversal) for the period / year | 262,079                      | 27,766  | 289,845   | (9,007)                     | (37,253)  | (46,260)    |
| Amounts written off                           | (335,195)                    | -       | (335,195) | (1,415,316)                 | -         | (1,415,316) |
| Closing balance                               | 3,957,892                    | 506,315 | 4,464,207 | 4,031,008                   | 478,549   | 4,509,557   |

- 10.3.1 This includes reversal of provision of Rs. 29 million against non-performing loan of certain borrowers under 'Debt-Property Swap' transaction, as disclosed in note 13.3.
- 10.3.2 As at June 30, 2017, the Bank has availed benefit of relaxation provided by SBP vide its various letters from the requirements Regulation R-8 of Prudential Regulations amounting to Rs. 439 million till September 30, 2017.
- 10.3.3 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 (land and building only) held as collateral against non-performing advances upto five years from the date of classification.
- As of June 30, 2017, total FSV benefit taken against all loans and advances amounts to Rs. 561 million (December 31, 2016: Rs. 668 million), net of tax, which is not available for payment of cash or stock dividend / bonus to employees.

| Note                              | June 30,<br>2017<br>Un-audited |      | December 31,<br>2016<br>Audited |                  |
|-----------------------------------|--------------------------------|------|---------------------------------|------------------|
|                                   | Rupees in '000                 |      | Rupees in '000                  |                  |
| <b>11. OPERATING FIXED ASSETS</b> |                                |      |                                 |                  |
| Property and equipment            |                                | 11.3 | 3,760,651                       | 3,711,255        |
| Intangible assets                 |                                |      | 237,587                         | 242,993          |
| Capital work-in-progress          |                                |      | 110,053                         | 146,971          |
|                                   |                                |      | <b>4,108,291</b>                | <b>4,101,219</b> |

- 11.1 Following additions (including transfers from CWIP) / disposals have been made to / from property and equipment at cost:

|  | June 30, 2017 Un-audited |                       | June 30, 2016 Un-audited |                |
|--|--------------------------|-----------------------|--------------------------|----------------|
|  | Additions                | Disposals / Write off | Additions                | Disposals      |
| Rupees in '000                             |                          |                       |                          |                |
| Freehold land                              | -                        | -                     | -                        | 180,000        |
| Building on leasehold land                 | -                        | -                     | -                        | 114,904        |
| Buildings on freehold land                 | 5,119                    | -                     | -                        | -              |
| Leasehold improvements                     | 82,303                   | 38,873                | 39,801                   | 40             |
| Furniture and fixtures                     | 20,359                   | -                     | 3,227                    | 178            |
| Other equipment                            | 39,885                   | 18                    | 25,717                   | 711            |
| Computers and MIS equipment                | 48,155                   | 3,337                 | 16,799                   | 732            |
| Vehicles                                   | 72,449                   | 58,289                | 28,452                   | 35,310         |
|  | <b>268,270</b>           | <b>100,517</b>        | <b>113,996</b>           | <b>331,875</b> |
| <b>11.2 Additions to intangible assets</b> |                          |                       |                          |                |
| Computer software                          | <b>39,369</b>            | -                     | <b>3,279</b>             | -              |

# Notes To The Condensed Interim Financial Statements - Unaudited

## For the half year ended June 30, 2017

**11.3** On September 10, 2015, the Bank entered into an Agreement to Sell (the Agreement) for the previous Head Office Building of the Bank against sale consideration of Rs. 2,370 million. Pursuant to the terms of the Agreement, the Bank received a down payment of Rs. 118.50 million, which is currently reported in 'Other liabilities'. The remaining balance is required to be paid by the buyer within 5 years from the date of the Agreement. As per the terms of the Agreement, the buyer agreed to pay annual rent based on the outstanding amount of consideration from the date of receipt of approvals from relevant authorities, however, on June 28, 2016, the buyer has provided the consent to pay annual rent with effect from July 1, 2016. In this respect, the Bank has accrued rent amounting to Rs. 157.6 million (December 31, 2016: 78.8 million) as other income. As per the terms of the Agreement, in case the buyer fails to pay the amount of rent or balance sale consideration, the advance received of 5% shall stand forfeited. Since the conditions to recognize disposal are not met, the Head Office Building has not been derecognized.

|  |      | June 30,<br>2017 | December 31,<br>2016 |
|--|------|------------------|----------------------|
|  | Note | Un-audited       | Audited              |
|  |      | Rupees in '000   |                      |
| <b>12 DEFERRED TAX ASSETS - NET</b>  |      |                  |                      |
| <b>Deferred tax debits arising in respect of</b>                           |      |                  |                      |
| Provision for diminution in the value of investments                       |      | 127,897          | 119,945              |
| Provision against non-performing advances                                  |      | 2,380,554        | 2,445,756            |
| Provision against other assets   |      | 148,867          | 147,231              |
| Deficit on revaluation of investments                                      | 18.1 | 20,814           | 4,308                |
| Depreciation on Non banking assets   |      | 44,559           | 29,317               |
| Unabsorbed tax depreciation  |      | 954,687          | 954,688              |
| Unabsorbed tax losses  |      | 36,030           | 154,154              |
|  |      | <b>3,713,408</b> | <b>3,855,399</b>     |
| <b>Deferred tax credits arising due to</b>                                 |      |                  |                      |
| Accelerated tax depreciation   |      | (90,585)         | (113,583)            |
| Surplus on revaluation of property and equipment<br>and non banking assets | 18.2 | (36,409)         | (20,034)             |
| Remeasurement of defined benefit plan                                      |      | (9,909)          | (17,037)             |
|  |      | <b>(136,903)</b> | <b>(150,654)</b>     |
|  |      | <b>3,576,505</b> | <b>3,704,745</b>     |

**12.1** The Bank has an aggregate amount of deferred tax asset of Rs. 3,577 million (December 31, 2016: Rs. 3,705 million) which represents management's best estimate of the probable benefits expected to be realised in future years in the form of reduced tax liability as the Bank would be able to set off the profits earned in those years against taxable temporary differences relating to prior years. The Bank has prepared five years financial projections for future taxable profits, which have been approved by the Board of Directors of the Bank, to assess the recoverability of deferred tax assets. The projections involve certain key management assumptions underlying the estimation of future taxable profits. The determination of future taxable profits is most sensitive to certain key assumptions such as growth of low cost deposits, growth in high yield consumer advances, investment returns, branch expansion plan, potential provision against assets, interest rates, cost of funds and expected recoveries of classified loans. Any significant change in such assumptions may have an effect on the recoverability of the deferred tax asset. Management believes that it is probable that the Bank will be able to achieve the profits and, consequently, the deferred tax asset will be fully realized in future.

|   |             | June 30,<br>2017  | December 31,<br>2016 |
|---|-------------|-------------------|----------------------|
|   | Note        | Un-audited        | Audited              |
|   |             | Rupees in '000    |                      |
| <b>13 OTHER ASSETS</b>  |             |                   |                      |
| Income / mark-up accrued in local currency  |             | 2,359,812         | 1,946,711            |
| Income / mark-up accrued in foreign currencies  |             | 460               | 66                   |
| Accrued rent  | 13.1        | 355,890           | 163,588              |
| Advances, deposits, advance rent and other prepayments  |             | 550,035           | 537,306              |
| Advance Taxation  |             | 681,825           | 549,422              |
| Net defined benefit asset   |             | 28,312            | 48,677               |
| Receivable against sale of securities - net   |             | 375,693           | 238,978              |
| Non-banking assets acquired in satisfaction of claims   | 13.2        | <b>7,323,060</b>  | <b>7,677,934</b>     |
| Non-banking assets acquired in satisfaction of claims<br>under agreement to sell with third parties |             | <b>4,370,177</b>  | <b>4,324,415</b>     |
| Non-banking assets acquired in satisfaction of claims<br>with buy back option with customers        |             | <b>988,531</b>    | <b>1,058,192</b>     |
| Branch adjustment account   | 13.1 & 13.3 | <b>12,681,768</b> | <b>13,060,541</b>    |
| Unrealized gain on derivative financial instruments   |             | 40,344            | 23,660               |
| Receivable from sale of operating fixed assets  |             | -                 | 140,000              |
| Receivable from sale of non-banking assets  | 13.4        | 300,000           | -                    |
| Others  |             | 316,958           | 346,777              |
| Less : Provision held against other assets  | 13.5        | <b>17,691,098</b> | <b>17,177,206</b>    |
| Other Assets - Net of Provision   |             | <b>(410,412)</b>  | <b>(405,740)</b>     |
|   |             | <b>17,280,686</b> | <b>16,771,466</b>    |

# Notes To The Condensed Interim Financial Statements - Unaudited

## For the half year ended June 30, 2017

- 13.1** On June 1, 2016, the Bank entered into an Agreement to Sell (the Agreement) for undeveloped lands having book value of Rs. 3,416 million against sale consideration of Rs. 3,416 million. Pursuant to the terms of the Agreement, the Bank received a down payment of Rs. 171 million, which is being reported in 'Other liabilities'. The remaining balance is required to be paid by the buyer within 5 years from date of receipt of certain approvals from relevant authorities that are currently pending. As per the terms of the Agreement, the buyer agreed to pay annual rent based on the outstanding amount of consideration from the date of receipt of approvals from relevant authorities, however, on July 29, 2016, the buyer has provided the consent to pay annual rent with effect from August 1, 2016. In this respect, the Bank has accrued rent amounting to Rs. 178.52 million (2016: Rs. 81.14 million) as other income. As per the terms of the Agreement, in case the buyer fails to pay the amount of rent or balance sale consideration, the advance received of 5% shall stand forfeited. Since the conditions to recognize disposal are not met, the carrying value of such land has not been derecognized from non-banking assets acquired in satisfaction of claims.
- 13.2** These assets are stated at revalued amount in accordance with accounting policy mentioned in note 5.
- 13.3** During the period, the Bank acquired properties of Rs. 102 million against debt swap transactions with certain borrowers resulting in reversal of provision against loan and advances of Rs. 29 million (refer note 10.3.1).
- 13.4** During the period, the Bank sold property (land) having carrying value of Rs. 319.5 million for sale consideration of Rs. 550 million resulting in gain of Rs. 230.5 million, which is recorded in other income.

|   | Note   | June 30,<br>2017<br>Un-audited | December 31,<br>2016<br>Audited |
|---|--------|--------------------------------|---------------------------------|
|   |        |                                | Rupees in '000                  |
| <b>13.5 Provision against other asset</b>   |        |                                |                                 |
| Opening balance   |        | 405,740                        | 723,056                         |
| Charge for the period / year  | 13.5.1 | 88,708                         | 98,536                          |
| Reversals during the period / year  | 13.5.2 | (84,036)                       | (415,852)                       |
| Net charge for the period / year  |        | 4,672                          | (317,316)                       |
| Amounts written off   |        | -                              | -                               |
| Closing balance   |        | 410,412                        | 405,740                         |
| <b>13.5.1</b>   |        |                                |                                 |
| This includes provision against non banking assets amounting to Rs. 81.621 million made on the instruction of SBP. The SBP, on conclusion of its inspection for the year ended December 31, 2015, had instructed the Bank to create and maintain provision against certain non-banking assets amounting to Rs. 272.07 million. On Bank's request, SBP through its letter No. OSED/SEU-14/049(01)/17236/17 dated July 24, 2017 allowed the Bank to stagger said provision in amounts of Rs. 81.621 million, Rs. 81.621 million and Rs. 108.82 million in the quarters ended / ending June 30, 2017, September 30, 2017 and December 31, 2017, respectively. Had such relaxation not been allowed, the profit before tax for the period would have been lower by Rs. 190.449 million. |        |                                |                                 |
| <b>13.5.2</b>   |        |                                |                                 |
| This represent reversal of provision allowed by the SBP subject to certain conditions which are required to be met on or before September 30, 2017.   |        |                                |                                 |
| <b>14 BORROWINGS</b>  |        |                                |                                 |
| <b>14.1 Details of borrowings (secured / unsecured)</b>   | Note   |                                | Rupees in '000                  |
| <b>Secured</b>  |        |                                |                                 |
| Borrowings from State Bank of Pakistan under Export refinance scheme (ERF)  | 14.1.1 | 1,472,616<br>15,544,961        | 1,633,241<br>24,226,190         |
| Repurchase agreement borrowings   |        | 17,017,577                     | 25,859,431                      |
| <b>Unsecured</b>  |        |                                |                                 |
| Call borrowings   | 14.1.2 | 5,150,000                      | 4,200,000                       |
| Trading liability   | 14.1.1 | 2,833,663                      | -                               |
| Overdrawn nostro accounts   |        | 142,594                        | 79,336                          |
| Overdrawn local bank accounts   |        | -                              | 56,935                          |
|   |        | 8,126,257                      | 4,336,271                       |
|   |        | 25,143,834                     | 30,195,702                      |

# Notes To The Condensed Interim Financial Statements - Unaudited

For the half year ended June 30, 2017

- 14.1.1** These represent funds borrowed from the local interbank money market against Government securities carrying interest rate ranging between 5.82% to 6.25% (December 31, 2016: 5.80% to 5.87%) per annum with maturity upto July 2017.
- 14.1.2** These represent unsecured borrowings from local money market carrying interest rate ranging from 6% to 6.5% (December 31, 2016: 6.35% to 6.65%) per annum with maturities ranging from July 2017 to November 2017.

|   |                    | June 30, December 31,<br>2017 2016 |
|---|--------------------|------------------------------------|
|   | Un-audited Audited | Rupees in '000                     |
| <b>15 DEPOSITS AND OTHER ACCOUNTS</b>                               |                    |                                    |
| <b>Customers</b>  |                    |                                    |
| Fixed deposits  | 33,918,328         | 33,362,662                         |
| Savings deposits  | 29,507,303         | 23,529,436                         |
| Current accounts - non - remunerative                               | 26,611,898         | 20,878,121                         |
| Margin accounts - non - remunerative                                | 1,136,650          | 1,065,919                          |
| Others  | 1,925,674          | 718,503                            |
|   | <b>93,099,853</b>  | 79,554,641                         |
| <b>Financial institutions</b>                                       |                    |                                    |
| Remunerative deposits   | 8,675,745          | 7,160,154                          |
| Non-remunerative deposits   | 208,405            | 72,628                             |
|   | <b>8,884,150</b>   | 7,232,782                          |
|   | <b>101,984,003</b> | 86,787,423                         |
| <b>16 OTHER LIABILITIES</b>   |                    |                                    |
| Mark-up/ return/ interest payable in local currency                 | 770,099            | 493,753                            |
| Mark-up/ return/ interest payable in foreign currencies             | 10,460             | 8,586                              |
| Un-earned Commission and income on bills discounted                 | 74,059             | 59,809                             |
| Accrued expenses  | 110,749            | 146,249                            |
| Unrealized loss on derivative financial instruments                 | 41,176             | 74,805                             |
| Branch adjustment account   | 156,718            | -                                  |
| Provision against off balance sheet obligations                     | 116,012            | 124,736                            |
| Workers' Welfare Fund (WWF)   | 77,202             | 63,202                             |
| Advance received against future sale of Non Banking Assets          | 16.1 559,590       | 344,323                            |
| Advance received against future sale of operating fixed assets      | 11.3 118,500       | 118,500                            |
| Advance received against proposed issue of Term Finance Certificate | 16.2 1,705,000     | -                                  |
| Gratuity payable to outsource staff                                 | 25,212             | 22,580                             |
| Others  | 911,973            | 532,828                            |
|   | <b>4,676,750</b>   | 1,989,371                          |

- 16.1** This includes advance amounting to Rs. 171 million received against future disposal of non-banking assets (land) as disclosed in note 13.1.
- 16.2** This represents advance of Rs. 1,705 million received against the proposed issue of rated, privately placed, unsecured and subordinated Term Finance Certificates (TFCs) of the Bank. The total issue size is Rs. 2,000 million (inclusive of a green shoe option of up to Rs. 500 million) with a tenor of 8 years from the issue date. Profit will be paid semi-annually in arrears on the outstanding principal amount at the rate of 6 months Kibor + 1.85% p.a.

The funds raised will contribute towards the Bank's Tier - II Capital for complying with the Capital Adequacy Ratio ("CAR") requirement as prescribed by the State Bank of Pakistan ("SBP") under the Basel III framework. The TFCs will be issued as Redeemable Capital under Section 66 of the Companies Act, 2017 and as outlined by SBP under the BPRD Circular No. 6 dated August 15, 2013. As disclosed in note 1.3, the Bank is required to complete the TFCs issuance process by August 31, 2017.

## 17 SHARE CAPITAL

### 17.1 Authorised capital

|                       | June 30, December 31,<br>2017 2016 | June 30, December 31,<br>2017 2016 |
|-----------------------|------------------------------------|------------------------------------|
|                       | Un-audited Audited                 | Un-audited Audited                 |
| No. of shares in '000 |                                    | Rupees in '000                     |
| <b>10,500,000</b>     | 10,500,000                         | 105,000,000                        |

# Notes To The Condensed Interim Financial Statements - Unaudited

For the half year ended June 30, 2017

## 17.2 Issued, subscribed and paid up share capital

| June 30,<br>2017<br>Un-audited | December 31,<br>2016<br>Audited | No. of shares in '000   | June 30,<br>2017<br>Un-audited | December 31,<br>2016<br>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<br>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<br>and issued at a discount of Rs. 7.5 per share             | 17,712,898                     | 17,712,898                      |                |
| 6,410,256                      | 5,128,205                       | Ordinary shares of Rs.10 each Fully paid in cash and<br>issued at a discount of Rs. 8.44 per share (note 1.3) | 64,102,564                     | 51,282,051                      |                |
| 9,081,861                      | 7,799,810                       |   | 90,818,612                     | 77,998,099                      |                |

17.3 The SBP required 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 losses 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 10.65%.

|  | Note      | June 30,<br>2017<br>Un-audited | December 31,<br>2016<br>Audited |
|--|-----------|--------------------------------|---------------------------------|
|  |           | Rupees in '000                 |                                 |
| 18 SURPLUS ON REVALUATION OF ASSETS - NET OF TAX   |           |                                |                                 |
| (Deficit) / Surplus on revaluation of:   |           |                                |                                 |
| - available-for-sale securities  | 18.1      | (38,653)                       | (8,000)                         |
| - fixed assets and non banking assets<br>acquired in satisfaction of claims                                | 18.2      | 90,890                         | 60,480                          |
|  |           | 52,237                         | 52,480                          |
| 18.1 (Deficit) / Surplus on revaluation of available for sale securities                                   |           |                                |                                 |
| <b>Federal Government Securities</b>   |           |                                |                                 |
| Market Treasury Bills  |           | (277)                          | (15,242)                        |
| Pakistan Investment Bonds  |           | 1,600                          | (47,914)                        |
| GOP Ijara Sukuk  |           | 3,332                          | (1,565)                         |
| <b>Fully paid-up ordinary shares</b>   |           |                                |                                 |
| Listed companies   |           | (66,710)                       | 49,302                          |
| <b>Term Finance Certificate, Debentures,<br/>Bonds and Participation Term Certificates</b>                 |           |                                |                                 |
| Term Finance Certificates - Listed   | 9.1 / 9.2 | 2,588                          | 3,111                           |
| Related deferred tax asset   | 12        | (59,467)                       | (12,308)                        |
|  |           | 20,814                         | 4,308                           |
|  |           | (38,653)                       | (8,000)                         |
| 18.2 Surplus on revaluation of fixed assets and non - banking assets<br>acquired in satisfaction of claims |           |                                |                                 |
| Surplus on revaluation   | 13.2      | 127,299                        | 80,514                          |
| Related deferred tax liability   | 12        | (36,409)                       | (20,034)                        |
|  |           | 90,890                         | 60,480                          |

# Notes To The Condensed Interim Financial Statements - Unaudited

For the half year ended June 30, 2017

|  | June 30,<br>2017<br>Un-audited | December 31,<br>2016<br>Audited |
|--|--------------------------------|---------------------------------|
|  | Rupees in '000                 |                                 |
| <b>19 CONTINGENCIES AND COMMITMENTS</b>  |                                |                                 |
| 19.1 Direct credit substitutes   | -                              | -                               |
| 19.2 Transaction-related contingent liabilities  |                                |                                 |
| Guarantees favouring   |                                |                                 |
| - Government   | 11,899,304                     | 10,823,354                      |
| - Banks and other financial institutions   | 1,864,556                      | 727,023                         |
| - Others   | 1,961,562                      | 2,741,080                       |
| 19.3 Trade-related contingent liabilities  |                                |                                 |
| Letters of Credit & Acceptances  | 5,661,395                      | 4,354,980                       |
| 19.4 Claims against the bank not acknowledged as debt  | 413,494                        | 326,102                         |
| 19.5 Claims against the Bank by Competition Commission of Pakistan and Others  | 35,640                         | 35,640                          |
| 19.6 Suits for damages of Rs. 24.315 (December 31, 2016: Rs. 24.34 billion) have been filed against the Bank by various borrowers / employees in respect of certain disputes relating to loans and advances. The management of the Bank and its legal counsel consider that the suits are a counterblast in response to the recovery suits filed by the Bank. The Bank and its legal counsel are confident that the cases will be dismissed as actual damages have to be proven in such suits. |                                |                                 |
| 19.7 Commitments in respect of forward contracts   |                                |                                 |
| Forward exchange contracts with State Bank of Pakistan, banks and other institutions   |                                |                                 |
| - Sale   | 7,519,204                      | 5,894,494                       |
| - Purchase   | 12,274,424                     | 10,901,763                      |
| 19.8 Commitments in respect of   |                                |                                 |
| Property civil work & equipment  | 27,763                         | 55,430                          |
| Purchase of hardware / software  | 8,344                          | 34,507                          |
|  | 36,107                         | 89,937                          |
| 19.9 The Bank makes commitments to extend credit in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn.   |                                |                                 |
| <b>20 MARK-UP / RETURN / INTEREST EARNED</b>   |                                |                                 |
| On loans and advances to:  |                                |                                 |
| Customers  | 4,271,484                      | 3,661,429                       |
| On investments in:   |                                |                                 |
| Held-for-trading securities  | 234,941                        | 55,173                          |
| Available-for-sale securities  | 432,170                        | 1,148,087                       |
| Held-to-maturity securities  | -                              | 15,317                          |
|  | 667,111                        | 1,218,577                       |
| On deposits with financial institutions  | 739                            | 1,431                           |
| On call money lendings   | 3,688                          | 35                              |
| On securities purchased under resale agreements  | 214,982                        | 231,779                         |
|  | 5,158,004                      | 5,113,251                       |
| <b>21 MARK-UP / RETURN / INTEREST EXPENDED</b>   |                                |                                 |
| Deposits   | 1,848,252                      | 1,674,383                       |
| Securities sold under repurchase agreements  | 472,356                        | 1,020,923                       |
| Call Borrowings  | 147,033                        | 61,510                          |
| Borrowings from SBP under export re-finance scheme   | 13,248                         | 26,819                          |
| SWAP money market expense  | 71,683                         | 137,519                         |
| Others   | 3,024                          | 2,465                           |
|  | 2,555,596                      | 2,923,619                       |

# Notes To The Condensed Interim Financial Statements - Unaudited

For the half year ended June 30, 2017

|             |  | Note | June 30,<br>2017<br>Un-audited | June 30,<br>2016<br>Un-audited |
|-------------|--|------|--------------------------------|--------------------------------|
|             |  |      | Rupees in '000                 |                                |
| <b>22</b>   | <b>DIVINDED INCOME</b>   |      |                                |                                |
|             | <b>Listed shares</b>   |      |                                |                                |
|             | Adamjee Insurance Limited  |      | 625                            | -                              |
|             | Askari Bank Limited  |      | 1,800                          | 1,064                          |
|             | Bank Al-Falah Limited  |      | -                              | 675                            |
|             | Crescent Steel & Allied Products Limited   |      | -                              | 127                            |
|             | Engro Corporation Limited  |      | 250                            | 125                            |
|             | Engro Fertilizer Limited   |      | 2,862                          | -                              |
|             | Engro Foods Limited  |      | 1,500                          | -                              |
|             | Engro Powergen Qadirpur Limited  |      | 600                            | -                              |
|             | Fatima Fertilizer Company Limited - related party  |      | 1,400                          | -                              |
|             | Fauji Fertilizer Limited   |      | 600                            | 2,898                          |
|             | Glaxosmithkline Pakistan Limited   |      | -                              | 43                             |
|             | Habib Metropolitan Bank Limited  |      | 2,214                          | -                              |
|             | HI-TECH Lubricants Limited   |      | -                              | 1,364                          |
|             | Kot Addu Power Company Limited   |      | 1,505                          | 3,217                          |
|             | MCB Bank Limited   |      | 400                            | -                              |
|             | National Bank Of Pakistan  |      | 7,875                          | 6,813                          |
|             | Nishat Chunian Power Limited   |      | -                              | 2,000                          |
|             | Nishat Power Limited   |      | -                              | 2,459                          |
|             | Oil & Gas Development Company Limited  |      | 313                            | 60                             |
|             | Pakistan Oilfields Limited - related party   |      | -                              | 4,500                          |
|             | Pakistan Petroleum Limited   |      | 300                            | -                              |
|             | Pakistan Telecommunication Company Limited   |      | -                              | 3,063                          |
|             |  |      | <b>22,244</b>                  | <b>28,408</b>                  |
| <b>23</b>   | <b>OTHER PROVISIONS / WRITE OFF / REVERSALS - NET</b>  |      |                                |                                |
|             | Provision / (reversals) against other assets - net   | 13.5 | 4,672                          | (413,433)                      |
|             | Other reversals  | 23.1 | (8,724)                        | -                              |
|             | Fixed assets written off   |      | 6,649                          | -                              |
|             |  |      | <b>2,597</b>                   | <b>(413,433)</b>               |
| <b>23.1</b> | This represents reversals against letter of guarantee recovered during the period.   |      |                                |                                |
| <b>24</b>   | <b>TAXATION</b>  |      |                                |                                |
| <b>24.1</b> | The income tax returns of the Bank have been submitted up to Tax Year 2016. The Bank has filed appeals before Appellate Tribunal Inland Revenue (ATIR) against certain disallowances amounting to Rs. 1,996 million (December 31, 2016: Rs. 1,996 million) made by Tax officer for assessment / tax year(s) 2000-2001, 2001-2002, 2002-2003 and 2004. Income tax returns for tax years 2011 and 2014 were selected for audit. In respect of tax year 2011, an amended assessment order u/s 122(1)(5) of the Ordinance was passed on June 29, 2017, whereby disallowances aggregating to Rs. 90 million were made. An appeal against the order was filed on July 31, 2017 with Commissioner Inland Revenue – Appeals (CIR(A)). Hence as at June 30, 2017, the disallowances amounting to Rs. 772 million (December 31, 2016: Rs. 682 million) in respect of tax years 2003, 2006 and 2011 are pending at CIR (A). Management is confident that the outcome of these appeals would be in favor of the Bank. For tax year 2014, the proceeding of the audit is in process and no order has been passed by the relevant tax authorities. |      |                                |                                |
| <b>24.2</b> | The proceedings u/s 161/205 of the Income Tax Ordinance regarding monitoring of withholding taxes pertaining to the tax years 2011 to 2014 were completed in prior years. Orders were issued by the Assessing Officer creating total tax demand of Rs. 39 million (already paid by the Bank) along with default surcharge of Rs. 17 million. The Bank's appeals against orders u/s 161/205 for tax years 2013 and 2014 before the Commissioner Inland Revenue (Appeals - II) were rejected after which appeals before the ATIR, Karachi have been filed, which are pending hearing. Management is confident that the outcome of these appeals would be in favor of the Bank.   |      |                                |                                |
| <b>24.3</b> | During 2016, the Bank received an Order-in-Original passed by the Assistant Commissioner-2, Sindh Revenue Board (SRB), whereby a demand (including penalty) of Rs. 6.34 million was created in respect of facilitating insurance companies to provide insurance services to the customers of the Bank. The said Order-in-Original was challenged in appeal before the Commissioner (Appeals), SRB who upheld the Order-in-Original passed by the Assistant Commissioner-2, SRB. Against the said Order-in-Appeal, the Bank has filed an appeal before the Appellate Tribunal, SRB which is pending adjudication. Management is confident that the matter will be decided in Bank's favor.  |      |                                |                                |
| <b>24.4</b> | The Bank's return in respect of AJK operations have been submitted up to and including Tax Year 2016. Certain appeals / responses to notices were filed / submitted before the various appellate and other forums which are either pending for adjudication or the proceedings initiated against the Bank have been dropped / withdrawn. Management is confident that the outcome of pending matters would be in favor of the Bank.  |      |                                |                                |

# Notes To The Condensed Interim Financial Statements - Unaudited

## For the half year ended June 30, 2017

|                                       | June 30,<br>2017<br>Un-audited | December 31,<br>2016<br>Audited | June 30,<br>2016<br>Un-audited |
|---------------------------------------|--------------------------------|---------------------------------|--------------------------------|
|                                       | Rupees in '000                 |                                 |                                |
| <b>25 CASH AND CASH EQUIVALENTS</b>   |                                |                                 |                                |
| Cash and balances with treasury banks | 7,712,376                      | 7,370,962                       | 7,048,814                      |
| Balances with other banks             | 203,921                        | 87,748                          | 166,697                        |
|                                       | <b>7,916,297</b>               | <b>7,458,710</b>                | <b>7,215,511</b>               |

### 26 RELATED PARTY TRANSACTIONS

Related parties comprise directors, major shareholders of the Bank and the companies owned by such shareholders, entities owned by the directors of the Bank, companies where directors of the Bank also hold directorship, associate, key employees, entities that have key management personnel in common and employee benefit plans.

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 loans and advance, deposits, issuance of letters of credit and guarantees.

Advances for the 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 hospitalisation insurance is also provided to staff and executives. In addition to this, executives of the Bank have been provided with Bank maintained cars.

Transactions with associate and key management personnel are also executed substantially on the same terms or as per the employment terms.

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:

|   | June 30, 2017 (Un-audited) |                                   |  | December 31, 2016 Audited |                                   |  |
|---|----------------------------|-----------------------------------|--|---------------------------|-----------------------------------|--|
|   | CEO and Directors          | Key Management Personnel & Others | Associated Companies & Common Directorship | CEO and Directors         | Key Management Personnel & Others | Associated Companies & Common Directorship |
| Rupees in 000   |                            |                                   |  |                           |                                   |  |
| <b>Balances</b>   |                            |                                   |  |                           |                                   |  |
| <b>Loans</b>  |                            |                                   |  |                           |                                   |  |
| Loans outstanding at the beginning of the period / year             | 248                        | 131,749                           | 1,045,134                                  | 150                       | 4,070                             | 1,677,659                                  |
| Loans given during the period / year                                | 350                        | 440                               | 222,482                                    | 866                       | 142,248                           | 1,952,181                                  |
| Loans repaid / adjusted during the period / year                    | (249)                      | (154)                             | (34,338)                                   | (768)                     | (14,569)                          | (2,584,706)                                |
| <b>Loans outstanding at the end of the period / year</b>            | <b>349</b>                 | <b>132,035</b>                    | <b>1,233,278</b>                           | <b>248</b>                | <b>131,749</b>                    | <b>1,045,134</b>                           |
| <b>Deposits</b>   |                            |                                   |  |                           |                                   |  |
| Deposits outstanding at the beginning of the period / year          | 18,191                     | 242,775                           | 1,212,842                                  | 18,090                    | 1,070,143                         | 3,205,349                                  |
| Deposits received during the period / year                          | 154,373                    | 2,404,340                         | 3,947,967                                  | 357,954                   | 6,189,246                         | 2,557,555                                  |
| Deposits repaid / adjusted during the period / year                 | (148,721)                  | (2,112,474)                       | (3,893,486)                                | (357,853)                 | (7,016,614)                       | (4,550,062)                                |
| <b>Deposits outstanding at the end of the period / year</b>         | <b>23,843</b>              | <b>534,641</b>                    | <b>1,267,323</b>                           | <b>18,191</b>             | <b>242,775</b>                    | <b>1,212,842</b>                           |
| <b>Investments - Shares</b>   |                            |                                   |  |                           |                                   |  |
| Investments at the beginning of the period / year                   | -                          | -                                 | 220,733                                    | -                         | -                                 | 231,763                                    |
| Investments made during the period / year                           | -                          | -                                 | 260,474                                    | -                         | -                                 | 326,597                                    |
| Investments redeemed / impaired / adjusted during the period / year | -                          | -                                 | (245,979)                                  | -                         | -                                 | (337,627)                                  |
| <b>Investments at the end of the period / year</b>                  | <b>-</b>                   | <b>-</b>                          | <b>235,228</b>                             | <b>-</b>                  | <b>-</b>                          | <b>220,733</b>                             |

# Notes To The Condensed Interim Financial Statements - Unaudited

For the half year ended June 30, 2017

|   | June 30, 2017 (Un-audited) |                                   |  | June 30, 2016 (Un-audited) |                                   |  |
|---|----------------------------|-----------------------------------|--|----------------------------|-----------------------------------|--|
|   | CEO and Directors          | Key Management Personnel & Others | Associated Companies & Common Directorship | CEO and Directors          | Key Management Personnel & Others | Associated Companies & Common Directorship |
| Rupees in 000                           |                            |                                   |  |                            |                                   |  |
| <b>Transactions</b>                     |                            |                                   |  |                            |                                   |  |
| Short term employees benefits           | 71,759                     | 181,472                           | -  | 56,553                     | 179,017                           | -  |
| Contribution to Defined Benefit Plan    | 4,862                      | 12,238                            | -  | 4,642                      | 12,338                            | -  |
| Mark-up earned on advances              | 33                         | 7,486                             | 34,861                                     | 38                         | 4,060                             | 54,592                                     |
| Mark-up paid on deposits                | 225                        | 8,268                             | 36,128                                     | 237                        | 4,631                             | 34,988                                     |
| Services rendered                       | -                          | 75,422                            | 15,765                                     | -                          | 73,113                            | 19,392                                     |
| Meeting fee of non-executive directors  | 12,670                     | -                                 | -  | 15,365                     | -                                 | -  |
| Share of (loss) / profit from associate | -                          | -                                 | (694)                                      | -                          | -                                 | 8,314                                      |

**26.1** Balances pertaining to parties that were related at the beginning of the period 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.

## 27 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

|   | June 30, 2017 - Unaudited |            |                        |             |
|---|---------------------------|------------|------------------------|-------------|
|   | Wholesale Banking         | Treasury   | Consumer / SME Banking | Total       |
| Rupees in 000                                   |                           |            |                        |             |
| Total income - net of mark up expenses          | 538,669                   | 206,917    | 3,176,023              | 3,921,609   |
| Total non-mark up expenses including provisions | (550,278)                 | (87,881)   | (2,669,694)            | (3,307,853) |
| Profit / (loss) before taxation                 | (11,609)                  | 119,036    | 506,329                | 613,756     |
| Taxation  |                           |            |                        | (135,496)   |
| Profit after taxation                           |                           |            |                        | 478,260     |
| Segment assets (Gross)                          | 59,175,463                | 37,214,666 | 55,400,358             | 151,790,487 |
| Segment non performing loans                    | 3,490,450                 | -          | 1,947,787              | 5,438,237   |
| Segment provision                               | 3,201,869                 | 5,680      | 1,756,440              | 4,963,989   |
| Segment liabilities                             | 10,125,056                | 23,655,696 | 100,527,610            | 134,308,362 |
| Segment return on net asset (ROA) (%)           | -0.01%                    | 0.88%      | 1.13%                  |             |
| Segment cost of funds (COF) (%)                 | 4.47%                     | 6.46%      | 3.91%                  |             |

|   | June 30, 2016 - Unaudited |          |                        |             |
|---|---------------------------|----------|------------------------|-------------|
|   | Wholesale Banking         | Treasury | Consumer / SME Banking | Total       |
| Rupees in 000                                   |                           |          |                        |             |
| Total income - net of mark up expenses          | 281,930                   | 328,793  | 2,519,961              | 3,130,684   |
| Total non-mark up expenses including provisions | (314,377)                 | (87,598) | (2,192,561)            | (2,594,536) |
| Profit / (loss) before taxation                 | (32,447)                  | 241,195  | 327,400                | 536,148     |
| Taxation  |                           |          |                        | (190,850)   |
| Profit after taxation                           |                           |          |                        | 345,298     |
| Segment return on net asset (ROA) (%)           | -0.18%                    | 3.81%    | 1.75%                  |             |
| Segment cost of funds (COF) (%)                 | 4.18%                     | 6.68%    | 4.13%                  |             |

|                                       | December 31, 2016 - Audited |            |                        |             |
|---------------------------------------|-----------------------------|------------|------------------------|-------------|
|                                       | Wholesale Banking           | Treasury   | Consumer / SME Banking | Total       |
| Rupees in 000                         |                             |            |                        |             |
| Segment assets (Gross)                | 50,720,160                  | 42,411,849 | 46,906,480             | 140,038,489 |
| Segment non performing loans          | 3,469,479                   | -          | 2,350,846              | 5,820,325   |
| Segment provision                     | 3,249,188                   | 5,680      | 1,749,799              | 5,004,667   |
| Segment liabilities                   | 12,075,831                  | 28,500,995 | 82,402,408             | 122,979,234 |
| Segment return on net asset (ROA) (%) | 0.71%                       | 0.85%      | 1.32%                  |             |
| Segment cost of funds (COF) (%)       | 6.18%                       | 6.58%      | 3.99%                  |             |

# Notes To The Condensed Interim Financial Statements - Unaudited

## For the half year ended June 30, 2017

28 ISLAMIC BANKING BUSINESS

The Bank is operating with 10 Islamic Banking branches as of June 30, 2017 (December 31, 2016 : 10).

|  | Note         | June 30,<br>2017<br>Un-audited | December 31,<br>2016<br>Audited |
|--|--------------|--------------------------------|---------------------------------|
|  |              | Rupees in '000                 |                                 |
| <b>A) STATEMENT OF FINANCIAL POSITION</b>                |              |                                |                                 |
| <b>ASSETS</b>  |              |                                |                                 |
| Cash and balances with treasury banks                    |              | 901,514                        | 1,094,979                       |
| Balances with other banks                                |              | 19,269                         | 24,214                          |
| Due from financial institutions                          |              | -                              | 919,857                         |
| Investments  | 10.1 / A-1.1 | 1,811,540                      | 981,480                         |
| Islamic financing and related assets                     |              | 11,705,212                     | 8,222,658                       |
| Operating fixed assets                                   |              | 86,129                         | 94,118                          |
| Other assets   |              | 457,815                        | 1,299,245                       |
| <b>Total Assets</b>                                      |              | <b>14,981,479</b>              | <b>12,636,551</b>               |
| <b>LIABILITIES</b>                                       |              |                                |                                 |
| Bills payable  |              | 413,914                        | 491,048                         |
| Due to financial institutions                            |              | -                              | -                               |
| Deposits and other accounts                              |              |                                |                                 |
| -Current accounts  |              | 2,623,183                      | 2,772,405                       |
| -Saving accounts   |              | 1,645,291                      | 1,510,460                       |
| -Term deposits   |              | 2,480,243                      | 2,432,477                       |
| -Others  |              | 111,585                        | 38,015                          |
| -Deposits from financial institutions - remunerative     |              | 4,672,100                      | 4,147,991                       |
| -Deposits from financial institutions - non-remunerative |              | 44                             | 39                              |
| Other liabilities  |              | 1,690,704                      | 51,207                          |
| <b>Total Liabilities</b>                                 |              | <b>13,637,064</b>              | <b>11,443,642</b>               |
| <b>NET ASSETS</b>  |              | <b>1,344,415</b>               | <b>1,192,909</b>                |
| <b>REPRESENTED BY</b>                                    |              |                                |                                 |
| Islamic banking fund                                     |              | 1,325,000                      | 1,325,000                       |
| Reserves   |              | -                              | -                               |
| Unappropriated profits / accumulated (losses)            |              | 16,083                         | (130,526)                       |
| Surplus / (deficit) on revaluation of assets             |              | 1,341,083                      | 1,194,474                       |
|  |              | 3,332                          | (1,565)                         |
|  |              | <b>1,344,415</b>               | <b>1,192,909</b>                |
| <b>Contingencies and commitments</b>                     | A-1.2        |                                |                                 |
| <b>A-1.1 Islamic financing and related assets</b>        |              |                                |                                 |
| <b>Financings / Investment Receivable</b>                |              |                                |                                 |
| Murabaha   | A-1.1.1      | 1,278,931                      | 1,228,192                       |
| Musawamah  |              | 857,851                        | 887,155                         |
| Diminishing Musharaka                                    |              | 9,568,430                      | 6,107,311                       |
|  |              | <b>11,705,212</b>              | <b>8,222,658</b>                |
| <b>A-1.1.1 Murabaha financing</b>                        |              |                                |                                 |
| Financing  |              | 1,163,452                      | 683,057                         |
| Advances   |              | 115,479                        | 545,135                         |
|  |              | <b>1,278,931</b>               | <b>1,228,192</b>                |

# Notes To The Condensed Interim Financial Statements - Unaudited

For the half year ended March 31, 2017

|  | June 30,<br>2017<br>Un-audited | December 31,<br>2016<br>Audited |
|--|--------------------------------|---------------------------------|
|  | Rupees in '000                 |                                 |
| <b>A-1.2 CONTINGENCIES AND COMMITMENTS</b>   |                                |                                 |
| Guarantees favouring   |                                |                                 |
| - Government   | 1,041                          | 12,118                          |
| - Banking companies and other financial institutions   | <u>1,476,720</u>               | <u>1,255,214</u>                |
| - Others   | -                              | -                               |
| Commitments in respect of forward exchange promises  |                                |                                 |
| Forward exchange promises with State Bank of Pakistan,<br>banks and other institutions           |                                |                                 |
| - Sale   | -                              | -                               |
| - Purchase   | <u>1,316,949</u>               | <u>1,255,925</u>                |
|  | June 30,<br>2017<br>Un-audited | June 30,<br>2016<br>Un-audited  |
|  | Rupees in '000                 |                                 |
| <b>B) REMUNERATION TO SHARIA ADVISOR / BOARD</b>   | <u>4,974</u>                   | <u>4,917</u>                    |
| C) During the period no charity credited to Charity Fund Account nor any payment made out of it. |                                |                                 |
| <b>D) PROFIT AND LOSS ACCOUNT</b>  |                                |                                 |
| Profit / return earned on financings, investments and placements                                 | 536,171                        | 333,174                         |
| Return on deposits and others dues expensed  | (218,116)                      | (179,960)                       |
| <b>Net spread earned</b>   | <u>318,055</u>                 | <u>153,214</u>                  |
| <b>Other Income</b>  |                                |                                 |
| Fees, commission and brokerage income  | 13,057                         | 4,452                           |
| Income from dealing in foreign currencies  | 1,751                          | 978                             |
| Gain on sale of securities   | 1                              | 4                               |
| Unrealized loss on revaluation of investments - held-for-trading                                 | -                              | (425)                           |
| Other income   | 2,776                          | 3,022                           |
| <b>Total other income</b>  | <u>17,585</u>                  | <u>8,031</u>                    |
| <b>Other Expenses</b>  |                                |                                 |
| Administrative expenses  | (189,031)                      | (148,651)                       |
| <b>Profit before tax</b>   | <u>146,609</u>                 | <u>12,594</u>                   |

# Notes To The Condensed Interim Financial Statements - Unaudited

## For the half year ended March 31, 2017

### 29 FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of traded investments is based on quoted market prices. Fair value of unquoted equity investments other than investments in associates is determined on the basis of break up value of these investments as per the latest available audited financial statements, less impairment if any.

Fair value of fixed term loans, other assets, other liabilities, fixed term deposits and borrowings cannot be calculated with sufficient reliability due to absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments. The provision for impairment of loans and advances has been calculated in accordance with the Bank's accounting policy as stated in note 6.5 to the annual audited financial statements for the year ended December 31, 2016.

In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since assets and liabilities are either short-term in nature or in the case of customer loans and deposits are frequently re-priced.

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).

**29.1** The table below analyses the financial and non-financial assets carried at fair values, by fair value hierarchy. For financial assets, the Bank essentially carries its investments in debt and equity securities at fair values. Valuation of investments is carried out as per guidelines specified by the SBP. In case of non-financial assets, the Bank has adopted revaluation model (as per IAS 16) in respect of land and building.

|   | June 30, 2017 - Un-audited |            |           |            |
|---|----------------------------|------------|-----------|------------|
|   | Level 1                    | Level 2    | Level 3   | Total      |
|   | Rupees in '000             |            |           |            |
| <b>On balance sheet financial instruments</b>         |                            |            |           |            |
| <b>Financial assets measured at fair value</b>        |                            |            |           |            |
| <b>Held for trading securities</b>                    |                            |            |           |            |
| - Shares in listed companies                          | 15,734                     | -          | -         | 15,734     |
| <b>Available-for-sale Securities</b>                  |                            |            |           |            |
| - Shares in listed companies                          | 821,410                    | -          | -         | 821,410    |
| - Pakistan Investment Bonds                           | -                          | 6,749,726  | -         | 6,749,726  |
| - Market Treasury Bills                               | -                          | 13,686,833 | -         | 13,686,833 |
| - GOP Ijara Sukuk                                     | -                          | 3,811,540  | -         | 3,811,540  |
| - Term Finance Certificates - Listed                  | -                          | 102,588    | -         | 102,588.00 |
|   | 821,410                    | 24,350,687 | -         | 25,172,097 |
| <b>Non-financial assets measured at fair value</b>    |                            |            |           |            |
| Operating fixed assets - land and buildings           | -                          | -          | 2,567,478 | 2,567,478  |
| Non-banking assets acquired in satisfaction of claims | -                          | 12,299,443 | -         | 12,299,443 |
|   | -                          | 12,299,443 | 2,567,478 | 14,866,921 |
| <b>Off balance sheet financial instruments</b>        |                            |            |           |            |
| Foreign exchange contracts purchase                   | -                          | 12,274,424 | -         | 12,274,424 |
| Foreign exchange contracts sales                      | -                          | 7,519,204  | -         | 7,519,204  |

# Condensed Interim Statement of Financial Position

As at June 30, 2017

|   | December 31, 2016 - Audited |            |           |            |
|---|-----------------------------|------------|-----------|------------|
|   | Level 1                     | Level 2    | Level 3   | Total      |
| Rupees in '000                              |                             |            |           |            |
| On balance sheet financial instruments      |                             |            |           |            |
| Financial assets measured at fair value     |                             |            |           |            |
| Held for trading securities                 |                             |            |           |            |
| - Shares in listed companies                | 12,148                      |            |           | 12,148     |
| Available-for-sale Securities               |                             |            |           |            |
| - Shares in listed companies                | 440,492                     |            |           | 440,492    |
| - Pakistan Investment Bonds                 | -                           | 9,003,567  | -         | 9,003,567  |
| - Market Treasury Bills                     | -                           | 26,844,860 | -         | 26,844,860 |
| - GOP Ijara Sukuk                           | -                           | 981,480    | -         | 981,480    |
| - Term Finance Certificates - Listed        | -                           | 103,111    | -         | 103,111    |
|   | 440,492                     | 36,933,018 | -         | 37,373,510 |
| Non-financial assets measured at fair value |                             |            |           |            |
| Operating fixed assets - land and buildings | -                           | -          | 2,583,563 | 2,583,563  |
| Off balance sheet financial instruments     |                             |            |           |            |
| Foreign exchange contracts purchase         | -                           | 10,901,763 | -         | 10,901,763 |
| Foreign exchange contracts sale             | -                           | 5,894,494  | -         | 5,894,494  |

The valuation techniques used for above assets are as per the accounting policy as disclosed in the annual audited financial statements for the year ended December 31, 2016.

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 level 1 and 2 during the period.

## 30. GENERAL

**30.1** Figures have been rounded off to the nearest thousand rupees except stated otherwise.

## 31. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on August 24, 2017 by the Board of Directors of the Bank.

Azmat Tarin  
President & CEO

Munnawar Hamid, OBE  
Chairman

Shamsul Hasan  
Director

Tariq Iqbal Khan  
Director

# Branch Network

## ISLAMIC BANKING

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Branch Manager  
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34521766  
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Fax: (021) 35371839

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Fax: (081) 2866204

**Cazi Basharat-ul-Haq**  
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Manshehra Road,  
Abbottabad, KPK.  
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PABX: (0992) 385978-79  
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0331-5579746  
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## KARACHI REGION A & B

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Karachi.  
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**Sawera Adnan**  
Area Manager  
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106, Bahadur Yan Jung Co-operative  
Housing Society, Block 3, K.C.H.S.  
Union Limited, Bahadurabad,  
Karachi.  
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Fax: (021) 34145182

**Ch. Zafar Iqbal**  
Branch Manager  
Khalid Bin Waleed Road Branch,  
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A, Khalid Bin Waleed Road/Allama  
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34306521-23  
Fax: (021) 34306524

**Muhammad Khalid Choudhry**  
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Fax: (021) 32601312

**Mehboob Afridi**  
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Khayaban-e-Itehad Branch,  
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Main Khayaban-e-Itehad,  
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## LAHORE EAST

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**Liaquat Ali**  
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## LAHORE WEST

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# Branch Network

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 Batapur Lahore Lines.  
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 Dir: (042) 36580387  
 Fax: (042) 36580384

**Salman Sahuddin**  
**Area / Branch Manager**  
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## MULTAN REGION

**Muhammad Raza Ali**  
**Regional General Manager**  
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**Amjad Altaf**  
**Branch Manager**  
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**Afshan Noreen**  
**Branch Manager**  
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 6750256  
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**Imran Shafiq Khan**  
**Acting Branch Manager**  
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 Kharooni No. 07, Jall Road,  
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**Adil Jatoi**  
**Branch Manager**  
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**Muhammad Arif Irfan**  
**Area Manager**  
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**Mustafa Haider**  
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## ISLAMABAD REGION

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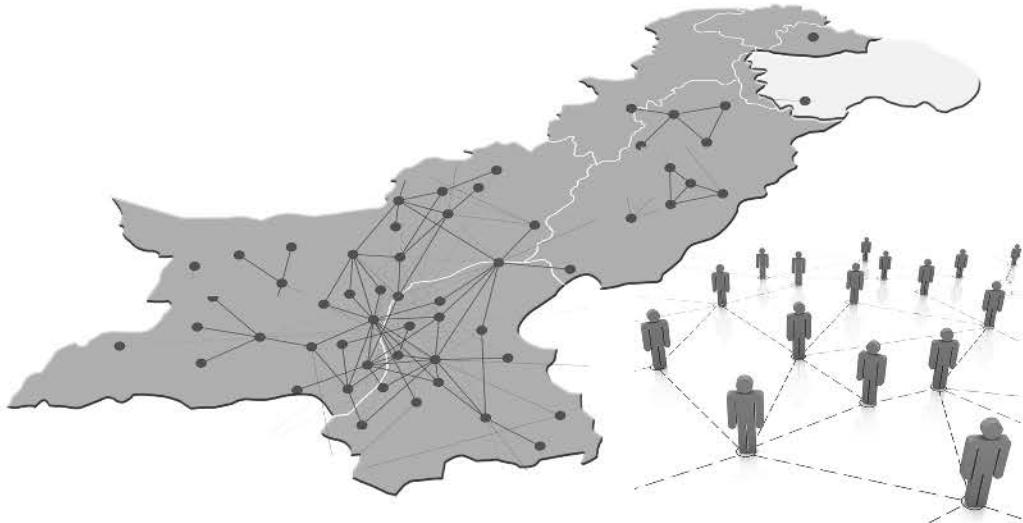
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# Foreign Correspondents

|   |   |  |   |
|---|---|--|---|
| <b>Afghanistan</b>  | <b>Egypt</b>  | <b>Deutsche Bank AG</b>  | <b>BNP Paribas Fortis Netherland NV</b>   |
| Habib Bank Ltd.   | Mashreqbank PSC<br>Al Baraka Bank Egypt   | Intesa Sanpaolo<br>Mizuho Corporate Bank Ltd.<br>UniCredit Banca S.P.A.<br>UniCredit Corporate Banking S.P.A.<br>UBI Banca<br>Cassa di Risparmio in Bologna<br>Veneto Banca SCPA | Nordea Bank Norge Asa<br>DNB Nor Bank ASA   |
| <b>Argentina</b>  | <b>Finland</b>  | <b>Japan</b>   | <b>New Zealand</b>  |
| Royal Bank of Scotland<br>Deutsche Bank AG  | Skandinaviska Enskilda Banken   | National Bank of Pakistan<br>Citibank N.A.<br>Bank of New York<br>JP Morgan<br>Mizuho Corporate Bank Ltd.<br>Sumitomo Mitsui Banking Corp.<br>UBAF                               | Westpac Banking Corporation   |
| <b>Australia</b>  | <b>France</b>   | <b>Kazakhstan</b>  | <b>Oman</b>   |
| JP Morgan<br>Westpac Banking Corp.  | Commerzbank AG<br>National Bank of Pakistan<br>UBAF<br>Habib Bank Ltd.<br>BNP Paribas SA  | BTB Bank JSC   | Habib Bank Ltd.<br>Oman International Bank<br>Bank Muscat   |
| <b>Austria</b>  | <b>Germany</b>  | <b>Kuwait</b>  | <b>Poland</b>   |
| Royal Bank of Scotland<br>Raiffeisen Bank International AG<br>UniCredit Bank Austria<br>Deutsche Bank AG  | Commerzbank AG<br>Danske Bank A/S<br>Deutsche Bank AG<br>National Bank of Pakistan<br>SEB AG<br>Landesbank Baden-Wurtemberg<br>Suedwestbank AG<br>UniCredit Bank AG<br>JP Morgan  | Gulf Bank K.S.C.<br>Al Ahli Bank of Kuwait K.S.C.<br>National Bank of Kuwait<br>Citibank N.A.<br>Mashreqbank PSC   | Nordea Bank Polska S.A.<br>Royal Bank of Scotland<br>Deutsche Bank AG   |
| <b>Bahrain</b>  | <b>Hungary</b>  | <b>Korea</b>   | <b>Philippines</b>  |
| Arab Investment Bank<br>Al Baraka Islamic Bank<br>BML Bank B.S.C.<br>Habib Bank Ltd.<br>United Bank Ltd.<br>National Bank of Pakistan   | K&H Bank Zrt<br>Magyarorszagi Volksbank RT<br>CIB Bank Ltd.<br>Commerzbank AG<br>Deutsche Bank AG   | Deutsche Bank AG<br>Korea Exchange Bank<br>Korea Development Bank<br>Kookmin Bank<br>JP Morgan<br>National Bank of Pakistan<br>Shinhan Bank<br>Suhyup Bank<br>UBAF               | JP Morgan<br>Mizuho Corporate Bank  |
| <b>Bangladesh</b>   | <b>Hong Kong</b>  | <b>Lebanon</b>   | <b>Portugal</b>   |
| Habib Bank Ltd.<br>Bank Alfalah   | Bank of America<br>BNP Paribas Fortis Bank<br>DBS Bank<br>Citibank N.A.<br>Deutsche Bank AG<br>Habib Finance Int'l Ltd.<br>HBZ Finance Ltd.<br>Intesa Sanpaolo<br>National Bank of Pakistan<br>Mashreqbank PSC<br>JP Morgan<br>Royal Bank of Scotland<br>UBAF | Habib Bank Ltd.  | Banco BPI S.A.<br>Deutsche Bank AG  |
| <b>Belgium</b>  | <b>India</b>  | <b>Malaysia</b>  | <b>Qatar</b>  |
| Habib Bank Ltd.<br>Commerzbank AG<br>KBC Bank N.V.<br>Fortis Bank S.A/N.V.<br>Royal Bank of Scotland<br>Deutsche Bank AG  | Mashreqbank PSC<br>Royal Bank of Scotland<br>Deutsche Bank AG<br>JP Morgan  | Citibank N.A.<br>Royal Bank of Scotland<br>Busan Bank<br>Wells Fargo Bank N.A.<br>WestLB AG  | United Bank Limited<br>Doha Bank<br>BNP Paribas Fortis Bank<br>Mashreqbank PSC  |
| <b>Brazil</b>   | <b>Indonesia</b>  | <b>Mexico</b>  | <b>Romania</b>  |
| Deutsche Bank AG  | Royal Bank of Scotland<br>JP Morgan   | Banco Del Bajio S.A.<br>Banco JP Morgan  | Piraeus Bank  |
| <b>Bulgaria</b>   | <b>Ireland</b>  | <b>Mauritius</b>   | <b>Russia</b>   |
| Citibank N.A.<br>United Bulgarian Bank  | JP Morgan   | Habib Bank Ltd.<br>Mauritius Commercial Bank Ltd.  | Citibank N.A.<br>Commerzbank AG   |
| <b>Canada</b>   | <b>Italy</b>  | <b>Morocco</b>   | <b>Saudi Arabia</b>   |
| Habib Canadian Bank<br>Royal Bank of Scotland   | Deutsche Bank AG  | Attijariwafa Bank  | JP Morgan<br>National Commercial Bank<br>Saudi Hollandi Bank<br>Deutsche Bank AG<br>Bank Muscat<br>National Bank of Pakistan<br>The Saudi British Bank  |
| <b>China</b>  | <b>Malaysia</b>   | <b>Nepal</b>   | <b>Singapore</b>  |
| Agricultural Bank of China<br>Commerzbank AG<br>Bank of Jiangsu Co. Ltd.<br>Bank of Communication<br>Royal Bank of Scotland<br>Bank of China<br>China Construction Bank<br>China Everbright Bank<br>Deutsche Bank AG<br>Industrial and Comm'l Bank of China<br>Laishang Bank Co. Ltd.<br>JP Morgan<br>Shenzhen Development Bank Co. Ltd.<br>Bank of New York Mellon<br>Wells Fargo Bank N.A.<br>WestLB AG | Citibank N.A.<br>Royal Bank of Scotland<br>JP Morgan  | Himalayan Bank Ltd.  | Royal Bank of Scotland<br>Bank of America<br>DBS Bank<br>Commerzbank AG<br>Deutsche Bank AG<br>Citibank N.A.<br>Habib Bank Ltd.<br>JP Morgan<br>Mizuho Corporate Bank<br>National Bank of Kuwait<br>Rabo Bank<br>Sumitomo Mitsui Banking Corporation<br>Ltd.<br>WestLB AG<br>UBAF |
| <b>Czech Republic</b>   | <b>Indonesia</b>  | <b>Netherlands</b>   | <b>South Africa</b>   |
| Commerzbank AG<br>Royal Bank of Scotland  | Royal Bank of Scotland<br>Deutsche Bank AG  | Commerzbank AG<br>Royal Bank of Scotland<br>Deutsche Bank AG<br>Habib Bank Ltd.<br>Royal Bank of Scotland  | Habib Overseas Bank Ltd.<br>HBZ Bank Ltd.<br>FirstRand Bank   |
| <b>Denmark</b>  | <b>Ireland</b>  |  |   |
| Danske Bank A/S   | National Irish Bank   |  |   |
|   | <b>Italy</b>  |  |   |
|   | Commerzbank AG<br>Royal Bank of Scotland<br>Banca Di Roma S.P.A.<br>Banco Di Napoli S.P.A.<br>Banco Popolare SOC<br>Banco Popolare Di Novara S.P.A<br>Banco Popolare Di Verona SGSP<br>Banca Monte Parma<br>Banca Carige S.P.A.<br>Banca UBAE<br>Icrea Banca  |  |   |

|                    |   |                 |   |
|--------------------|---|-----------------|---|
| <b>Serbia</b>      | BNP Paribas<br>Credit Agricole (Suisse) S.A.<br>Habibsons Bank<br>Royal Bank of Scotland<br>United Bank AG<br>Citibank N.A.<br>Commerzbank AG<br>Deutsche Bank AG | <b>U.A.E.</b>   | Bank of the West<br>Citibank N.A.<br>Commerzbank AG<br>Deutsche Bank Trust Co.<br>Doha Bank<br>Habib American Bank<br>Habib Bank Ltd.<br>Intesa Sanpaolo SPA<br>JP Morgan<br>Mashreq Bank PSC<br>Royal Bank of Scotland<br>National Bank of Fujairah<br>Habib Bank AG Zurich<br>Noor Islamic Bank<br>Commerzbank AG |
| <b>Slovakia</b>    | Commerzbank AG  | <b>Taiwan</b>   | Bank of New York<br>Bank of America<br>Deutsche Bank AG<br>Royal Bank of Scotland<br>JP Morgan<br>Wells Fargo Bank N.A.   |
| <b>Spain</b>       | Commerzbank<br>Fortis Bank S.A.<br>Banco Popular Espanol, S.A.<br>Bankinter S.A.<br>Caja Mediterraneo<br>Caja Espana de Inversiones<br>Caixa D'estalvis           | <b>Thailand</b> | Bank of Ayudhya Public Company Ltd.<br>Export Import Bank of Thailand<br>Royal Bank of Scotland<br>Citibank N.A.<br>Deutsche Bank AG<br>JP Morgan   |
| <b>Sri Lanka</b>   | Muslim Commercial Bank Ltd.<br>Deutsche Bank<br>Habib Bank Ltd.<br>Hatton National Bank   | <b>Turkey</b>   | Royal Bank of Scotland<br>Habib Bank Ltd.<br>Deutsche Bank AG<br>Turkiye Vakiflar Bankasi T.A.O<br>Turkiye Garanti Bankasi AS<br>Turk Ekonomi Bankasi AS  |
| <b>Sweden</b>      | Nordea Bank<br>Skandinaviska Enskilda Banken<br>Svenska Handelsbanken<br>Royal Bank of Scotland<br>Danske Bank  | <b>U.K.</b>     | ABC International Bank PLC<br>Bank of America<br>Clydesdale Bank<br>Deutsche Bank<br>Habib Bank AG Zurich<br>Habib UK<br>Commerzbank AG<br>Mashreq Bank PSC<br>Northern Bank<br>JP Morgan<br>Royal Bank of Scotland<br>Citibank N.A.<br>United National Bank  |
| <b>Switzerland</b> | Banque Cantonale Vaudoise<br>Habib Bank AG Zurich   | <b>U.S.A.</b>   | Royal Bank of Scotland<br>Bank of America<br>Bank of New York Mellon  |
|                    |   |                 | <b>Vietnam</b>  |
|                    |   |                 | JP Morgan<br>Deutsche Bank AG   |



## Social Networks



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