

PROTECTING DREAMS



ANNUAL REPORT | 2015

SILKBANK 
Yes we can

Protecting Dreams

Dreams open a doorway into the future. Dreams are the subconscious manifestation of the desire to turn the ordinary into extraordinary. At Silkbank, we value the dreams of our customers and work towards realization of those dreams through developing financial products and services. From excellence in service to innovative products, we endeavor to provide the best banking experience to our customers.





SILKBANK
Yes we can

Branch Banking

Every dream needs a destination. With Silkbank's network of over 78 conventional and 10 Islamic branches across Pakistan, we fulfill your financial needs. Our experienced staff is trained to respond to your queries while finding the best solutions tailored to your needs. From Current and Saving accounts to Term Deposits and Bancassurance products, we have what it takes to help you achieve your objectives. Get connected to growth and success.





SILKBANK
Yes we can

Alternate Delivery Channels

Time is money and Silkbank offers many smart solutions to achieve that. Our Alternate Delivery Channels are available anytime, anywhere. This includes Mobile Banking, Internet Banking, VISA Debit Card, Phone Banking and Utility Bill Payment Services. Stay in touch at your convenience.





SILKBANK 
Yes we can

Corporate & Investment Banking

Corporates require more than just advisory services. Our progressive and time-tested methods are built around specialized handling of customer needs in these ever-changing, fast-paced times. Therefore, move forward with us and experience our expertise in Capital Management, Debt and Equity Advisory, Mergers & Acquisitions along with Trade & Cash Management services for our select corporate and middle market customers.





Consumer Banking

Our commitment to long-term relationships with customers is what drives us to deliver only the best. Delivery of financial solutions through products like Personal Loan and Ready Line enables us to bring you closer to your dream lifestyle. Additionally, our innovative Credit Cards offer unique privileges such as 0% mark-up on Balance Transfer and an attractive Rewards Programme to suit the lifestyles of our customers.

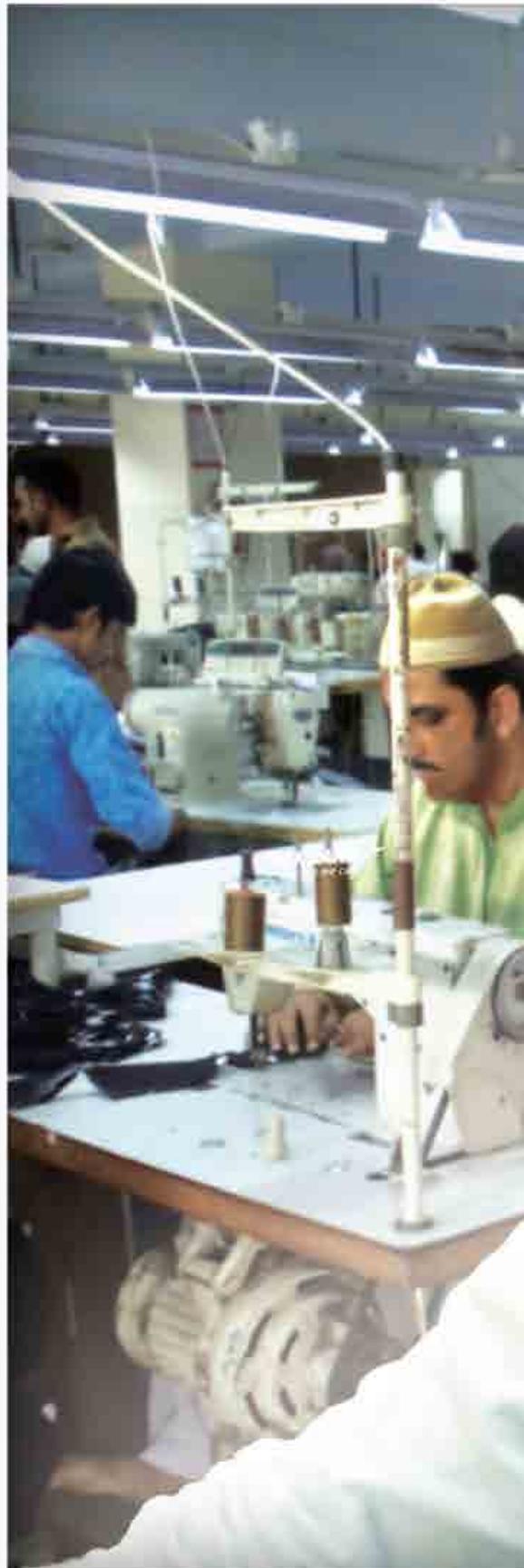




SILKBANK 
Yes we can

Small & Medium Enterprises

Dreams require security and business requires financial stability and prosperity. Silkbank offers customized solutions to get you there and keep you going. From managing your working capital requirements to growing your business and protecting it, we pave the way for you to succeed. Our products, which include Trade Services, Cash Management, M'Power and SME Cash Ease make the perfect match for your business needs.

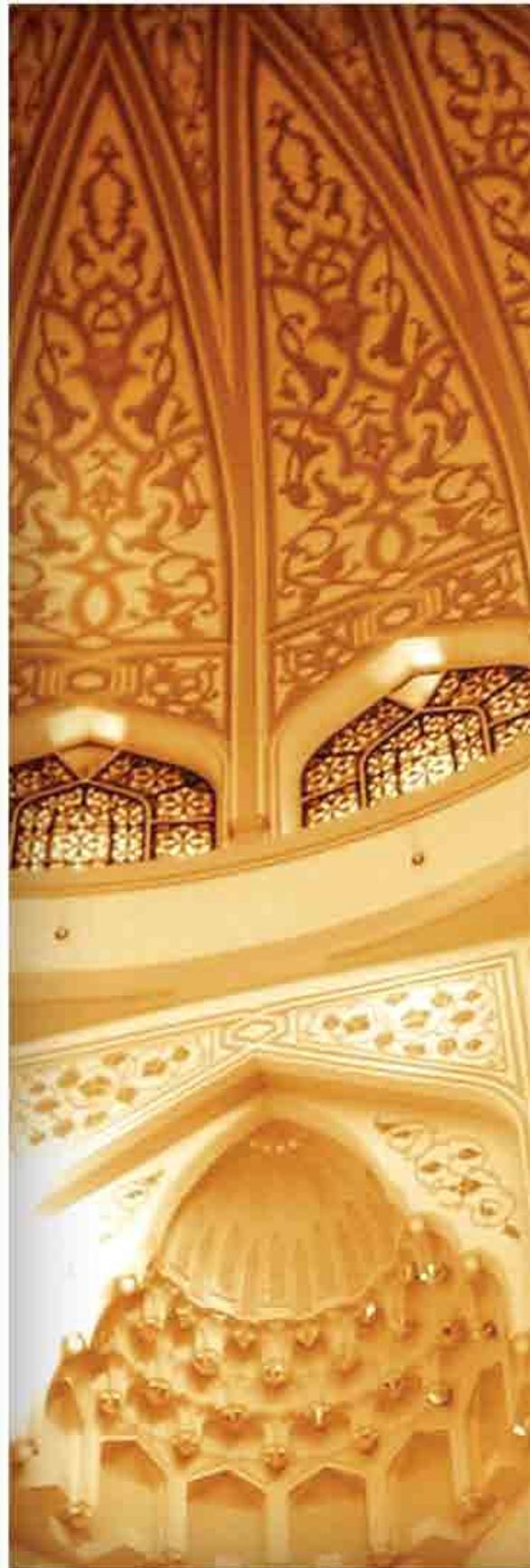


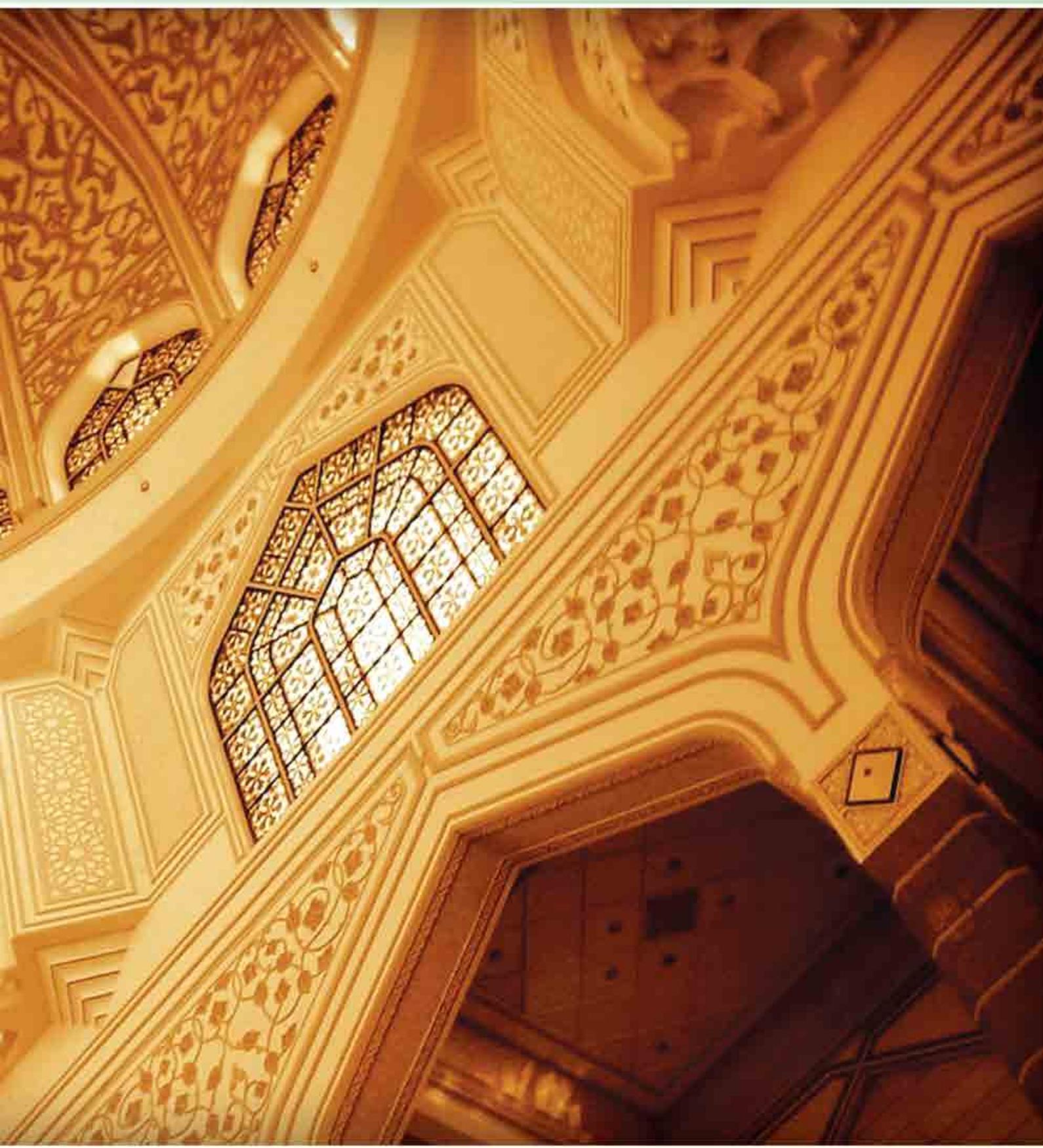


SILKBANK 
Yes we can

Emaan Islamic Banking

When we recognize what you value, we evolve with it. Ensuring your peace of mind and adhering to best practices, our Shariah compliant services help you manage your financial portfolio effectively. Emaan Islamic Banking products and services are Riba-free and Halal, designed in accordance with Shariah rules. Find contentment and peace with Emaan Islamic Bank.





Contents

Vision, Mission, Core Values	03
Products and Services	05
Chairman's Message	09
President's Review	11
Corporate Information	15
Board of Directors	19
Senior Management Committee	23
The Management	25
Corporate Profile	26
Directors' Report to the Members	27
Statement of Compliance with the Code of Corporate Governance and Statement of Internal Control	39
Notice of AGM	43
Auditors' Review	46
Independent Auditor's Report to the Members	47
Report of the Shari'a Board	49
Six Years Financial Highlights	53
Value Added Statement	54
Horizontal and Vertical Analysis	55
Graphical Presentation of Financial Progress	57
Statement of Financial Position	65
Profit & Loss Account	66
Statement of Comprehensive Income	67
Statement of Changes in Equity	68
Statement of Cash Flow	69
Notes to the Financial Statements	71
Statement of Written-off Loans	134
Emaan Islamic Banking Business	138
Milestones & Achievements	143
Fulfilling our Responsibility	145
Additional Shareholders' Information	149
Pattern of Shareholding - CDC and Physical	150
Branch Network	153
Foreign Correspondents	155
Proxy Form	160



Vision

Benchmark of Excellence in Premier Banking.

Mission

To be the leader in Premier Banking, trusted by customers for accessibility, service & innovation; be an employer of choice creating value for all stakeholders.

Core Values

Customer Focus

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

Integrity

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

Teamwork

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

Creativity

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

Meritocracy

Merit remains our key primary criteria for rewarding performance.

Humility

Humility remains at the core of all our relationships.



SILKBANK
Yes we can

Products & Services





SILKBANK
Yes we can

Products and Services

Branch Banking

Silkbank Current Accounts

Caters to a plethora of financial needs of a diverse customer base.

■ ALL-IN-ONE ACCOUNT

Provides ultimate protection and security to customers with amazing banking and transactional benefits.

■ BUSINESS VALUE ACCOUNT

A unique business Current Account that provides customers with protection and transactional benefits tailored for any business. It is the first account that provides comprehensive business inventory coverage for up to Rs. 10 million.

■ ONLINE EXPRESS

Online Express gives the customer complete online solutions under one roof with a variety of tier-based transactional benefits.

■ SALARY PREMIUM ACCOUNT

An exceptional Current Account offering a host of financial convenience, protection and lifestyle benefits with hassle-free salary processing.

■ ASAAN ACCOUNT

Provides financial convenience through the simplest process. All it takes is a CNIC, an initial deposit of Rs. 100 and a one-page form.



Silkbank Savings Accounts

Silkbank Savings products offer a host of attractive features and competitive returns with the convenience of a Current Account.

■ MUNAFA ROZANA

The only Savings Account in Pakistan that pays profit in cash daily. Profit on funds is calculated and paid into the customer's account on a daily basis.

■ PLS SAVINGS ACCOUNT

Provides the benefits of a Savings Account with the convenience of a Current Account.

■ SUPER SAVER ACCOUNT

Provides customers with the highest monthly returns on higher deposits and profit calculation on a daily profit basis with a monthly payout.

Silkbank Term Deposit Accounts

■ SALANA MUNAFA ACCOUNT

Offers the highest profit with payout on maturity. Customers can also avail an overdraft facility of up to 90% with other transactional benefits.

■ SILKBANK MAHANA MUNAFA ACCOUNT

Offers the highest profit with monthly payout. Customers can also avail an overdraft facility of up to 90% with other transactional benefits.

Bancassurance

Silkbank offers one-window operation for customers to enjoy assorted insurance coverage/plans through a bouquet of products: Mehfooz Har Pal, Roshan Mustaqbil, Silk Health Plan, Sunehra Kal, Silk Health Line, and Silk Secure Takaful.

Alternate Delivery Channels

Direct Internet Banking

With Silkbank Direct Internet Banking, customers can enjoy and manage their accounts anywhere, anytime.

Silkbank Phone Banking

Why walk to the bank when you can talk to the Bank! Silkbank Phone Banking officers ensure that customers' financial needs are taken care of with ultimate accessibility, convenience and security, 24/7.



Silkbank VISA Debit Card

Silkbank VDC, with local, international acceptance allows you to enjoy discounts up to 50% on assorted merchants and outlets, nationwide.

Utility Bills Payment Service

Customers can now use their Silkbanks VISA Debit Card at any Silkbanks ATM to pay their utility bills or top up their mobile phones, round the clock, free of charge!

Corporate and Investment Banking

Corporate Banking

Corporate banking is a one-stop shop for clients ranging from local corporate to multinational companies. We understand customers' business needs, which is why we offer customized solutions. Our experienced team gives our corporate customers complete attention and ensures that they receive premium service always.

Investment Banking

Silkbanks has an experienced and professional investment banking team that has been a prominent player in the market. We provide a complete array of Debit & Equity advisory and placement services through our vast distribution network of potential investors.

Middle Markets

Upholding the motto of "Yes we can", Silkbanks stretches to a nationwide network fully equipped to the vast and extensive middle market customers. Structured working capital lines are provided along with Current/Savings Accounts in order to enhance trade volumes of medium enterprises allowing them growth.



Consumer Banking

Personal Loan

Silkbanks offers the best Personal Loan for all your needs. Now you can apply for a fresh loan of up to Rs. 2 million. You can also transfer your outstanding loans from other banks and avail a wide range of benefits while enjoying the same monthly installment or even less. With Silkbanks Personal Loan, you can live up your dreams and enjoy life to the fullest. It is fast, convenient, flexible and affordable.

Silkbanks Ready Line

Ready Line is an evergreen Running Finance facility specifically designed to meet your emergency financial needs with credit facility of up to Rs. 2 million. It not only provides peace of mind but also helps customers meet their emergency cash needs and that too with the utmost convenience and freedom.

Silkbanks Credit Cards

The most innovative cards of the country, Silkbanks Credit Cards provide customers with 0% mark-up for an entire year upon transfer with Card Design Personalization and Customization. Silkbanks Credit Card customers can enjoy up to 50% discount on assorted merchants and outlets with the added facility of Extended Payment Plan (EPP).



Small and Medium Enterprises

M'Power

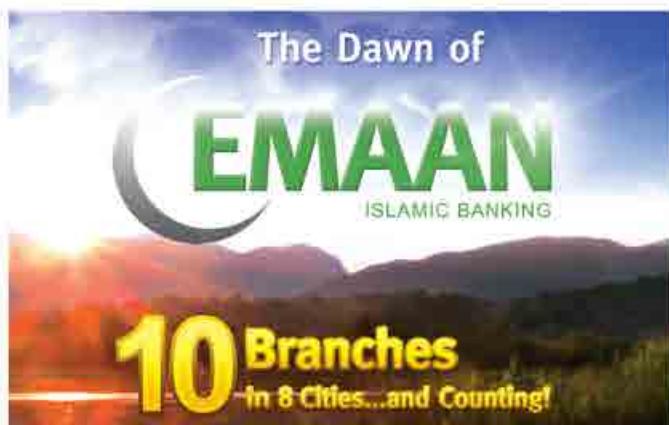
Silkbanks M'Power is a running finance facility, which is structured according to your preferences and provides the best solution to meet your financing needs with credit financing up to Rs. 15 million. It helps you to leverage every business opportunity that comes your way and gives you greater freedom to focus on every important aspect of your business's growth.

SME Cash Ease

SME Cash Ease (Local Bill Discounting Program) is a liquidity solution for SME level businesses to maintain a profitable working relationship with their client companies.

Emaan Islamic Banking

Emaan Islamic Banking inaugurated in 2012 with 10 branches nationwide is geared towards providing Shariah-compliant banking products along with high level of customer satisfaction. Emaan Islamic Banking offers an array of products to meet the financial needs of customers, including Current Accounts, Savings Accounts, Term Deposits, Takaful and saving plans.



Chairman's Message

Dear Stakeholders,

Silkbanks, with the inflow of additional capital in 2015, has a high growth potential. Now our Bank is not only compliant of the Minimum Capital Requirement set by the Central Bank but is now also maintaining a Capital Adequacy Ratio of much above the required level of 10%, which would help in winning investor confidence.

Over the past years, the management has worked to integrate responsibility and sustainability across every aspect of the business. It has continued to invest capital significantly in order to create shared value with employees, communities, customers, consumers and shareholders. Sustainability initiatives have focused on the key areas: Improvement in Service; Maintaining Low Cost of Funds; Increasing Distribution Footprint; Reducing Non-Earning Assets; Expense Rationalization and Focus on Customer Franchise and Employees.

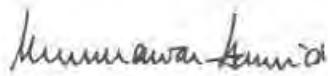
It is a great pleasure for me to inform all our shareholders that Silkbanks has been able to anticipate and evolve offerings to customers newer and simpler solutions with easy and universal access. All this has been possible due to the use of technology, as a strategic element to differentiate versus competitors.

Most importantly, Silkbanks valuable asset is its people who will continue to be strengthened and empowered. The Banks commitment to corporate governance will remain on priority in maintaining the trust of our stakeholders and managing risk.

Over the past several years we have worked to ensure the right balance of skills and breadth of experience on our Board. During the year, we have also welcomed new investors on the Board consequent to the Rights Issue.

As we look to the years ahead we renew our pledge to remain committed to excellence, keep abreast of changes and innovations and develop more effective management techniques to successfully overcome all challenges.

I look forward to seeing you at our Annual General Meeting.



Munnawar Hamid, OBE
Chairman



President's Review

Dear Shareholders,

The Year 2015 has been very positive for Pakistan, in respect of its economic and political outlook compared to the past two years. The recent measures and operations undertaken by the leadership of Pakistan have shown Pakistan's resolve to curb terrorism from the roots, thus creating a favorable business climate.

Improving finances, low inflation, economic reforms and lower energy prices also contributed towards Pakistan's economic optimism. The increase in confidence shown by the international donor agencies, government's energy sector initiatives, and significant interest shown by China to invest in Pakistan through China Pakistan Economic Corridor (CPEC) and government's plans and initiatives towards fast-track privatization ensured continuous economic growth.

This year, the SBP's foreign exchange reserves crossed USD 20 billion mark. Due to a comfortable foreign reserve position, the rupee witnessed 4% devaluation only. The Consumer Price Index (CPI) was at an average of 2.5% for the year 2015 leading to a reduction in the Discount Rate from 10%, bringing it down to Policy Rate of 6.0%.

In 2015, we continued working towards achieving capital compliance requirements, set by the SBP. With relentless efforts, the Bank has, Alhamdulillah, crossed the threshold of Minimum Capital Requirement (MCR) of Rs. 10 billion and Capital Adequacy Ratio of 10%.

The hard work and dedication of employees, enabled us to make great strides in building deposits where a major growth was witnessed in current account deposits. We invested in technology and communications and in training & developing our people. The Special Assets Management Group (SAMG) of the Bank once again exceeded expectations and contributed a net amount of Rs. 1,968 million to the P&L Account with a total NPL reduction of Rs. 2,166 million.

Your bank also maintains a leadership position in Customer Service excellence, which is embedded in our culture as a part of our core values. We endeavor to provide a unique customer experience by proactively anticipating our customers' needs and expectations. In recognition of our customer centric pursuits, we have been repeatedly rated amongst the top service providers in the industry. This has been established through independent surveys, conducted by a leading market research consultancy. Your bank will continue to work on its vision, to be the "Benchmark of Excellence in Premiere Banking" to ensure unmatched service to our customers.

During the year, the Bank's strategy focused on reducing the cost of funds by decreasing expensive deposits and replacing them with low cost funds.



SILKBANK 
Yes we can

President's Review

Our continued focus on booking high-yielding consumer assets was yet another strategic initiative. Credit Cards registered a growth in Ending Net Receivables (ENR) by Rs. 580 million and closed at Rs. 2,459 million, with Total Cards in Force (CIF) at 65,575 cards as of December 31, 2015. The momentum in Personal Installment Loans & Running Finance facility was maintained with a combined year end 2015 ENR of Rs. 8.6 billion vs. Rs. 6.9 billion in 2014. The strategy followed in Personal Installment Loans was to promote and focus on loan top-ups to customers with good credit history who have enjoyed a profitable relationship with the Bank. This aided in enhancing the product yield and diminishing customer acquisition cost. The strategy helped in strengthening ties with customers by entering into a long-term relationship and simultaneously, helped manage portfolio attrition prudently. Silkbank Ready Line, launched in 2011, is a running finance facility, which has earned a name for itself within a short span of time. It is, ostensibly, the most sought-after loan product in the market. We further strengthened the portfolio of alliances with popular merchants across Pakistan that enabled us to increase our VDC customer base by 27,216 during the year 2015. Silkbank Visa Debit Cards reflected a growth of 12.30% over last year with a spend volume of Rs. 1,137.72 million. Our extensive ATM availability contributed significantly to the enhanced ATM usage which grew by 12.69%, with an impressive average of cash dispensed, of over Rs.15 billion during the year 2015.

The Alternate Delivery Channels (ADC) business continues to be an important tool in cost reduction, customer loyalty and in projecting the Bank's innovative positioning. Your Bank now provides SMS alerts to 58,425 customers. Internet Banking is now being used by more than 19,000 customers, while E-Statements are being sent to more than 33,000 account holders. Silkbank has also successfully launched a Mobile App, which allows the customers to pay their bills, transfer funds, request cheque books, besides many other services. We now have 9,000 Mobile Banking customers. This ensures timely delivery and reduction in courier costs. Your bank makes a continuous effort to stay abreast with technology which aims at further strengthening your Bank's innovative positioning.

Your bank has continued to be a major player in Wealth Management. Our Bancassurance business offers simultaneous protection, investment and health insurance products with a revenue of Rs. 44.03 million in 2015.

During the year, a strong focus was maintained to build non-funded trade business from our middle market branches along with emphasis on low-cost deposit generation. The Corporate Banking Group formed a dedicated liability team, that will not only target corporate deposits but will also spearhead cash management initiatives to generate funds.

Emaan Islamic Banking has established in just three years since inception a strong liability and asset business. The unit has efficiently managed its existing portfolio and reduced the cost of funds to further improve spreads. Emaan Islamic Banking deposit book stands at Rs. 12.6 billion as of December 31, 2015 compared to Rs. 9.4 billion as of December 31, 2014. On the asset side, its financing book stands at Rs. 5.4 billion as of December 31, 2015.

Your Bank manages its liquidity with stringent risk management and prudent liquidity management techniques. Silkbank's Treasury department continued its exceptional performance as the Bank's total FX income earned in 2015 was Rs. 243 million. During the year, treasury realized total capital gains of Rs. 691 million in Fixed Income and Equity Markets.

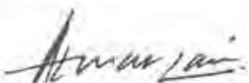
Your Bank continued to enhance its risk management capability in the Corporate, Middle Market, SME and Consumer businesses. Assessment of the Risk Acceptance Centre (RAC's) is an ongoing exercise, which enables the Bank to keep its risk appetite at acceptable levels. The Internal Control and Compliance Team's continued vigilance of branches and other support functions, which include sharing of guidelines to educate and guide staff to ensure better control standards. Another critical initiative was to rationalize expenses and its operating costs which included telecom and hardware optimization and a constant review of major expense lines.

Our people form the backbone of our organization. The choice of the right people for the right position is by far the most important challenge for leadership. While continuing the culture of Learning & Development, the bank dedicated more than 34,000 hours towards training of staff.

With the capital inflow of Rs.10 billion through a Rights Issue, in due course, we aim at increasing our distribution footprint by adding new branches, both on the Conventional and Islamic Banking side. We will maintain our focus on making financing more affordable to the consumers, thus penetrating into segments previously unserved.

It is my great honor to continue to lead the dynamic Silkbank team. I would thank every member of the organization for the dedication, commitment and hard work during the year. I would also thank our various Stakeholders, the State Bank of Pakistan, Sponsors and Directors for their continued guidance, support and patronage.

Yes we can,



Azmat Tarin
President & CEO

Corporate Information

For the year ended
December 31, 2015





Corporate Information

Board of Directors

Munnawar Hamid, OBE	Chairman
Adnan Afzidi	Director
Khalid Aziz Mirza	Director
Sadeq Sayeed	Director
Shamsul Hasan	Director
Tariq Iqbal Khan, FCA	Director
Talha Saeed Ahmed	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
Adnan Afzidi	Member
Talha Saeed Ahmed	Member
Wajih Zaidi	Secretary

Risk Committee

Shamsul Hasan	Chairman
Sadeq Sayeed	Member
Muhammad Atif Kauser	Secretary

Human Resources Committee

Munnawar Hamid, OBE	Chairman
Khalid Aziz Mirza	Member
Azmal Tarin	Member
Muhammad Muntazir	Secretary

Auditors

Deloitte Yousuf Adil
Chartered Accountants

Legal Advisor

Ghani Law Associates

Registered Office

Silkbank Building, 3rd Floor, 18 - C, Kaghan Road, F-8, Markaz,
Islamabad Capital Territory, Islamabad.

Direct Tel: 051-2287575
PABX: 051-2287448-49
Fax: 051-2287576

Email: companysecretary@silkbank.com.pk
Website: 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
Website: www.cdcPakistan.com

Board of Directors

Khalid Aziz Mirza
Director

Tariq Iqbal Khan
Director

Azmat Tarin
President & CEO

Shaukat Tarin
Advisor to the Chairman



Munnawar Hamid, OBE
Chairman

Talha Saeed Ahmed
Director

Shamsul Hasan
Director

Sadeq Sayeed
Director

Adnan Afridi
Director



Profile of Board of Directors

Mr. Munnawar Hamid, OBE - Chairman

Mr. Hamid was elected as Independent Director and Chairman of the Board, in March 2008 and was re-elected as an Independent Director by the shareholders of the Bank. Mr. Hamid was also appointed as the Chairman by the Board in August 2011 and also in August 2014 and has held this position since then. Mr. Hamid gained experience of commerce and industry while serving in a major chemicals company, ICI Pakistan Limited, as Chief Executive, as well as Chairman of a number of subsidiary companies of Global Corporations in Pakistan, which include ICI Pakistan and Pakistan PTA (now Lottee Pakistan PTA Ltd.). He has also served in London as a Global Senior Corporate Planner ICI Plc for its Pharmaceuticals, Agrochemicals and Seeds, and especially Chemical Businesses. Subsequently, he was the Advisor to the CEO of ICI Plc London, for South Asia. In addition to the Corporate sector, Mr. Hamid has been associated with a number of Boards, high-level consultative bodies, Public Sector Organizations, leading Advanced Educational Institutions and the Financial Sector of Pakistan. In October 1997, he was appointed Officer in the Most Excellent Order of the British Empire (OBE) by HM the Queen, for services to ICI and Economic Development in Pakistan. Mr. Hamid is a graduate from Punjab University, and also holds BA (Hons) and a Master's degree from Cambridge University (Gonville & Caius College), UK. He has over 45 years of experience in the fields of business & corporate management and operations. Mr. Hamid is also currently associated with the following organizations:

■ Linde Pakistan Ltd. (formerly BOC Pakistan Ltd.)	Chairman
■ The Aga Khan University	Member Board of Trustees
■ The Aga Khan University	Gratuity Fund Trustee
■ The Aga Khan University	Provident Fund Trustee

Mr. Tariq Iqbal Khan - Director

Mr. Tariq Iqbal Khan was elected as an Independent Director on the Board of the Bank in December 2010 and was also re-elected as a Director by the shareholders of the Bank in August 2011 and August 2014 and has held this position since then. He is also the Chairman of the Audit Committee of the Board. Mr. Tariq Iqbal Khan is the Ex-Chairman of National Investment Trust Limited. He has also served on various positions in Federal Board of Revenue (FBR) and Securities and Exchange Commission of Pakistan (SECP). Mr. Khan has also played a significant role as Pakistan Banks Association's Chairman. Mr. Khan is a Chartered Accountant by profession, and has over 30 years of experience. He has served on the Boards of various other banks and companies. Currently he holds directorship in the following companies:

Name of Organization	Position Held
■ Pakhtunkhaw Energy Development Organization	Chairman
Listed Companies	
■ International Steels Limited	Director
■ Lucky Cement Limited	Director
■ National Refinery Limited	Director
■ Packages Limited	Director
■ Pakistan Oil Fields	Director
■ Attock Refinery Limited	Director
Unlisted Companies	
■ FFC Energy Limited	Director
■ CAS Management (Pvt) Limited	Director
Non-Profit Organization	
■ Islamic International Medical Trust	Director
■ High Altitude Sustainability Trust	Director

Mr. Sadeq Sayeed - Director

Mr. Sayeed was elected as a Non-Executive Director on the Board of the Bank in March 2008, was also re-elected as a Non-Executive Director by the shareholders of the Bank in August 2011 and August 2014 and has held this position since then. He is also member of the Risk Committee of the Board. Mr. Sayeed was appointed as Chairman of Metage Capital Ltd., an investment firm based in London, in March 2011. Prior to this, Mr. Sayeed was the CEO of Nomura International from 2008, having joined the company in 2000 as Special Advisor. This appointment followed the acquisition of the Lehman Brothers businesses in EMEA and Asia in which Mr. Sayeed played a key role. In addition, he was the Chairman of both the European Management Committee and the European Capital Commitments Committee at Nomura. In 2011, Mr. Sayeed retired as CEO of Nomura.

Previously Mr. Sayeed had been responsible for a number of key strategic projects globally, including the creation of Terra Firma Capital Partners, a £2 billion private equity fund. He was also responsible for creating the joint venture between Rothschild and Nomura, in respect of their global investment banking activities. Mr. Sayeed has over 30 years of experience in investment banking, including arbitrage trading, structured finance, fund management and financial advice. He has previously served as Managing Director of Credit Suisse First Boston, where he spent 15 years, and served as a member of the Operating Committee. Prior to his global investment banking career, he was Consultant to the World Bank in Washington DC. Mr. Sayeed holds an under-graduate degree in economics with concentration in electrical engineering, from Massachusetts Institute of Technology (MIT), as well as a Master's degree in finance from MIT's Sloan School. Mr. Sayeed is an Associate Scholar at Pembroke College, Cambridge. He is also an Adjunct Professor at Imperial College Business School, in London. He currently holds the following positions:

■ Metage Capital Limited	Chairman
■ Sinthos Capital Advisors LLP	Partner

Mr. Shamsul Hasan - Director

Mr. Shamsul Hasan was appointed by the Board as a Non-Executive Director on the Board of the Bank in November 2012 and was re-elected as an Independent Director by the shareholders of the Bank in August 2014 and has held this position since then. He is also the Chairman of the Risk Committee of the Board. Mr. Hasan is a senior investment and corporate banker. Prior to his joining the Bank, Mr. Hasan was the Managing Director and Chief Executive Officer of Pakistan Kuwait Investment Company (Pvt.) Ltd., a joint venture of Governments of Pakistan and Kuwait, from November 2008 till August 2011. Through his dynamic leadership, he completely turned around the company into a profitable organization. In 2011, Pakistan Kuwait Investment Company was given a Credit Rating of "AAA" by two independent credit rating agencies; it also achieved a very high Corporate Governance Rating. Mr. Hasan has also worked as the Country Head of Corporate & Investment Banking Group of the then Saudi Pak Commercial Bank Limited. He has over 33 years of banking experience with other local and international banks, and has a proven track record of over 20 years experience in senior management. He is a graduate of Pakistan Military Academy, Kakul. Mr. Hasan has extensive banking training and has attended various international management development programs, conducted by INSEAD France, National University of Singapore, Institute of Islamic Banking London and Euro Money London.

Mr. Adnan Afridi - Director

Mr. Adnan Afridi was elected as a Director on the Board in August 2014. He is also member of the Audit Committee of the Board. Mr. Afridi has served as Chief Executive - AVA Water, Managing Director, Pakistan - Start Consult; Chief Executive Officer/Secretary General - Overseas Investors Chamber of Commerce and Industry (OICCI) and Chief Executive Officer/Managing Director - Karachi Stock Exchange (Guarantee) Limited, Karachi. He is currently working as Chief Executive Officer, Tethyan Group. Prior to joining Tethyan Group, he also served as Senior Advisor to Board Strategy and Investor Relations in Silkbank Limited. Mr. Afridi holds J.D. (Juris Doctorate) degree from Harvard Law School Cambridge, MA, USA. Mr. Afridi has 18 years international experience in change management, business transformation, innovation and profitability in blue chip companies, private-sector and start-up situations. He has also international work experience in USA, EU (UK, Italy, Turkey, France) and UAE.

Mr. Khalid Aziz Mirza - Director

Mr. Khalid Aziz Mirza was elected as an Independent Director on the Board in August 2014. He is also a member of the HR Committee of the Board. Mr. Mirza has a Masters of Commerce (M.Com) degree from University of Punjab, Lahore, Pakistan. Mr. Mirza has served at various positions in Investment Corporation of Pakistan (ICP), Credit & Finance Corporation - London; International Finance Corporation (IFC) (Member, World Bank Group) and The World Bank - Washington DC, USA. Besides this, he has also served as Chairman - Securities & Exchange Commission of Pakistan (SECP); Chairman and Chief Executive - Monopoly Control Authority, GoP; Chairman and Chief Executive - Competition Commission of Pakistan and Member - Competition Appellate Tribunal. Mr. Mirza is Professor of Practice currently in Lahore University of Management Sciences (LUMS), Pakistan. Mr. Mirza is also Independent Director/Chairman on the Board of Primus Investment Management and Independent Director of the Board Mediterranean and Gulf Insurance and Reinsurance Co. B.S.C., Bahrain.

Mr. Talha Saeed Ahmed - Executive Director

Mr. Talha Saeed was appointed as Executive Director on the Board of Silkbank in April 2015. He has over 27 years of experience at senior positions in leading financial institutions. He has held a number of important appointments in NDFC, ANZ Grindlays Bank, Union Bank and Standard Chartered Bank. He is presently Executive Director/Group Head of Retail Banking, looking after Branch Banking, Consumer Assets and Small & Medium Enterprises Business. Previously he has been Country Head and General Manager of Small & Medium Enterprises Group and Regional Head of Retail Banking. Apart from holding the above appointments he was also a member of the Senior Management Committee in Standard Chartered Bank.

Additionally, Mr. Saeed currently holds the position of Director on the Board of Lahore Stock Exchange and was also Convenor of The Regulatory Affairs Committee of Lahore Stock Exchange. He has been regularly attending many training courses and workshops in Pakistan and abroad. On and off he has attended conferences on SMEs organized by International Finance Corporation (IFC). He is a Certified Trainer of IFC on SME Banking. Some of his major achievements during his career are; pioneering programmed based lending to SMEs in Pakistan; setting up SME businesses from scratch in three banks; and setting up Consumer Business in Silkbank. Besides, these core responsibilities, he is also a member of the following Senior Management Policy Forums of the Bank:

1. Senior Management Committee
2. Asset and Liability Committee (Treasury)
3. Senior Human Resource Committee
4. IT Steering Committee
5. Market Risk Committee
6. Acting CEO in absence of the CEO

Mr. Saeed holds a Master's degree in Economics from Quaid-e-Azam University, Islamabad and is a Commerce graduate from Hailey College of Commerce. He is a fellow member of the Institute of Bankers in Pakistan and a Certified Director on the panel of Pakistan Institute of Corporate Governance. He is also a trainer for National Institute of Banking and Finance and State Bank of Pakistan for Small & Medium Enterprises Business. He has also conducted training on SMEs in Islamic Banking.

Mr. Azmat Tarin - President & CEO

Mr. Tarin is the President & CEO of Silkbank since October 2008. Prior to that, he was the Executive Director in Silkbank. He is also member of the HR Committee of the Board. Mr. Tarin is a career banker with an experience of over 25 years. He started his career in Branch Operations in Lincoln Savings, California, in 1989.

Subsequently, he moved to Saudi American Bank in Riyadh, where he was involved in a project of centralizing operations. He has also attended the Management Associate Program at the Saudi American Bank. His first banking assignment in Pakistan was with Union Bank Ltd. from 1999 to 2006 as Head of Retail Banking, where he was a part of the core team that turned the bank into one of the most profitable banks of the country. In addition, he served on the Board of Union Leasing from 2001 to 2006. Mr. Tarin is also serving as a Director of Sinthos Capital Holding Ltd.

Mr. Tarin is a Master of Business Administration (MBA) in Management Sciences from Pepperdine University, Los Angeles, California.

Senior Management Committee



Standing L to R: Masroor Qureshi, Shuja Ahmed Alvi, Wajih Zaidi, Javed Yousuf Edhi, Junaed Rayaz Chaudhry, Uzman Naveed Chaudhary

Sitting L to R: Jawad Majid Khan, Jamil A. Khan, Goharulayn Afzal, Khurram Khan



Standing L to R: Ali Kashif Rizvi, Imran Aslam, Kamran Bashir, Shahram Raza Bakhtiari, Mansoor Mukhtar, Umar Saeed Khan
Sitting L to R: Talha Saeed Ahmed, Azmat Tarin, Kasim Feroze Khan, Muhammad Saqib Pal

The Management

Azmat Tarin	President & CEO
Talha Saeed Ahmed	Executive Director
Goharulayn Afzal	Chief Operating Officer
Kasim Feroze Khan	Director Emaan Islamic Banking
Masroor Qureshi	Group Head Wholesale Banking
Jamil A. Khan	Group Head Compliance & Internal Control Division
Muhammad Saqib Pal	Chief Risk Officer
Khurram Khan	Chief Financial Officer
Wajih Zaidi	Head Internal Audit
Uzman Naveed Chaudhry	Company Secretary, Head Investor Relations & Legal Affairs
Kamran Bashir	Group Head Special Assets Management
Ali Kashif Rizvi	Head Treasury & FI
Imran Aslam	Head Branch Banking
Javed Yousuf Edhi	Group Head Information Technology & Operations
Jawad Majid Khan	Group Head Islamic Banking
Junaed Rayaz Chaudhry	Head Consumer Risk
Mansoor Mukhtar	Head SME Relationship
Shahram Raza Bakhtiari	Head Consumer Banking
Shuja Ahmed Alvi	Head Investment Banking
Umar Saeed Khan	Head Corporate Banking



Corporate Profile

Background:

Silbank is a scheduled commercial bank listed on all stock exchanges in Pakistan with its Central Office located in Karachi. On September 15, 2001, under the supervision of SBP, the institution then known as Prudential Commercial Bank Limited was acquired by Saudi Pak Industrial and Agricultural Investment Company (Pvt). Limited and renamed as Saudi Pak Commercial Bank Limited.

On March 31, 2008, a Consortium comprising International Finance Corporation, Bank Muscat S.A.O.G, Nomura European Investment Limited and Sinthos Capital Advisors (led by Mr. Shaukat Tarin and Mr. Sadeq Sayeed) acquired a majority stake in Saudi Pak Commercial Bank Limited, which was subsequently rebranded as Silbank Limited on June 01, 2009.

Major shareholders of the Bank as on December 31, 2015 are Sinthos Capital comprising of Mr. Shaukat Tarin, Mr. Sadeq Sayeed and Mr. Azmat Tarin, Ms/ Arif Habib Corporation Limited, International Finance Corporation (IFC), Nomura European Investment Limited, Bank Muscat S.A.O.G and Mr. Zulqarnain Nawaz Chatta and Mr. Zubair Nawaz Chatta of Gourmet Group.

The Bank is engaged in providing financial services via 88 branches located in 33 cities throughout the country and offers a range of retail, consumer, corporate and Islamic products.

CONSORTIUM PARTNERS



A member of the World Bank Group, IFC fosters sustainable economic growth in developing countries.



Largest bank of Oman with assets of over USD 15 billion, having significant presence in the Middle East.



A leading investment bank with network in over 30 countries and total assets of USD 221 billion. Recently acquired Lehman Brothers in Asia and Europe.



Reports & Statements to the Members

For the year ended
December 31, 2015





Director's Report

For the year ended
December 31, 2015

Dear Shareholders,

The Directors are pleased to present the 22nd Annual Report and the audited financial statements for the year ended December 31, 2015.



Economic Review

Pakistan's economy is improving both quantitatively and qualitatively. Major successes in the outgoing fiscal year include improving economic growth, inflation contained at low levels, improvement in tax collection, reduction in fiscal deficit, higher workers remittances, successful launching of a Sukuk, foreign exchange reserves increasing significantly and the stock market reaching new highs.

China and Pakistan have agreed to establish a China Pakistan Economic Corridor between the two countries. This corridor will serve as a means for connectivity with major consequential economic benefits and an opportunity to uplift socio-economic conditions in the country.

The Banking Sector

The Discount Rate was maintained at 6.5% during most part of the year, and banking sector spreads slipped by 43 bps, averaging 5.56% compared to 5.99% in the preceding year. The banks to shield themselves and take advantage of an additional yield of 200 bps above the prevailing T bill yields invested heavily in PIBs which emerged as the leading investment avenue in which investment rose from Rs. 2,170 billion in CY-14 to Rs. 3,196 billion in CY-15.

Advances made in the Banking Sector improved by Rs. 323 billion during 2015.



Silkbank's performance during 2015

Overall Financial Performance

The Bank was successful in raising Rs. 10 billion in 2015 through the Rights Issue to become MCR and CAR compliant.

The performance during the year 2015 in each of the main strategic areas of focus was as follows:

■ COST OF FUNDS

In order to manage the cost of funds, the Bank continued to consolidate the position by decreasing expensive deposits and replacing them with low cost deposits. Emaan banking also contributed towards the growth of a deposit base with a favorable CASA mix ratio and so support spreads.

■ EXPENSE RATIONALIZATION

During the year, the management undertook significant initiatives in organization restructuring and rationalization and also to control rent and other expenses of premises.

■ HIGH MARGIN CONSUMER ASSETS

Running finance and Personal loans also continued to expand very satisfactorily, followed by credit card. The ending net receivables in the consumer portfolio contributed Rs. 518 million to earnings before interest & taxes.

Given the Bank's overall capital position successfully supported by the recent Rights Issue, the management deemed it prudent to be aggressive in its provisioning, even in cases where settlement had reached final stages and the reversal of the said provision was imminent. However, due to the timing of these transactions, the reversals could not materialize before year end. The management has presented to the Board a detailed plan for reversal of the said provisions and are confident that the bulk of the provisions recognized this year will be reversed in the first half of 2016. In addition the Bank's financial performance has also been adversely impacted by the significant reduction in spreads as a consequence of the unprecedented fall in discount rates.

The consequent financial performance in the 2015 compared to 2014, despite the continuous & consistent improvement in the operational performance of all businesses, was as follows:

Financial Performance

Financial Performance	Rs. in million	
	2015	2014
Net mark-up income	3,099.630	3,460.117
(Provisions)/Reversal, Impairment and others	(724.377)	(367.613)
Non mark-up income	1,894.323	1,720.363
Non mark-up expense	(6,109.278)	(4,681.452)
Profit before tax	(1,839.702)	131.415
Tax/(Reversal) of tax	128.097	(44.555)
Profit after tax	(1,711.605)	86.860
Rupee		
(Loss)/Earning per share	(0.58)	0.03

In view of the losses at year end, the Bank has not been able to declare any dividend for the year.



Sectoral Performance

Wholesale Banking

■ CORPORATE BANKING & MIDDLE MARKET

During the year 2015, the overall cost of deposits was reduced to 4.80%, an improvement of 183 bps. The average Corporate Banking deposits were Rs. 5.2 billion, whereas the average current account deposits were Rs. 1.7 billion and the average advances portfolio amounted to Rs. 25.6 billion. As a consequence, Corporate Banking overall achieved a revenue of Rs. 789 million and a margin before allocations of Rs. 495 million.

■ INVESTMENT BANKING GROUP (IBG)

IBG spent most of 2015 working on internal corporate finance initiatives which culminated in a Rs. 10 billion Rights Issue. At the same time it built a steady pipeline of debt and equity transactions to be concluded post the issuance of new capital.

■ TREASURY & FINANCIAL INSTITUTION

During the year, the Treasury realized a total capital gain of Rs. 691 million in fixed income and equity markets and took full advantage of the arbitrage opportunity available in the market and booked a respectable interest income. It also earned an income of Rs. 243 million in the foreign exchange market. Fixed Income sales of GOP securities to new and existing clients also remained very active throughout the year.

Retail Banking

Branch Banking

Branch Banking remains one of the most critical businesses for the Bank, serving over 128,878 customers, and consisting of approximately 74% of the Bank's deposit base. Branch Banking deposits reached Rs. 60,117 million during the year and maintained a favorable CASA deposit mix of 51%.



All-In-One Account

All-In-One Account, which provides insurance coverage on ATM & over-the counter cash snatching, mobile phone & vital documents snatching, home burglary as well as auto-insurance at as low a rate as 2.5% has now 3,208 customers and a deposit base of Rs. 1.35 billion.



The One and only
that grants it all!

Business Value Account

Business Value Account, which provides inventory insurance of up to Rs. 10 million, has grown to a deposit base of Rs. 0.40 billion with 980 customers.

Online Express

Online Express has now a total deposit of Rs. 12.44 billion, with 62,011 customers.



Munafa Rozana

Munafa Rozana a savings account which pays profit in cash daily, has achieved a deposit base of Rs. 3.83 billion with 8,429 customers during the year.

Consumer Banking

The Banking Consumer products have proved to be a generator of stable margins for the bank over the last couple of years based on a well devised strategy.

Unsecured Portfolio

Unsecured Consumer loans include Personal Installment Loan, Ready Line and Credit Cards. During the Year 2015 this portfolio maintained its leadership position amongst peer banks, and at the end of the year, the Ending Net Receivables in Unsecured products were Rs. 11 billion contributing Rs. 518 million to earnings before interest & taxes.

Director's Report

For the year ended December 31, 2015



Personal Loan

Silkbank Personal loan, a monthly installment based loan launched in November 2010 has now entered into its 6th year with 19,877 active customers and a total receivable of Rs. 4,520 million.

Keeping in view the existing market trends, various new initiatives were taken throughout the year. This included multiple innovative and exciting promotions / campaigns such as, "Apply for 5 years and pay markup for 4", "Balance transfer on lower rate", and "50% processing fee waiver for matured customers if they wish to re-apply" etc. As part of the strategy and to take advantage of the existing customer base, the Bank also increased its emphasis on Loan Top-ups which not only helped the Bank in improving portfolio yields but also in retaining the profitable customers.

Ready Line

Silkbank Ready Line, an unsecured running finance facility which allows customers to have speedy access to available funds without any collateral or security has become quite popular. This facility launched in July 2011 has grown tremendously over the years and now has a receivable of Rs. 4,044 million with 26,087 active borrowers at the end of 2015. The primary focus during the year was to attract customers by channelizing their existing spend onto Ready Line through various spend campaigns offering prizes through lucky draws.



In addition to the above, multiple campaigns were also launched throughout the year customers to enroll for e-billing and SMS alert facilities by incentivizing them with chances to win exciting prizes such as, IPad mini, LED TV, iPhone 6 etc. This not only played a key part in generating non funded income and rationalizing stationery / courier costs but also helped in reducing customer complaints related to bill deliveries.

Credit Cards

Credit Cards continued to grow aggressively during the year 2015. The total base crossed 65,000 cards and the receivables jumped by Rs. 580 million to close at Rs. 2,459 million. The Silkbank Credit Card since its launch has created a perception of a real value provider in the industry based on the 0% APR offer coupled with the "Surprisingly Silkbank" retail alliances.

Secured Portfolio

Silkbank M'Power, a product secured against residential and commercial property has a total of 561 active borrowers with receivables of Rs. 3,665 million. Fresh lending however is currently on hold to enable more focus on high yielding products.

Home Remittance

The Home Remittance business disbursed Rs. 23.571 billion recording a growth of 11.03% compared to the previous year with a potential for further expansion.



Alternative Delivery Channels (ADC)

The Silkbank VISA Debit Card ("VDC") continued to show strong growth and card numbers increased to 101,960 showing a growth of 7.68% compared to last year and VDC usage over Point of Sales and ATM showed an increase of 22.10% and 12.69% respectively.



Bancassurance

The Bancassurance initiative under the Wealth Management product suite was initiated in the year 2008 and the Bank now manages over 8,500 policies and premiums of over Rs. 500 million as at December 31, 2015. During the year 2015, the business recorded a total revenue of Rs. 44.5 million with 887 covers, and maintained a strong renewal persistency ratio of 75% for which the Bank was awarded a bonus by its insurance partners.



Emaan Islamic Banking

Emaan Islamic Banking has successfully completed its third year of operations in 2015. The year as reported above was fairly challenging for the banking industry as a whole, but Emaan Islamic Banking maintained its position by efficiently managing its existing portfolio and also introducing new products & services to ensure growth.



Emaan Islamic Banking deposits at the end of 2015 were Rs. 6.6 billion with a healthy CASA mix of 72% and a cost of deposit of 4.81%. With a portfolio of quality assets the ADR was 70% with a total financing of Rs. 4.6 billion (Murabaha - Rs. 3.2 billion, Musawama - Rs. 0.943 billion & Diminishing Musharaka - Rs. 0.424 billion). The Bank has also launched Letter of Credit and Letter of Guarantee products of Rs. 0.295 billion and Rs. 0.991 billion respectively during the year.

Emaan Service Quality has been on top priority and the unit prides itself in having Service Quality embedded into every process. As a result, the unit performed extremely well in the ongoing internal service ratings and achieved a "Very Good" in the last review.

Technology

A number of technology based initiatives were taken by the Bank to enhance customer experiences. During the year, VbV (Verified by Visa) was launched by the Bank to enable credit card customers to conduct internet based transactions with convenience & security. The Bank has launched "SilkMobile" for customers to enable mobile based account access.



The Bank has also launched its mobile application ("app") which provides a host of features, branch / ATM locators and details on discounts & alliances. The Bank also strengthened its back end technology infrastructure by establishing a new state of the art data-center which will further strengthen service delivery to customers by providing maximum uptime.

Human Resource

In 2015, our Learning & Development focus was on Functional & System related trainings as well as training in Product, Sales and Service. Several mid-career and senior executives were also imparted training at leading Business Schools including IBA, IBP and LUMS and Learning & Development initiated programs through Computer Based Testing (CBT) and introduced an e-Learning Digital Library. The hiring process was automated to reduce the turnaround time and cost and in compliance of the Code of Corporate Governance, HRD launched a Code of Ethics awareness program amongst staff. For better employee engagement, the Bank launched a "SilkClub" for its employees, aimed at developing informal relationships to foster greater camaraderie and teamwork amongst staff, as well as enhancing interdepartmental coordination.



Director's Report

For the year ended December 31, 2015

Special Asset Management Group (SAMG)

The SAMG of the Bank has once again exceeded its objectives during the year, and contributed a net amount of Rs. 1,968 million to the P&L Account with a total NPL reduction of Rs. 2,166 million. The SAM team has also recovered an amount of Rs. 4 million during the year and the Real Estate Asset Management team has successfully sold various Other Real Estate Owned (OREO) properties worth Rs. 819 million during the year.

Risk Management Group (RMG)

The RMG continues to provide effective support to business units alongwith keeping a close watch on the asset portfolio quality.

During the year, RMG carried out an industry wide review of exposures in the background of the prevalent economic conditions and has also revised the Credit Policy Manual in accordance with the amendments made by SBP in Prudential Regulations. RMG maintains a customer's "Watch list" and has devised a joint strategy for the smooth functioning of accounts in consultation with business units, and has regularly reviewed Risk Acceptance Criteria and diligently reviewed classifications and provisioning in close liaison with business units, every quarter. In addition in conjunction with IT, it has developed improved reporting systems in line with the latest requirements and exploit the new system T-24 to the fullest. Independent monitoring of the treasury function through the middle office was implemented during the year through a Web Tech system which essentially allows monitoring under a live environment. Consistent realignment of the Credit Administration Department (CAD) was also established to achieve better monitoring and controls and finally, digitization of security documents was completed to achieve better record keeping and time saving.

Service & Quality

In line with the core values of the Bank, our staff had shown unrelentless and strong emphasis on consistent and superb service delivery. This is evident from the Mystery Shopping results of 92% customer satisfaction and a Net Promoter Score of 57%, based on an independent research.



Corporate Social Responsibility

The Bank is committed to grow its business in a way that is profitable and sustainable for its employees & the communities it operates in. The Bank continued to provide support to a wide array of causes and this year supported programs for education & health, preservation of culture & history and promotion of youth & sports. The Bank's leadership also endorsed corporate initiatives for developing automation systems and processes for a paperless environment and energy conservation.



Board of Directors

In order to fill the casual vacancy on the Board arising due to the resignation of Mr. Faisal Anis Sherwani, Nominee Director of Nomura European Investment Ltd, with effect from October 29, 2015, M/s. Arif Habib Corporation Limited, now a major shareholder of the Bank, has nominated a Director on the Board of the Bank with effect from January 18, 2016. The FPT documents of the nominee director have been submitted to the SBP for clearance.

The Board warmly extends its appreciation to Mr. Faisal Anis Sherwani for his valuable contribution to the Board. The current composition of the Board is as under:

Types of Director	No of Directors
Independent Director	4
Non-Executive Director	2
Executive Director	2



Directors' Training

The Board has been provided with the revised Code along with briefings on various occasions in order for them to properly oversee the affairs of the Bank. Three Directors of the Bank have obtained certification from Pakistan Institute of Corporate Governance (PICG), whereas, three Directors of the Bank stand exempted from the requirement of the said certification and the remaining Directors will obtain it within the prescribed time. During the year, a session for Directors Orientation Course was also conducted, covering the applicable laws, rules and regulations under the Code of Corporate Governance, Prudential Regulations for Corporate and Commercial Banking, Companies Ordinance, 1984 and Banking Companies Ordinance, 1962.



Corporate and Financial Reporting Framework

The Board is committed to its responsibilities under the Code of Corporate Governance of the SECP. In doing so, it wishes to make the following statements:

- a) The financial statements prepared by the management of the Bank present fairly its state of affairs, the result of its operation, cash flow and changes in equity.
- b) Proper books of account of the Bank have been maintained.
- c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- d) International Financial Reporting Standards as applicable in Pakistan have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- e) The system of internal control is sound in design and has been effectively implemented and monitored. Management's statement on internal control is enclosed herewith which is endorsed by the Board as required by the State Bank of Pakistan. The Board is ultimately responsible for the Bank's system of internal control and reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve objectives and by its nature can provide only reasonable and not absolute assurance against material misstatement or loss.

The process used by the Board to review the effectiveness of the system of internal control includes, inter alia, the following:

- i) An audit committee has been formed which has written terms of reference and reports to the Board. It reviews the approach adopted by the Bank's internal audit department, as well as the scope of and its relationship with the external auditors. It also receives reports from the internal audit, and any material control weakness that is identified is discussed and agreed actions are taken in areas of concern.
- ii) An organization structure has been established which supports clear lines of communication and tiered levels of authority with the delegation of appropriate responsibility and accountability.
- iii) Business strategies agreed at divisional level were approved by the Board. In addition there is an annual budgeting and strategic planning process. These strategies are reviewed during the year to reflect any significant changes in the business environment.
- iv) The principal features of control framework include:
 - Evaluation and approvals procedures for major capital expenditure and other transactions.
 - Regular reporting and monitoring of financial performance using operating statistics and monthly management accounts which highlight key performance indicators and variance from budget and quarterly forecasts.
 - Review of the health, safety, environment and contingency management processes and other significant policies.
 - Further, reviews of the system of internal control are also carried out by the internal audit department and management conclusions on internal control are confirmed by divisional management to the Board.
 - There are no significant doubts upon the Bank's ability to continue as a going concern.
 - There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

Director's Report

For the year ended December 31, 2015



Risk Management Framework

Concerted efforts have been carried out over the years for improvement of the Risk Management function which have resulted in better control & risk environment plus creating an overall "Risk Culture" within the Bank. With the growing shift towards Basel Implementation and enhanced focus for management of risk on an integrated basis following are some important aspects of the Risk Management Function at Silk Bank Limited:-

a) Credit Risk

Managing of credit risk is considered the key function at RMG. Independent Risk Management Units catering to the Corporate / Commercial / SME and Consumer segments are fully operational and clearly follow the laid out Procedures formulated in the form of Policies / Manuals and Product Programs. Credit Risk is thus continuously monitored by the respective sanctioning units. Broad based Credit Approval Authorities have also been delegated to various approvers for credit sign off. Credit Administration units are in place for all segments of the Bank, effectively handling all documentation and safe keeping. The Bank has developed in-house Obligor Risk Rating (ORR) models / systems for Corporate, Commercial and SMEs, which are regularly reviewed/ updated. RMG also has a robust Early Warning System (EWS) reporting in place. These processes are capable of identifying problem loans at an early stage for timely remedial actions. Results for establishing these systems are now beginning to reflect in the management letter issued by the external auditors and the annual reports complied by the SBP inspection teams through reduced instances of system and procedure failures.

Under Consumer Banking, a separate collection unit operates for follow-up and recovery of loans. A centralized Special Assets Management Unit is also in place and is primarily responsible for handling the NPL accounts and recovery process. The unit is performing its task in a very professional and efficient manner. Besides various management committees of the Bank, Credit Risk is also overviewed by the Risk Committee of the Board on an ongoing basis. Regular guidance is sought from the Board on credit related matters and the findings implemented in letter and spirit. Marked reduction in NPL portfolio has ensued resultantly.

b) Market Risk

A Middle Office function (independent of the Treasury) has been established within the Bank with the primary responsibility of monitoring the Market Risk function and onward reporting to the Head of Risk Management Group. Investment Committee (IC), Market Risk Policy Committee (MRPC) and Asset and Liabilities Committee (ALCO) are also functioning to supervise and approve Market Risk exposures. At Silkbank, we have a well-defined Liquidity Policy, duly approved by the Board. Presently, various excel based tools are in use to generate MIS on Market Risk and reporting to the senior management and regulators. We have also successfully set up the "Web Tech system and T-Risk Module" which is capable of generating sophisticated modeling reports and independent monitoring of various treasury functions in a live environment.

c) Operational Risk

Under Operational Risk, appropriate Operational Policies and Procedures have been documented and disseminated for managing Operational Risk on a Bank wide basis. Operational Risk Manual has since been prepared and approved by the Board. Risk Control self-assessment questionnaires have also been sent across to various segments of the Bank and based on their feedback we plan to implement the process on a Bank wide basis during the current year.

An Internal Control Unit is also operational with the primary task of overseeing and ensuring implementation of various operational guidelines and monitoring tools and reconciliation across the Bank. Additionally, an independent Internal Audit function is also in place within the Bank, reporting to the Audit Committee of the Board. A Proper Compliance Department is also functional, inter alia to ensure that all legal and regulatory requirements are properly addressed in addition to the implementation of Anti Money Laundering and Know your Customer (AML/KYC) Policies.

In this respect, appropriate training to relevant staff has been imparted including training on strict monitoring of transactions and AML/KYC. Business Continuity Plan (BCP) is also in place to deal with any eventuality. Self-Assessment of Key Risk Indicators (KRI's) and compliance of standards, codes and guidelines is regularly carried out and documented.



Board of Director's Meetings during 2015

During the year 2015, following Board and its Committees meetings were held. Attendances by the Directors were as follows:

Directors	Board Meetings		Audit Committee Meetings		Human Resource Committee Meetings		Risk Committee Meetings	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Mr. Munnawar Hamid, OBE	4	4			2	2		
Mr. Sadeq Sayeed	4	4			2	-	4	4
Mr. Tariq Iqbal Khan, FCA	4	4	5	5				
Mr. Shamsul Hasan	4	4					4	4
Mr. Faisal Anis Sherwani	3	1	3	2			2	-
Mr. Khalid Aziz Mirza	4	4			4	4		
Mr. Adnan Afridi	4	4	5	5				
Mr. Talha Saeed Ahmed	3	3	2	2				
Mr. Azmat Tarin	4	4			4	4		

Leave of absence was granted to the Directors who could not attend the meeting.

Pattern of Shareholding

The pattern of shareholding as required under the Companies Ordinance 1984 and the Code of Corporate Governance is as follows:

Combined Pattern of CDC & Physical Shareholding as at December 31, 2015

S. No.	Categories of Shareholders	Number of Shareholders	Shares Held	Percentage %
01	Directors and their spouse(s) and minor children	8	123,061,705	1.58
02	Associated Companies, Undertakings and Related Parties	7	6,336,329,270	81.24
03	Executives	33	50,196,091	0.64
04	Public Sector Companies and Corporations	6	25,070,152	0.32
05	Banks, Development Finance Institutions, Non-Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds	10	1,821,778	0.02
06	Mutual Funds	2	25,130,417	0.32
07	Foreign Companies	3	23,266,676	0.30
08	General Public - Foreign	8	5,021,054	0.06
09	General Public - Local	7,601	616,513,248	7.90
10	Others	102	593,399,564	7.61
	Total	7,780	7,799,809,955	100.00

Director's Report

For the year ended December 31, 2015

The aggregate shares held by the Directors, Chief Executive and their spouse and minor children along with Associated Companies, Undertakings, Related Parties and Mutual Funds as at December 31, 2015

S. No.	Categories of Shareholders	Number of Shares Held	Category-wise No. of Folios / CDC Acs.	Category-wise Shares Held	Percentage %
S. No.	Directors, Chief Executive Officer and their Spouse and Minor Children		8	123,061,705	1.58%
01	Mr. Munnawar Hamid, OBE	12,574			
02	Mr. Adnan Afridi	1,000			
03	Mr. Khalid Aziz Mirza	500			
04	Mr. Sadeq Sayeed	102,817,019			
05	Mr. Tariq Iqbal Khan	16,997			
06	Mr. Shamsul Hasan	500			
07	Mr. Azmat Shahzad Ahmed Tarin	20,013,115			
08	Farah Naz Tarin W/o Azmat Tarin	200,000			
S. No.	Associated Companies, Undertakings and Related Parties (5% & above shareholding)		7	6,336,329,270	81.24%
01	Arif Habib Corporation Limited	2,563,901,924			32.87%
02	International Finance Corporation	702,689,067			9.01%
03	Nomura European Investment Limited	356,676,342			4.57%
04	Bank Muscat S.A.O.G.	315,776,969			4.05%
05	Zulqarnain Nawaz Chattha	678,126,000			8.69%
06	Zubair Nawaz Chattha	415,626,000			5.33%
07	*Shaukat Fayaz Ahmad Tarin	1,303,532,968			16.71%
S. No.	Mutual Funds		2	25,130,417	0.32%
01	CDC - Trustee NAFA Stock Fund	4,250,000			0.05%
02	CDC - Trustee National Investment (Unit) Trust	20,880,417			0.27%

*In terms of Board Resolution dated December 10, 2015, Mr. Shaukat Tarin has further transferred 299,441,176 shares of the Bank to individuals, not falling within the category of sponsors of the Bank. The current shareholding of Mr. Shaukat Tarin in the Bank is 1,106,091,792 shares. These shares include one hundred and two million (102,000,000) shares of Mr. Shaukat Tarin placed with Pearl Securities Limited.

During the year, Mr. Ejaz Ahmed Malik, Regional Head - Real Estate Asset Management has purchased 200,000 shares from the open market. The Bank has reported the same to the Stock Exchanges under chapter V, regulation 16 (6) of the Listing Regulations. Apart from this, there was no other trading in Silkbank shares carried out by any of the Directors and Executives or their spouses and minor children during the year, apart from subscribing to the Rights Issue as per their entitlements.

Auditors

The retiring auditors, being eligible, offer themselves for re-appointment till the conclusion of the next Annual General Meeting. The Audit Committee of the Board has recommended M/s. Deloitte Yousuf Adil, Chartered Accountants, the retiring auditors, as the statutory auditors of the Bank for the financial year 2016.

Credit Rating

The long term entity rating of the Bank is A- (Single A Minus) and the short term rating is A-2 (A-Two) as determined by "JCR VIS" Credit Rating Company Limited. The outlook on the assigned rating is "Stable".

Future Outlook

The Directors as stated in the beginning of this report, are pleased that the Bank has received Rs. 10 billion (Rupees ten billion) in its Right Shares Subscription Account. This includes an advance of Rs. 2 billion from a strategic investor, whose clearance is awaited from SBP before shares can be issued. Therefore as of December 31, 2015, the Bank has issued 5,128,205,128 shares of a total value Rs. 8.00 billion as a result of which the Issued Share Capital of the Bank has increased to 7,799,809,955 shares.

Silkbank continues to be backed by strong international sponsors, which include IFC (World Bank Group), Nomura European Investments, Bank Muscat and Mr. Shaukat Tarin. After the Rights Issue the group has been further strengthened by the inclusion of Arif Habib Corporation Limited and the Gourmet group, and will continue to be led by Mr. Shaukat Tarin.

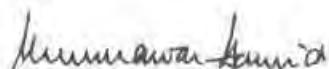
In 2016, the Bank shall continue to pursue its goals to be the top service provider in the Banking industry. With the inflow of the new capital, the Bank is expected increase its distribution footprint by opening new branches both on the conventional as well as the Islamic Banking sides at strategic locations all over the country. This would enhance the Bank's ability to mobilize deposits and subsequently lend and invest in earning assets. At the same time, the non-earning assets of the Bank will be reduced by disposal of OREO assets, as well as Bank owned properties to accrue additional capital gains, and expenses will be rationalized further so that funding of future growth is through the existing cost base. These two major strategic elements will be supported by a continued and stronger focus on the ongoing productivity initiatives, quality improvement of the customer franchise and growth in higher earning assets.

The Bank is fully conscious that growing profitably in a challenging environment necessitates the establishment of a high quality HR management platform to ensure the identification, development, motivation and retention of high potential employees. All measure are being ensured to this end.

With the base so far established and the various new strategies now practically possible, your Directors are very hopeful that a profitable growth of the Bank will commence in the current year.

Acknowledgement

We 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
Silkbank Limited

Munawar Hamid, OBE
Chairman

Karachi, February 28, 2016

Statement of Compliance with the Code of Corporate Governance

for the year ended December 31, 2015

This statement is being presented to comply with the Code of Corporate Governance ("the CCG") contained in Regulation No. 5.19 of Rule Book of Pakistan Stock Exchange Limited (PSX) for the purpose of establishing a framework of good governance, whereby a listed Company is managed in compliance with the best practices of corporate governance.

The Bank has applied the principles contained in the CCG in the following manner:

1. The Bank encourages representation of independent non-executive directors and directors representing minority interests on its Board of directors (the Board). At present the Board includes:

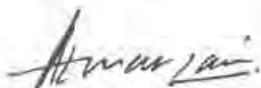
Category	Names
Independent Directors	Mr. Munnawar Hamid, QBE Mr. Tariq Iqbal Khan, FCA Mr. Khalid Aziz Mirza Mr. Shamsul Hasan
Non-Executive Directors	Mr. Sadeq Sayeed Mr. Adnan Afridi
Executive Directors	Mr. Talha Saeed Ahmed Mr. Azmat Tarin

The independent directors meet the criteria of independence under clause (b) of 5.19.1. of PSX Rulebook.

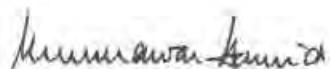
2. The Directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Bank.
3. All the resident Directors of the Bank are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. A casual vacancy occurred in the Board on October 29, 2015, which was filled on January 18, 2016 within 90 day period as mentioned in the CCG.
5. The Bank has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Bank along with its supporting policies and procedures.
6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Bank. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a Director elected by the Board for this purpose, and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers were appropriately recorded and circulated before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. During the year, a session for Directors Orientation Course was conducted, covering the applicable laws, rules and regulations under the Code of Corporate Governance, Prudential Regulations (PRS) for Corporate and Commercial Banking, Companies Ordinance, 1984 and Banking Companies Ordinance, 1962. All the Directors on the Board are fully conversant with their duties and responsibilities as Directors of the Bank. Three Directors have obtained certification from Pakistan Institute of Corporate Governance (PICG), whereas, three Directors of the Bank stand exempted from the requirement of the said certification. The remaining Directors will obtain required certification within the prescribed time.

10. The Board has approved appointment of CFO, including his remuneration and terms and conditions of employment! Furthermore, no new appointments of Company Secretary and Head of Internal Audit were made during the year.
11. The Directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Bank were duly endorsed by the CEO and CFO, before approval of the Board.
13. The Directors, CEO and executives do not hold any interest in the shares of the Bank other than that disclosed in the pattern of shareholding.
14. The Bank has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed an Audit Committee. It comprises of three (3) members of whom two are non-executive directors and one is executive director. Chairman of the committee is an independent director who is not the chairman of the Board. The CCG does not allow an executive director to be a member of the Audit Committee, however, there is no explicit restriction on appointment of executive director as member of audit committee as per Prudential Regulations for Corporate / Commercial Banking.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Bank as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has formed Human Resource Committee. It comprises of three members of whom two are independent directors and one member is an executive director. The chairman of the committee is an independent director.
18. The Board has set up an internal audit function with qualified and experienced professionals, who are duly conversant with the policies and procedures of the Bank.
19. The statutory auditors of the Bank have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they, or any of the partners of the firm, their spouses and minor children, do not hold shares of the Bank and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of Bank's securities, was determined and intimated to directors, employees and stock exchange.
22. Material / price sensitive information has been disseminated among all market participants at once, through the stock exchange.
23. We confirm that all other material principles enshrined in the CCG have been complied with.

For and on Behalf of the Board of
Silkbank Limited



Azmat Tarin
President & CEO



Munnawar Hamid, OBE
Chairman

Karachi, February 28, 2016

Management's Statement on Internal Controls

as of December 31, 2015

This statement is issued in compliance with the State Bank of Pakistan (SBP) BSD Circular No: 07 of 2004 on Internal Controls.

Designing and implementing effective and efficient Internal Controls in compliance with the statutory requirements is among vital functions of Management. The focus of Internal Controls both as a concept and a management tool has evolved over the years to a broad based risk assessment and mitigation system covering all areas of operations in the Bank.

As part of the strategy to ensure effective monitoring and improvement of Internal Controls, the Bank has implemented the COSO framework of Internal Controls, in line with regulatory guidelines (ICFR) and COSO implementation (BSD-7). With regular monitoring and improvement of the defined controls, the overall control environment in the Bank is now geared to provide reasonable assurance to the Bank's management and other stakeholders.

The Bank's Internal Controls System has been designed to provide reasonable assurance to the shareholders and the Board of Directors; however, these systems may not entirely eliminate the risk of misreporting and failure of certain controls under a changing environment. The Bank endeavors to follow the SBP's guidelines on Internal Controls. During the year, the Management has further strengthened the day-to-day monitoring of control breaches for prompt corrective actions. Compliance and Internal Controls Division conducted reviews of processes in branches to identify gaps in execution with special emphasis on the implementation of regulatory instructions. Internal Audit also performed audit activities to evaluate the implementation of controls and ensure the existence of effective control environment throughout the Bank.

Over the years, the Management has been able to adopt strategy to ensure effective monitoring and improvement of Internal Controls. These include the followings:

1. The Bank has adopted a statement of ethics and business practices that is signed by all directors and employees. Further, the compliance function also ensures Bank's compliance with all applicable laws, regulations and code of ethics.
2. An organization structure has been established which supports clear lines of communication and tiered levels of authority and segregation of duties commensurate with accountability.
3. The Bank has established an effective Internal Audit and Business Risk Review structure, reporting directly to the Audit Committee of the Board.
4. An Internal Controls Division is established to proactively monitor and validate controls in line with Regulatory guidelines (ICFR) and COSO implementation (BSD-7).
5. The significant and material findings of the internal & external auditors and regulators were addressed on a priority basis by the Management and their status was periodically reported to the Board Audit Committee.
6. The Bank has implemented various key policies and procedure guidelines/manuals covering all the areas of management and operations including those related to Branch Banking Operations, Centralized Operations, Trade Business, Treasury, Credit Risk, HR, Finance, Compliance and Administration.
7. Management gives due consideration to the recommendations made by the internal and external auditors for improvements in the Internal Controls System and takes action to implement such recommendations.

8. The Management has established evaluation and approval procedures for all major capital expenditure and other transactions.
9. There is an annual budgeting and strategic planning process in the Bank. Financial forecasts are reviewed on a periodical basis to reflect significant change in the business environment. Regular reporting and monitoring of financial performance of the departments and the Bank as a whole has been implemented, using statistics and monthly management accounts to highlight key performance indicators and variance from budgets and forecasts.
10. The Bank has implemented various significant policies covering all the areas of operations including those relating to employees welfare and contingency management processes.
11. Management also emphasizes on imparting of training to enhance knowledge and understanding of the Bank's internal policies and procedures and prudential regulations. This has greatly contributed towards strengthening of the control environment.
12. As required by SBP, the External Auditors were engaged by the Bank to prepare a Long Form Report (LFR) on Internal Controls over Financial Reporting (ICFR) for the year ending December 31, 2014, which was later submitted to SBP on March 31, 2015. During the year, Internal Controls Division as well as Internal Audit carried out testing of the effectiveness of ICFR prevalent throughout the Bank.

The Bank is continuously making efforts to ensure that an effective and efficient Internal Controls System remains active and implemented through consistent and periodic monitoring that would help further strengthening of the overall control environment.

With the implementation of COSO framework (under the SBP guidelines on Internal Controls) and regular monitoring of the defined controls, the overall control environment in the Bank is geared to provide reasonable assurance to the Bank's Management, Stakeholders and Board of Directors, which we believe will continue to further improve with time.



Azmat Tarin
President & CEO

Karachi, February 28, 2016

Notice of the 22nd Annual General Meeting

Notice is hereby given that the Twenty Second Annual General Meeting of Silkbank Limited will be held on Monday, March 28, 2016 at 11:00 am at Best Western Hotel, Islamabad, to transact the following business.

Ordinary Business:

1. To confirm the minutes of Twenty First Annual General Meeting held on March 24, 2015.
2. To receive, consider and adopt the audited financial statements of the Bank for the year ended December 31, 2015 together with the Directors' and Auditors' reports thereon.
3. To appoint auditors to hold office till the conclusion of the next Annual General Meeting and to fix their remuneration.

Special Business:

To pass the following resolutions, as special resolution, with or without modifications, additions or deletions:

1. Alteration in Articles of Association of the Bank.

To consider and if thought fit, the alteration in the Articles of Association of the Bank, as follows. The alteration in Articles of Association of the Bank is subject to the necessary approval from the State Bank of Pakistan and confirmation from the Securities and Exchange Commission of Pakistan.

- (i) Article 109 of the Articles of Association of the Company be and is hereby substituted by the following Article:

109) Dealing with Directors:

"Any dealing with the Directors shall be in accordance with the Companies Ordinance, 1984, as amended from time to time and the regulations/notifications issued by the State Bank of Pakistan and/or the Commission, from time to time"

- (ii) Definition of "Code of Corporate Governance" as defined in the Definitions at Point No. 2 (vi) of Articles of Association of the Company be and is hereby substituted by the following Definition:

Code of Corporate Governance:

"Code of Corporate Governance means the Code of Corporate Governance introduced in 2012 by the Commission and any change made therein, from time to time"

- (iii) Following para will be added in Article No. 85 of Articles of Association of the Company:

85) Proxies:

"In case of E-voting, both members and non-members can be appointed as proxy in accordance with procedure for appointment as formulated by the Company in compliance of Companies (E-voting) Regulations, 2016, as amended from time to time."

2. To approve the scale of fee payable to the Chairman and to Non-Executive and Independent Directors for attending Board and Committee meeting.

To consider and if thought fit, pass the following resolutions as an ordinary resolution:

"Resolved that the scale of fee as determined by the Directors, for attending Board and Committee meetings of the Directors, be and is hereby approved on post facto basis, as under:

- Board meeting: Pak Rs. 635,000/- for the Chairman and Pak Rs. 475,000/- for other members.
- Committee's meetings: Pak Rs. 475,000/- for the Chairmen as well as for the members."

Statement of Material Facts under Section 160(1) (b) of the Companies Ordinance, 1984 relating to the said Special Business:

1.1 Alteration in Article 109 of the Articles of Association of the Company:

In order to align the Articles with the updated regulations, the Board of Directors of the Company has decided to alter Article 109 of the Articles of Association of the Company in accordance with the Companies Ordinance, 1984 and the State Bank of Pakistan requirements, from time to time.

1.2 Definition of "Code of Corporate Governance":

In order to align the Articles of Association of the Company with the best practices in Corporate Governance, the SECP has revised the Code of Corporate Governance in 2012. Therefore, the Board of Directors of the Company has decided to amend Clause 2 (vi) of the Articles of Association of the Company accordingly.

1.3 To appoint both members and non-members as proxy for E-voting:

The Securities and Exchange Commission of Pakistan (SECP) has introduced the E-voting Regulations 2016 dated January 22, 2016, making shareholders as part of the decision-making process of their company through electronic means to the extent provided by the law.

In compliance of the said regulations, the Board of Directors of the Company has resolved to amend the Articles of Association of the Company accordingly.

The proposed amendment is being made in the Articles of Association to align the Articles with the required regulations.

2.1 Director's Remuneration in Pak Rupees:

The shareholders of the Bank in their 21st Annual General Meeting held on March 24, 2015, had approved the Director's Remuneration for attending Board and Committee's meetings as follows:

	Remuneration for attending Board meeting	Remuneration for attending Committee meetings
Chairman	US \$ 6,000/-	US \$ 4,500/-
Board Members	US \$ 4,500/-	US \$ 4,500/-

The Board in its 148th meeting held on October 29, 2015, decided to pay Director's Remuneration in Pak Rupees instead of US\$, in following manner.

	Remuneration for attending Board meeting	Remuneration for attending Committee meetings
Chairman	Pak Rs. 635,000/-	Pak Rs. 475,000/-
Board Members	Pak Rs. 475,000/-	Pak Rs. 475,000/-

Any Other Business:

To transact any other business with the permission of the Chair.

By the Order of the Board

Uzman Naveed Chaudhary
Company Secretary/Head of
Investor Relations and Legal Affairs

Karachi, March 04, 2016

Notice of the 22nd Annual General Meeting

Notes:

1. Closure of Share Transfer Books:

The Share Transfer Books of the Bank will remain closed from March 21, 2016 to March 28, 2016 (both days inclusive). Share Transfers received at M/s. Central Depository Company of Pakistan Limited (CDC), Share Registrar Department CDC House, 99-B, Block 'B', S.M.C.H.S., Main Shahra-e-Faisal Karachi-74400 by the close of business hours (5.00 PM) on Friday, March 18, 2016, will be treated as being in time for the purpose of above entitlement to the transferees.

2. Participation in the meeting:

All members of the Company are entitled to attend the meeting in-person or through Proxy. A Proxy duly appointed shall have such rights as respect to the speaking and voting at the meeting as are available to a member. The proxies shall produce their original valid CNIC or original passport at the time of the meeting.

3. Proxy:

A member entitled to attend and vote at the AGM is entitled to appoint another member as a proxy to attend and vote on his/her behalf. A corporation being a member may appoint its proxy or any of its official or any other person whether a member of the Bank or not. In case of corporate entity, the Board of Directors/resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

In order to be effective, duly filled and signed Proxy Form must be received at the Registered Office of the Company i.e. 3rd Floor, 18-C, Kaghan Road, F-8, Markaz, Islamabad Capital Territory, Islamabad, not less than forty eight (48) hours before the time for holding the Meeting.

4. Members who have deposited their shares into CDC will further have to follow the under-mentioned guidelines as laid down in circular 01 of 2000 dated January 26, 2000, issued by the Securities and Exchange Commission of Pakistan.

For attending the Meeting:

- i. In case of individuals, the Account holder and/or Sub-account holder whose registration details are uploaded as per the CDC regulations, shall authenticate his/her identity by showing his/her original valid CNIC or original passport at the time of attending the meeting.
- ii. In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

5. Change of Address:

Members are requested to immediately notify the change, if any, in their registered address to the Share Registrar M/s. Central Depository Company of Pakistan Limited (CDC), Share Registrar Department CDC House, 99-B, Block 'B', S.M.C.H.S., Main Shahra-e-Faisal, Karachi-74400.

Auditor's Review

Deloitte.

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

Telephone +92 (0) 21-3454 6494-7
Fax +92 (0) 21-3454 1314
Internet www.deloitte.com

Review Report to The Members on Statement of Compliance with the Best Practices of Code of Corporate Governance

We have reviewed the enclosed Statement of Compliance with the best practices (the Statement) contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Silkbank Limited (the Bank) for the year ended December 31, 2015 to comply with the Regulation No. 5.19 of the Rule Book of Pakistan Stock Exchange Limited (PSX) where the Bank is listed.

The responsibility for compliance with the Code is that of the Board of Directors (the Board) of the Bank. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement reflects the status of the Bank's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Bank's personnel and review of various documents prepared by the Bank to comply with the Code.

As part of our audit of the financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Bank's corporate governance procedures and risks.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the accompanying Statement does not appropriately reflect the Bank's compliance, in all material respects, with the best practices contained in the Code as applicable to the Bank for the year ended December 31, 2015.

Further, we highlight below instance of non-compliance with the requirement of the Code as reflected in the paragraph reference where it is stated in the Statement:

Paragraph reference	Description
15	A member of audit committee is an executive director of the Bank, which is not in conformity with para 5.19.16 of the Code, however, Regulation G-1 of Prudential Regulation for corporate / commercial banking does not restrict the appointment of an executive director in the audit committee.

Chartered Accountants

Engagement Partner
Asad Ali Shah

Karachi, February 28, 2016

Independent Auditors' Report to the Members

Deloitte.

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

Telephone +92 (0) 21-3454 6494-7
Fax +92 (0) 21-3454 1314
Internet www.deloitte.com

Auditors' Report to the Members

We have audited the annexed statement of financial position of Silkbank Limited (the Bank) as at December 31, 2015 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the 'financial statements') for the year then ended, in which are incorporated the unaudited certified returns from the branches except for nine branches which have been audited by us and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Bank's Board of Directors to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with approved accounting standards and the requirements of the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984). Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the International Standards on Auditing as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and after due verification, which in the case of loans and advances covered more than sixty percent of the total loans and advances of the Bank, we report that:

- a) in our opinion, proper books of account have been kept by the Bank as required by the Companies Ordinance, 1984 (XLVII of 1984), and the returns referred to above received from the branches have been found adequate for the purposes of our audit;
- b) in our opinion:
 - i) the statement of financial position and profit and loss account together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - ii) the expenditure incurred during the year was for the purpose of the Bank's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank;
- c) in our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), in the manner so required and give a true and fair view of the state of the Bank's affairs as at the December 31, 2015 and its true balance of loss, its comprehensive income, its cash flows and changes in equity for the year then ended; and

- d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

We draw attention to the following matters:

- i. Note 13 to the financial statements relating to deferred tax assets where management has disclosed that the Bank, based on 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. 4,181 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 outcome that is different from assumptions, may have an effect on the realisability of the deferred tax assets in future.
- ii. Note 14 to the financial statements, which highlights significant increase in the non-banking assets (NBAs) acquired in satisfaction of claims during the year, and such assets amounted to Rs. 10,585 million (net of impairment) as at December 31, 2015. We are highlighting this matter owing to significant uncertainty with regard to the disposal and recovery of such assets in near future.

Our opinion is not qualified with respect to above matters.

Chartered Accountants

Engagement Partner:
Asad Ali Shah

Karachi, February 28, 2016

Report of the Shari'a Board Emaan Islamic Banking, Silkbank Ltd.

For the year ended December 31, 2015



February 26, 2016

While the Board of Directors (BOD) and Senior Management are solely responsible to ensure that the operations of Emaan Islamic Banking (EIB) are conducted in a manner that comply with Shari'a principles at all times, we are required to submit a report on the overall Shari'a compliance environment of EIB.

To form our opinion as expressed in this report, the Shari'a Compliance Department (SCD) of the bank carried out reviews, on test check basis, of each class of transactions, with the relevant documentation and process flows. Furthermore, we have also reviewed the work of the internal Shari'a review. Based on the above and in light of the information submitted to the Shari'a Board (SB), we are of the view that:

- i. EIB has complied with Shari'a rules and principles in the light of fatawa, rulings and guidelines issued by the SB. Different Shari'a-compliant products were developed in collaboration with different departments of the Bank and approved by the SB. Furthermore, the SB reviewed and endorsed all relevant documents and material that were submitted to it for its approval.
- ii. EIB has complied with directives, regulations, instructions and guidelines related to Shari'a compliance issued by SBP in accordance with the rulings of SBP's Shari'a Board.

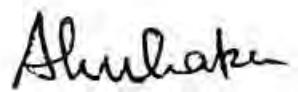
- iii. The Shari'a Governance Framework (SGF) has been circulated to the BOD and Senior Management of the Bank. The Shari'a Compliance Manual of EIB is also being reviewed and updated in light of the SGF.
- iv. EIB has prepared a comprehensive Charity Policy and developed a well-defined system in order to ensure that any earnings realized from sources or by means prohibited by Shari'a are credited to the Charity Account and are properly utilized. However, no amounts were credited to the Charity account during the year 2015.
- v. The schedules of charges (SOCs) that were periodically submitted for Shari'a approval have been reviewed, necessary amendments made, and those charges vetted that were in compliance with the principles of Shari'a.
- vi. The allocation of funds, weightages, profit sharing ratios, and the monthly distribution of profits amongst the shareholders and remunerative accountholders has been made in line with the principles of Shari'a and SBP Instructions on profit and loss distribution and pool management. All the profit calculations made on a monthly basis till date have been reviewed, amended where appropriate, and approved from a Shari'a point of view.
- vii. The Bank has implemented a program for the training of the Bank's staff in areas of Islamic Banking and Finance, with a series of comprehensive training sessions on 'Basic Concepts of Islamic Banking and Finance'; 'Understanding Riba'; 'Gharar and Qimar'; and 'An Introduction to Takaful' in Islamabad, Lahore and Karachi. Moreover, the SCD, in collaboration with the HR Department of the Bank is planning to conduct Shari'a orientation programs for the BOD and Senior Management and training programs for those staff of the Bank who are involved in Islamic Banking operations.
- viii. EIB has constituted a Shari'a Compliance Department, and is in the process of appropriately staffing it, in order to enable it to perform its duties as prescribed in the SGF issued by SBP in an effective and efficient manner.
- ix. The financial statements of EIB for the year 2015 have been found to be in order.



Dr. Muhammad Qaseem
Chairman, Shari'a Board



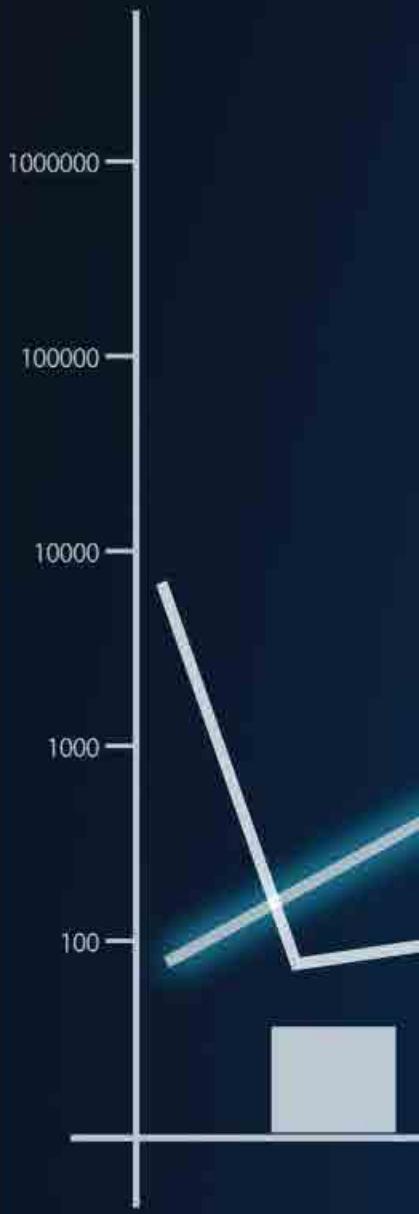
Mufti Syed Adnan Kakakhail
Resident Shari'a Board Member



Mufti Syed Abu Bakr
Shari'a Board Member

Financial Statements

For the year ended
December 31, 2015





Six Years Financial Highlights

	Rupees in million						
	2015	2014	2013	2012	2011	2010	
Balance sheet							
Share capital	21,431	13,431	13,431	13,431	13,431	13,431	
Reserves	180	180	163	163	139	-	
Deposits and other accounts	81,098	68,770	69,433	69,050	64,072	55,706	
Sub-ordinated loan	-	-	-	-	-	-	
Borrowings from financial institutions	33,230	21,742	11,382	11,377	17,782	9,871	
Total Assets	133,137	102,736	91,770	89,080	90,670	72,669	
Gross Advances	67,045	64,417	61,470	54,079	55,309	52,925	
Advances-Net of provisions	61,074	58,967	56,038	49,060	49,936	44,354	
Non performing Advances	8,520	8,222	9,872	10,817	11,023	12,360	
Investments - net of provisions	34,999	18,105	14,853	12,735	17,548	13,190	
Equity	14,577	8,501	6,675	5,373	5,639	4,834	
Provision Held	5,971	5,450	5,432	5,018	5,373	8,570	
Provision Held / NPL	70.08%	66.29%	55.03%	46.39%	48.74%	69.34%	
Provision Held / Total Advances	8.91%	8.46%	8.84%	9.28%	9.71%	16.19%	
PROFIT AND LOSS ACCOUNT							
Mark-up/return/interest earned	8,933	9,429	7,622	8,584	8,386	6,776	
Mark-up/return/interest expensed	(5,834)	(5,969)	(5,463)	(6,681)	(6,515)	(5,927)	
Net mark-up/ interest earned	3,100	3,460	2,160	1,902	1,871	849	
Provisions and Write off	(724)	(368)	(633)	580	2,630	(228)	
Net mark-up / interest income/(loss) after provisions	2,375	3,093	1,526	2,483	4,501	621	
Non-markup/interest income	1,894	1,720	1,325	1,065	847	1,185	
Non-markup/interest expenses	(6,109)	(4,681)	(4,379)	(4,077)	(3,988)	(3,041)	
(Loss)/Profit before Taxation	(1,840)	131	(1,528)	(529)	1,359	(1,236)	
(Loss)/Profit After Taxation	(1,712)	87	(1,157)	(344)	695	(1,131)	
FINANCIAL RATIOS							
Income / Expense Ratio	Times	0.817	1.107	0.796	0.728	0.681	0.669
Return on average Equity (ROE)	%	(14.83)	1.14	(19.20)	(6.25)	13.27	(34.29)
Return on average Assets (ROA)	%	(1.45)	0.09	(1.28)	(0.38)	0.85	(1.60)
NPLs to Gross Advances ratio	%	12.71	12.76	16.05	20.00	19.93	23.35
Earning assets to Total Assets ratio	%	77.25	77.94	77.70	75.66	77.85	80.63
Earnings per share	Rs	(0.58)	0.03	(0.43)	(0.13)	0.26	(0.49)
Gross spread ratio (NIM/Gross interest income)	%	34.70	36.70	28.33	22.16	22.31	12.53
NON FINANCIAL INFORMATION							
Number of branches		88	88	85	85	85	82
Number of employees		3153	2906	2750	2750	2564	2179

Value Added Statement

		2015		2014	
		Rs '000	%	Rs '000	%
STATEMENT OF VALUE ADDED					
Value Added					
Net Interest Income		3,099,630	263	3,460,117	118
Non Interest Income		1,894,323	161	1,720,363	59
Operating Expenses excluding staff costs, depreciation and amortization		(3,093,170)	(263)	(1,878,052)	(64)
Provision against advances, investments & others		(724,377)	(62)	(367,613)	(13)
Value added for distribution		<u>1,176,406</u>	<u>100</u>	<u>2,934,815</u>	<u>100</u>
To employees					
Remuneration, provident fund and other benefits		2,572,189	219	2,335,456	80
To government					
Income tax		(128,097)	(11)	44,555	2
To expansion and growth					
Depreciation		357,813		385,732	
Amortization		86,106		82,212	
Retained Earnings		(1,711,605)		86,860	
		(1,267,686)	(108)	554,804	19
		<u>1,176,406</u>	<u>100</u>	<u>2,934,815</u>	<u>100</u>

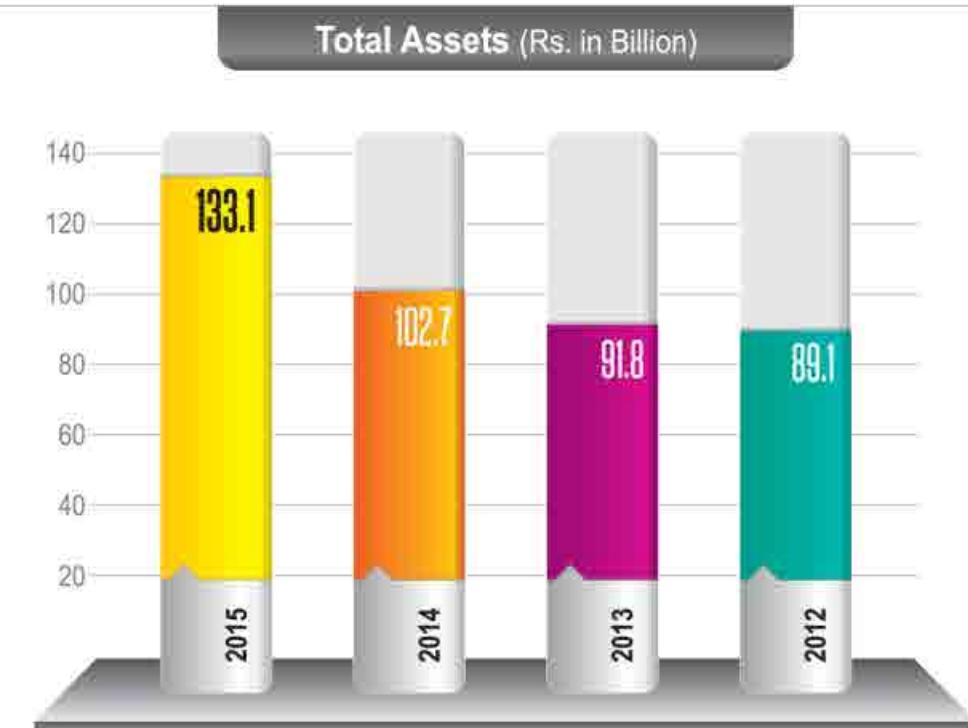
Horizontal Analysis

	2015 Rs M	15 Vs 14 %	2014 Rs M	14 Vs 13 %	2013 Rs M	13 Vs 12 %	2012 Rs M	12 Vs 11 %	2011 Rs M	11 Vs 10 %	2010 Rs M	10 Vs 09 %
ASSETS												
Cash and balances with treasury banks	7,344	44%	5,103	-5%	5,362	34%	4,007	-10%	4,436	30%	3,415	9%
Balances with other banks	194	39%	139	-38%	226	163%	86	-9%	94	6%	89	-41%
Lending to financial institutions	6,778	126%	3,000	571%	447	-92%	5,602	81%	3,101	195%	1,051	-2%
Investments	34,999	93%	18,105	22%	14,853	17%	12,735	-27%	17,548	33%	13,190	-35%
Advances	61,074	4%	58,967	5%	56,038	14%	49,060	-2%	49,936	13%	44,354	38%
Operating fixed assets	4,497	-1%	4,563	-3%	4,692	1%	4,637	-3%	4,756	95%	2,444	-34%
Deferred tax assets (net)	4,181	6%	3,937	3%	3,839	6%	3,605	1%	3,569	-15%	4,193	5%
Other assets	14,071	58%	8,921	41%	6,314	-32%	9,345	29%	7,230	84%	3,933	-10%
TOTAL ASSETS	133,137	30%	102,736	12%	91,770	3%	89,080	-2%	90,670	25%	72,669	6%
LIABILITIES												
Bills payable	2,413	12%	2,153	-22%	2,747	39%	1,979	18%	1,679	101%	837	31%
Borrowings from financial institutions	33,230	53%	21,742	91%	11,382	0%	11,377	-36%	17,782	80%	9,871	-35%
Deposits and other accounts	81,098	18%	68,770	-1%	69,433	1%	69,050	8%	64,072	15%	55,706	12%
Sub-ordinated loan	-	-	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	14	17%	17	-	-	-	-	-	-	-	-	-
Other liabilities	1,805	16%	1,552	1%	1,532	18%	1,302	-13%	1,499	5%	1,421	-9%
TOTAL LIABILITIES	118,561	26%	94,235	11%	85,095	2%	83,708	-2%	85,032	25%	67,835	1%
NET ASSETS	14,577	71%	8,501	23%	6,675	24%	5,373	-5%	5,639	17%	4,834	174%
REPRESENTED BY												
Share capital	77,998	192%	26,716	-	26,716	-	26,716	-	26,716	-	26,716	197%
Advance against proposed issue of right shares	2,000	-	2,000	-	-	-	-	-	-	-	-	-
Reserves	180	-	180	11%	163	-	163	17%	139	-	-	-100%
Discount on issue of rights shares	(66,567)	328%	(13,285)	-	(13,285)	-	(13,285)	-	(13,285)	-	(13,285)	-
Accumulated loss	(11,335)	-20%	(9,444)	1%	(9,527)	-14%	(8,381)	-4%	(8,055)	6%	(8,614)	5%
Surplus on revaluation of assets (net of tax)	100	-25%	133	-67%	408	155%	160	30%	123	827%	17	-99%
Convertible preference shares	2,200	-	2,200	-	2,200	-	-	-	-	-	-	-
14,577	71%	8,501	27%	6,675	24%	5,373	-5%	5,639	17%	4,834	174%	
PROFIT AND LOSS ACCOUNT												
Mark-up/return/Interest earned	8,933	-5%	9,429	24%	7,622	-11%	8,584	2%	8,386	24%	6,776	15%
Mark-up/return/Interest expensed	(5,834)	2%	(5,969)	-9%	(5,463)	18%	(6,681)	-3%	(6,515)	-10%	(5,927)	-1%
Net mark-up/ interest earned	3,100	-10%	3,460	60%	2,160	14%	1,902	2%	1,871	120%	849	1369%
Provisions and Write off	(724)	-87%	(368)	42%	(633)	-209%	580	-78%	2,630	1253%	(228)	90%
Net mark-up / Interest income/(loss) after provisions	2,375	-23%	3,093	103%	1,526	-39%	2,483	-45%	4,501	625%	621	-72%
Non-markup/interest income	1,894	10%	1,720	30%	1,325	24%	1,065	26%	847	-29%	1,185	79%
Non-markup/interest expenses	(6,109)	-30%	(4,681)	-7%	(4,379)	-7%	(4,077)	-2%	(3,988)	-31%	(3,041)	-14%
(Loss)/Profit before Taxation	(1,840)	-1500%	131	109%	(1,528)	189%	(529)	-139%	-1,359	210%	(1,236)	71%
Taxation	128	-388%	(45)	-112%	372	101%	185	-128%	(664)	-736%	104	-92%
(Loss)/Profit After Taxation	(1,712)	-2071%	87	108%	(1,157)	-236%	(344)	-149%	695	161%	(1,131)	61%

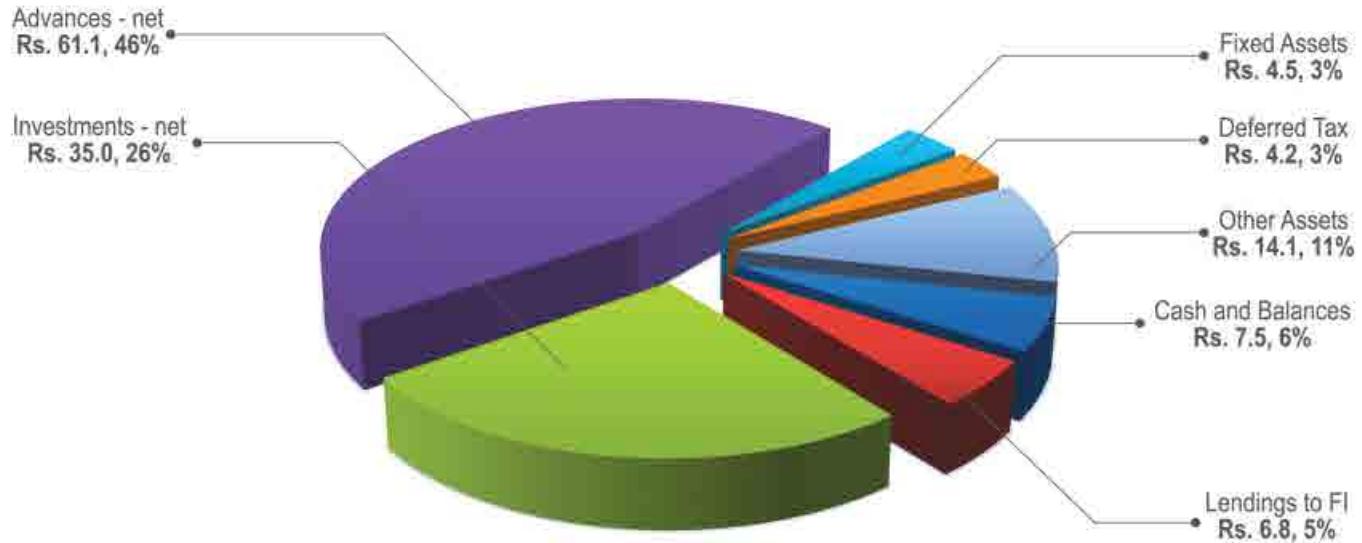
Vertical Analysis

	2015 Rs M	2015 %	2014 Rs M	2014 %	2013 Rs M	2013 %	2012 Rs M	2012 %	2011 Rs M	2011 %	2010 Rs M	2010 %
Balance sheet												
ASSETS												
Cash and balances with treasury banks	7,344	6%	5,103	5%	5,362	6%	4,007	4%	4,436	5%	3,415	5%
Balances with other banks	194	0%	139	0%	226	0%	86	0%	94	0%	89	0%
Lending to financial institutions	6,778	5%	3,000	3%	447	0%	5,602	6%	3,101	3%	1,051	1%
Investments	34,999	26%	18,105	18%	14,853	16%	12,735	14%	17,548	19%	13,190	18%
Advances	61,074	46%	58,967	57%	56,038	61%	49,060	55%	49,936	55%	44,354	61%
Operating fixed assets	4,497	3%	4,563	4%	4,692	5%	4,637	5%	4,756	5%	2,444	3%
Deferred tax assets (net)	4,181	3%	3,937	4%	3,839	4%	3,605	4%	3,569	4%	4,193	6%
Other assets	14,071	11%	8,921	9%	6,314	7%	9,348	10%	7,230	8%	3,933	5%
TOTAL ASSETS	133,137	100%	102,736	100%	91,770	100%	89,080	100%	90,670	100%	72,669	100%
LIABILITIES												
Bills payable	2,413	2%	2,153	2%	2,747	3%	1,979	2%	1,679	2%	837	1%
Borrowings from financial institutions	33,230	25%	21,742	21%	11,382	12%	11,377	13%	17,782	20%	9,871	14%
Deposits and other accounts	81,098	61%	68,770	67%	69,433	76%	69,050	78%	64,072	71%	55,706	77%
Sub-ordinated loan	-	-	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	14	0%	17	0%	-	-	-	-	-	-	-	-
Other liabilities	1,805	1%	1,552	2%	1,532	1%	1,302	1%	1,499	2%	1,421	2%
TOTAL LIABILITIES	118,561	89%	94,235	92%	85,095	93%	83,708	94%	85,032	94%	67,835	93%
NET ASSETS	14,577	11%	8,501	8%	6,675	7%	5,373	6%	5,639	6%	4,834	7%
REPRESENTED BY												
Share capital	77,998	59%	26,716	26%	26,716	29%	26,716	30%	26,716	29%	26,716	37%
Advance against proposed issue of right shares	2,000	2%	2,000	2%	-	-	-	-	-	-	-	-
Reserves	180	0%	180	0%	163	0%	163	0%	139	0%	-	0%
Discount on issue of rights shares	(56,567)	-42%	(13,285)	-13%	(13,285)	-14%	(13,285)	-15%	(13,285)	-15%	(13,285)	-18%
Accumulated loss	(11,335)	-9%	(9,444)	-9%	(9,527)	-10%	(8,381)	-9%	(8,055)	-9%	(8,614)	-12%
Surplus on revaluation of assets (net of tax)	100	0%	133	0%	408	0%	160	0%	123	0%	17	0%
Convertible preference shares	2,200	2%	2,200	2%	2,200	2%	-	-	-	-	-	-
	14,577	11%	8,501	8%	6,675	7%	5,373	6%	5,639	6%	4,834	7%
PROFIT AND LOSS ACCOUNT												
Mark-up/return/Interest earned	8,933	83%	9,429	85%	7,622	85%	8,584	89%	8,386	91%	6,776	85%
Mark-up/return/Interest expensed	(5,834)	-54%	(5,969)	-54%	(5,463)	-61%	(6,681)	-69%	(6,515)	-71%	(5,927)	-74%
Net mark-up/ Interest earned	3,100	29%	3,460	31%	2,160	24%	1,902	20%	1,871	20%	849	11%
Provisions and Write off	(724)	-7%	(368)	-3%	(633)	-7%	580	6%	2,630	28%	(228)	-3%
Net mark-up / Interest income/(loss)												
after provisions	2,375	22%	3,093	28%	1,526	17%	2,483	26%	4,501	49%	621	8%
Non-markup/interest income	1,894	17%	1,720	15%	1,325	15%	1,065	11%	847	9%	1,185	15%
Non-markup/Interest expenses	(6,109)	-56%	(4,681)	-42%	(4,379)	-49%	(4,077)	-42%	(3,988)	-43%	(3,041)	-38%
(Loss)/Profit before Taxation	(1,840)	-17%	131	1%	(1,528)	-17%	(529)	-5%	1,359	15%	(1,236)	-16%
Taxation	128	1%	(45)	0%	372	4%	185	2%	(664)	-7%	104	1%
(Loss)/Profit After Taxation	(1,712)	-16%	87	1%	(1,157)	-13%	(344)	-4%	695	8%	(1,131)	-14%

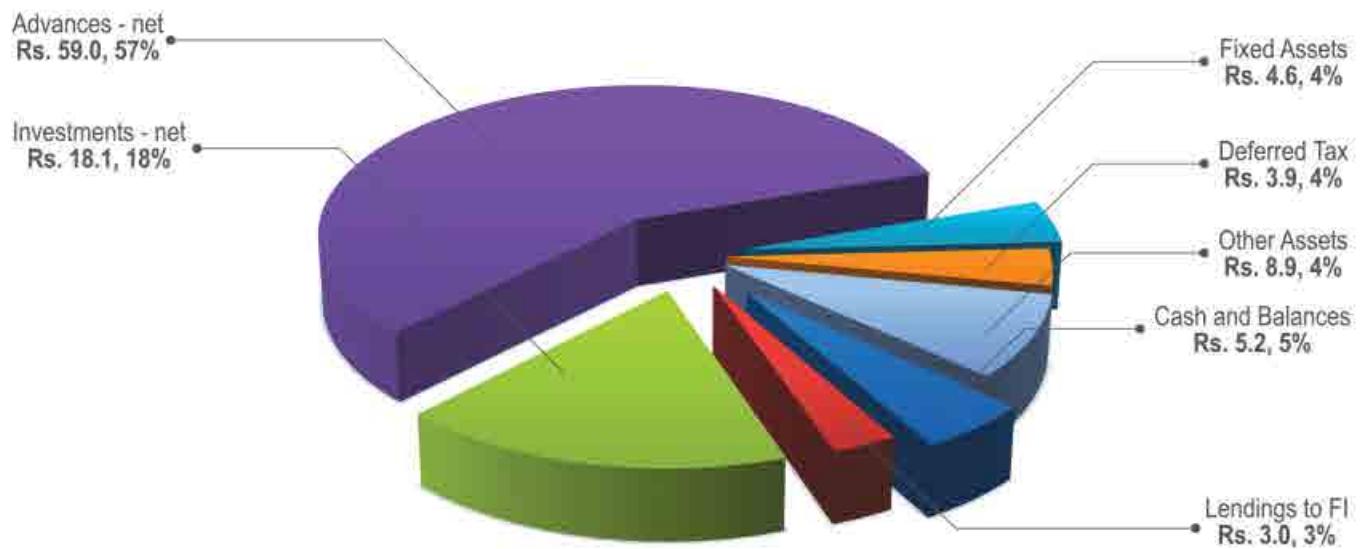
Graphical Presentation of Financial Progress



Total Assets - 2015 (Rs. in Billion)

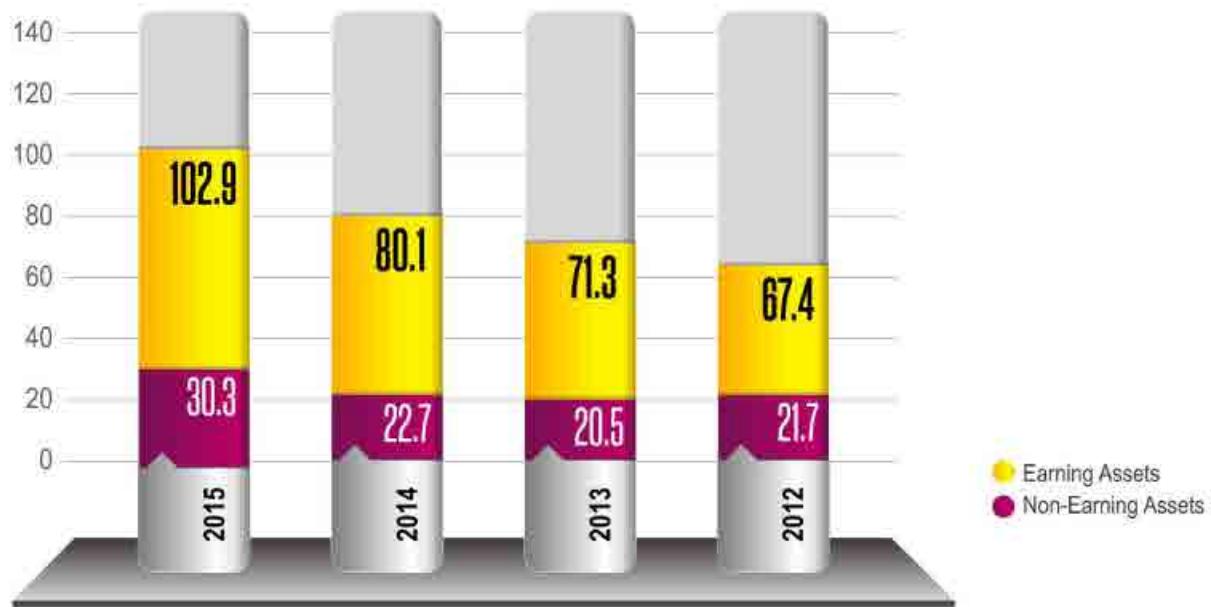


Total Assets - 2014 (Rs. in Billion)

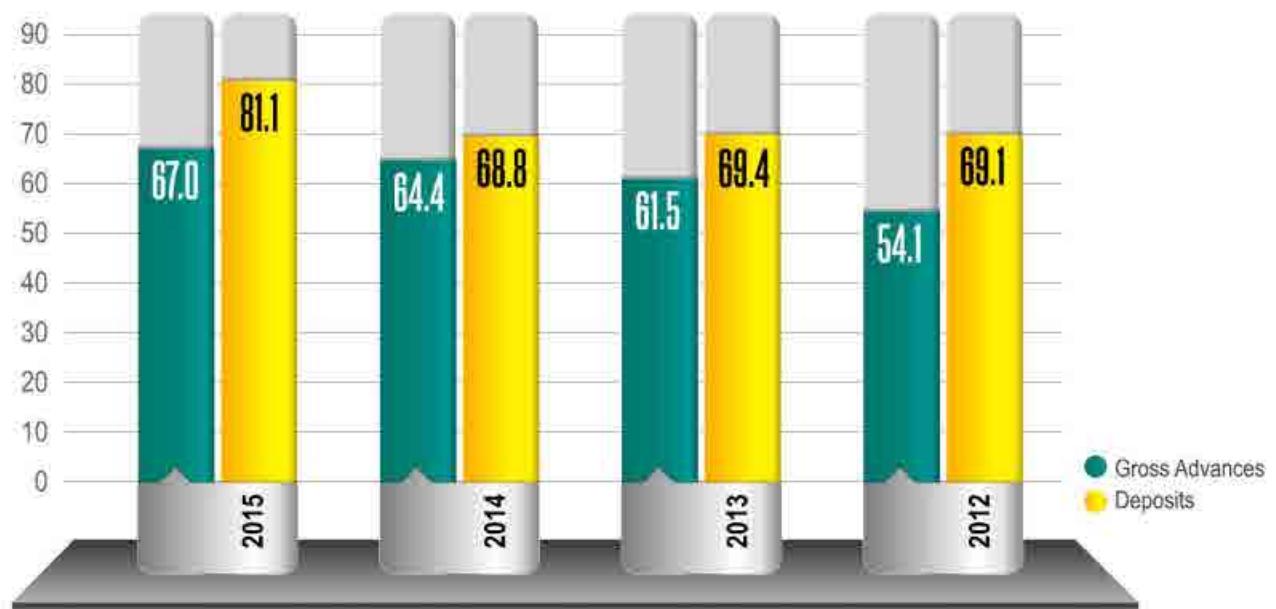


Graphical Presentation of Financial Progress

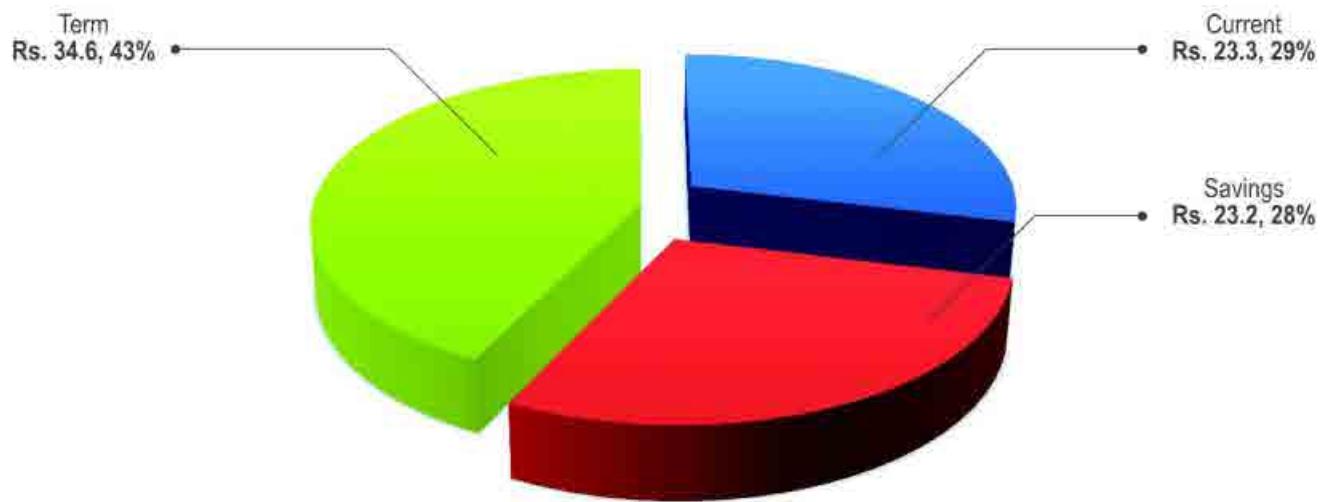
Earning Assets Vs. Non-Earning Assets (Rs. in Billion)



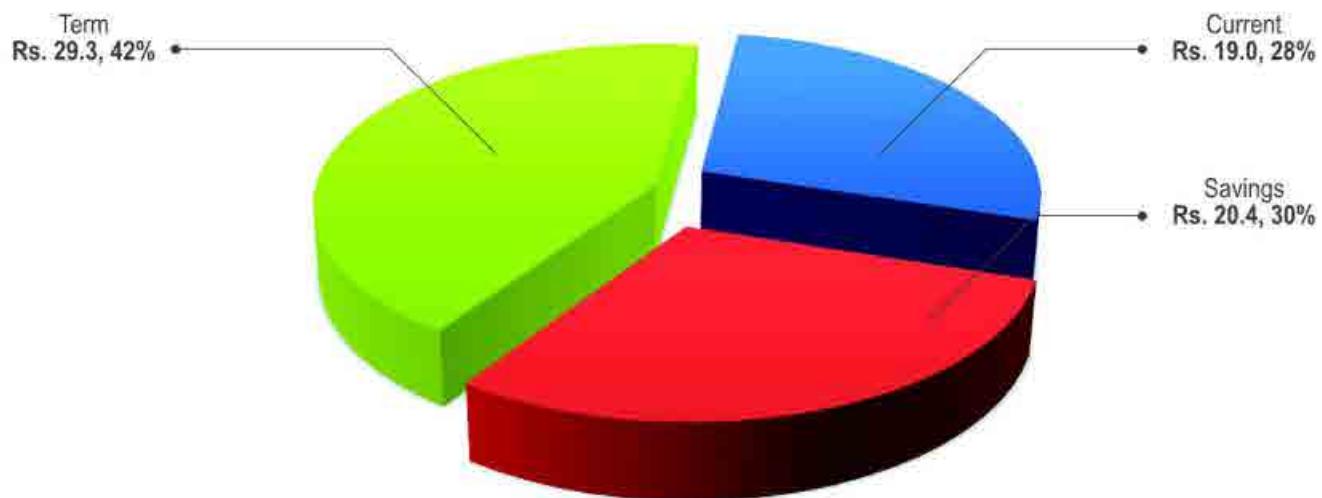
Gross Advances & Deposits (Rs. in Billion)



Deposit Mix - 2015 (Rs. in Billion)

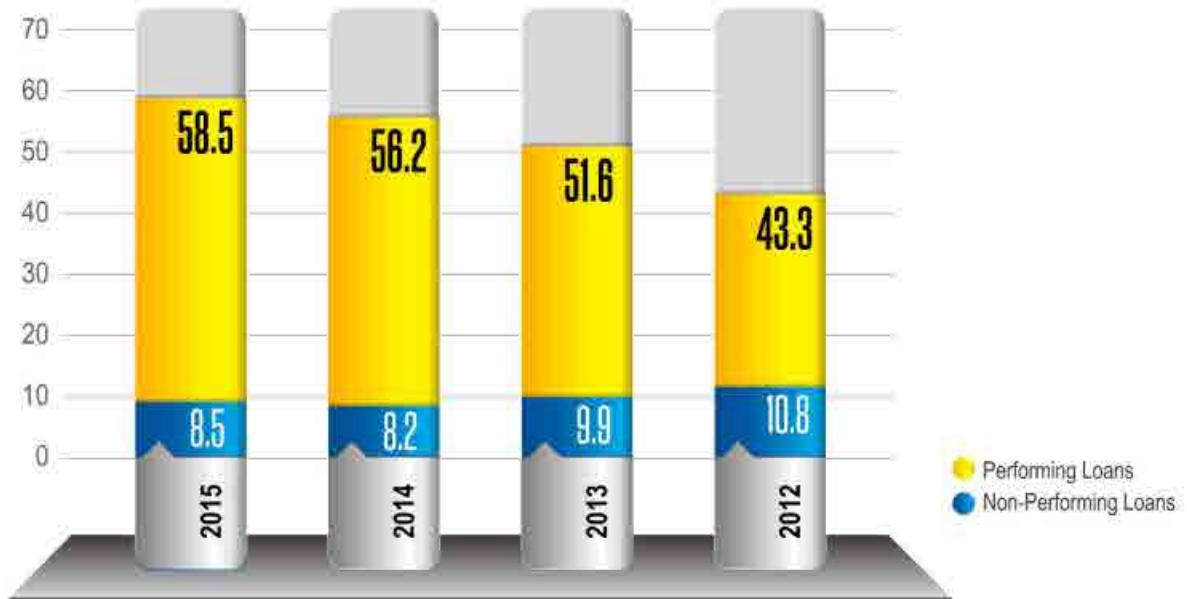


Deposit Mix - 2014 (Rs. in Billion)

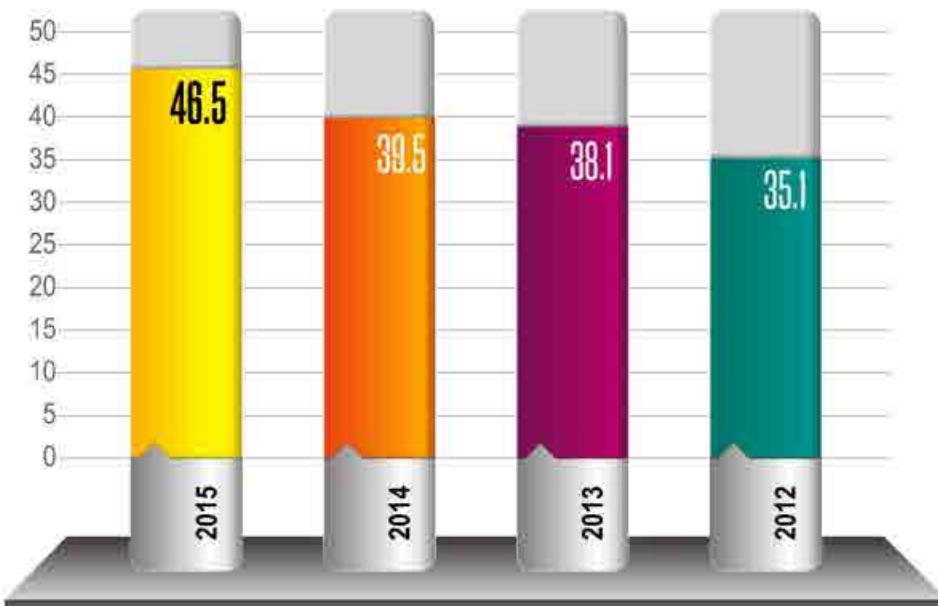


Graphical Presentation of Financial Progress

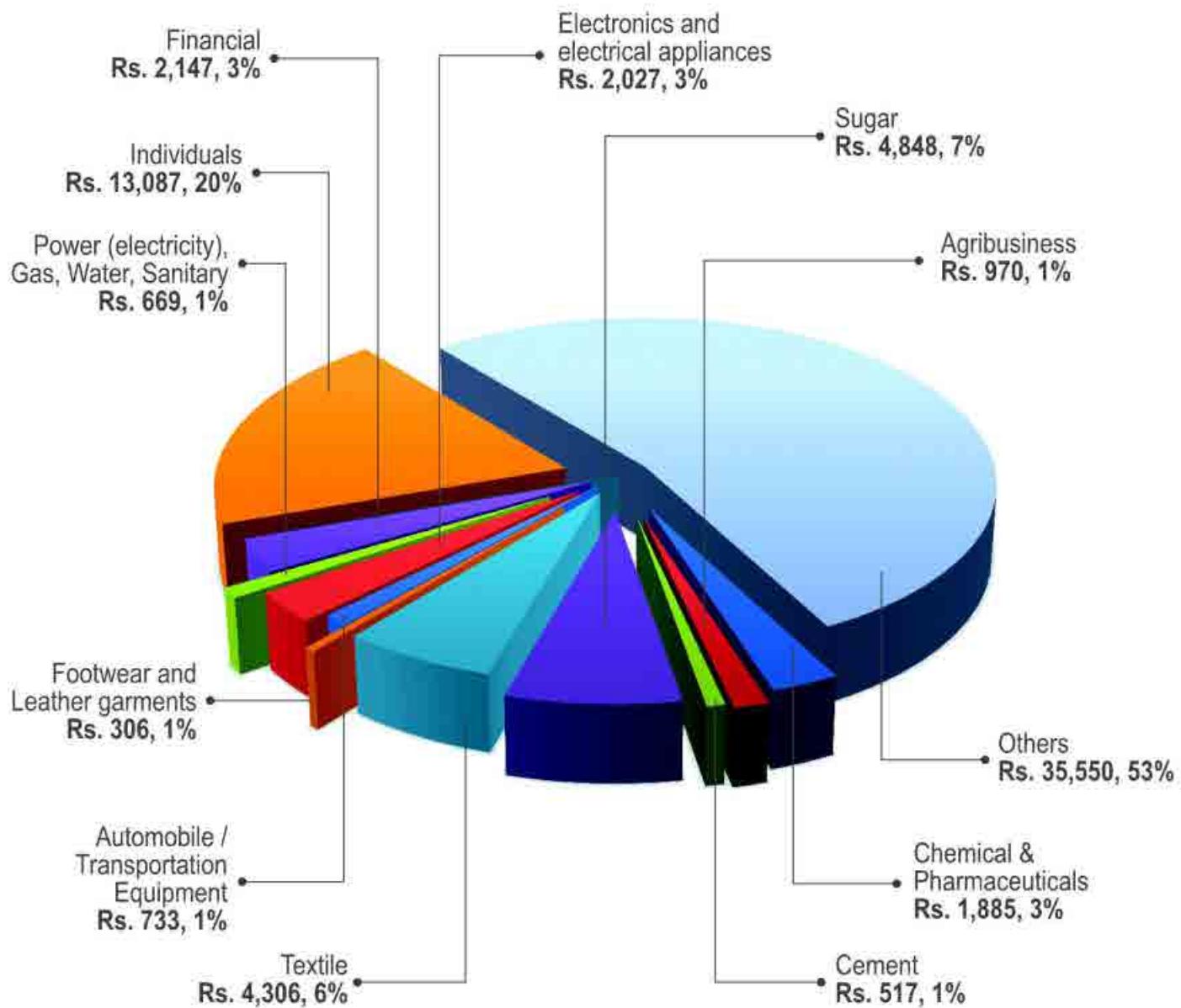
Performing Vs. Non-Performing Loans (Rs. in Billion)



CASA (Current & Saving Deposits) (Rs. in Billion)

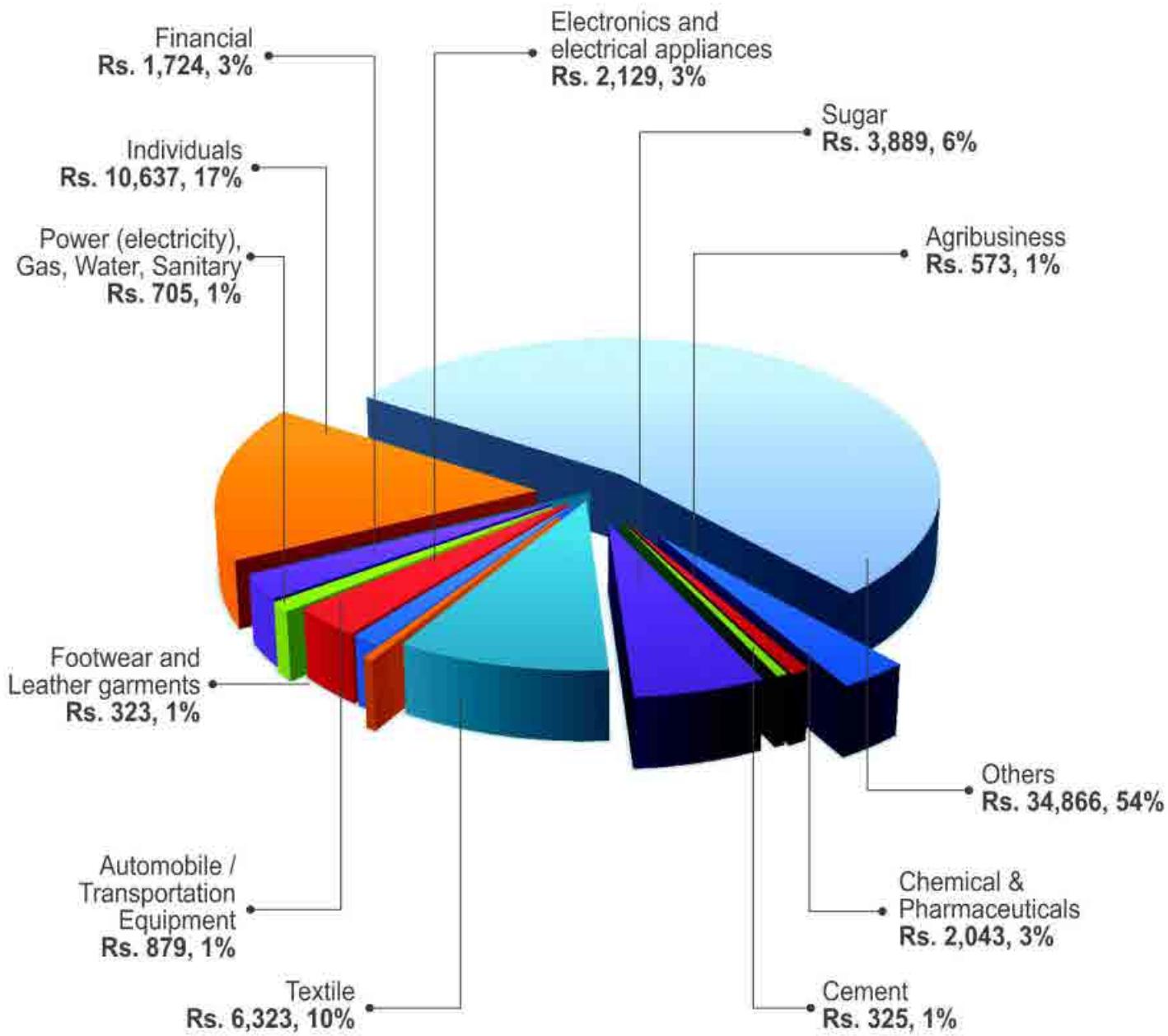


Sector Wise Advances - 2015 (Rs. in Million)



Graphical Presentation of Financial Progress

Sector Wise Advances - 2014 (Rs. in Million)



Mark-up Income Vs. Cost of Fund (Rs. in Billion)



Non-Interest Income (Rs. in Million)



Statement of Financial Position

as at December 31, 2015

	Note	2015	2014
		Rupees in '000	
ASSETS			
Cash and balances with treasury banks	7	7,343,670	5,102,984
Balances with other banks	8	194,065	139,478
Lendings to financial institutions	9	6,777,944	3,000,000
Investments - net	10	34,999,068	18,105,414
Advances - net	11	61,074,207	58,966,877
Operating fixed assets	12	4,496,648	4,563,290
Deferred tax assets - net	13	4,180,969	3,937,182
Other assets	14	14,070,688	8,920,628
		133,137,259	102,735,853
LIABILITIES			
Bills payable	15	2,413,342	2,153,091
Borrowings	16	33,230,182	21,742,246
Deposits and other accounts	17	81,097,581	68,770,255
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease	18	14,145	17,105
Deferred tax liabilities		-	-
Other liabilities	19	1,805,347	1,552,329
		118,560,597	94,235,026
NET ASSETS			
		14,576,662	8,500,827
REPRESENTED BY			
Share capital	20	77,998,099	26,716,048
Discount on issue of right shares		(56,566,725)	(13,284,674)
Reserves		180,134	180,134
Advance against shares subscription	1.3	2,000,000	2,000,000
Convertible preference shares	21	2,200,000	2,200,000
Accumulated loss		(11,334,916)	(9,444,123)
		14,476,592	8,367,385
Surplus on revaluation of assets - net of tax	22	100,070	133,442
		14,576,662	8,500,827
CONTINGENCIES AND COMMITMENTS			
		23	

The annexed notes 1 to 47 and Annexures I and II form an integral part of these financial statements.

Azmat Tarin
President & CEO

Munnawar Hamid
Chairman

Tariq Iqbal Khan
Director

Shamsul Hasan
Director

Profit And Loss Account

for the year ended December 31, 2015

	Note	2015 Rupees in '000	2014 Rupees in '000
Mark-up / return / interest earned	25	8,933,315	9,429,216
Mark-up / return / interest expensed	26	(5,833,685)	(5,969,099)
Net Mark-up / interest income		3,099,630	3,460,117
Provision against non-performing loans and advances - net	11.3	(589,293)	(79,077)
Provision against consumer financing - net	11.3	(88,190)	(127,402)
Recovery against written off loans		3,823	4,004
(Provision) / reversal for diminution in the value of investments - net	10.9	(5,344)	2,537
Impairment in the value of investment	10.7.1	(45,373)	(167,675)
		(724,377)	(367,613)
Net mark-up / interest income after provisions		2,375,253	3,092,504
NON MARK-UP / INTEREST INCOME			
Fee, commission and brokerage income		976,838	868,263
Dividend income		40,652	47,168
Income from dealing in foreign currencies		181,696	196,672
Gain on sale of securities - net	27	650,948	346,592
Unrealized gain on revaluation of investments - held-for-trading	10.1	1,291	169,053
Other income	28	42,898	92,615
Total non-mark-up / interest income		1,894,323	1,720,363
		4,269,576	4,812,867
NON MARK-UP / INTEREST EXPENSES			
Administrative expenses	29	(5,268,719)	(4,692,044)
Other (provisions) / (write offs) / reversals - net	30	(762,976)	38,019
Other charges	31	(77,583)	(27,427)
Total non-mark-up / interest expenses		(6,109,278)	(4,681,452)
Extra ordinary / unusual items		(1,839,702)	131,415
		(1,839,702)	131,415
(LOSS) / PROFIT BEFORE TAXATION			
Taxation - Current		-	-
- Prior		(92,322)	-
- Deferred		220,419	(44,555)
	32	128,097	(44,555)
(LOSS) / PROFIT AFTER TAXATION		(1,711,605)	86,860
		Rupee	
Basic (loss) / earnings per share	33	(0.58)	0.03
Diluted (loss) / earnings per share	33	(0.58)	0.02

The annexed notes 1 to 47 and Annexures I and II form an integral part of these financial statements.

Azmat Tarin
President & CEO

Munnawar Hamid, OBE
Chairman

Tariq Iqbal Khan
Director

Shamsul Hasan
Director

Statement of Comprehensive Income

for the year ended December 31, 2015

	Note	2015	2014
		Rupees in '000	
(Loss) / profit after taxation		(1,711,605)	86,860
Other comprehensive income			
Items that will not be reclassified to profit and loss account			
Remeasurement (loss) / gain of defined benefit plan	36.1.2	(13,541)	14,643
Related tax effect		4,739	(5,125)
		(8,802)	9,518
Comprehensive (loss) / income transferred to equity		(1,720,407)	96,378
Components of comprehensive income not reflected in equity			
Deficit on revaluation of assets		(52,001)	(422,243)
Deferred tax asset on revaluation of assets		18,629	147,784
		(33,372)	(274,459)

The annexed notes 1 to 47 and Annexure I and II form an integral part of these financial statements.

Azmat Tarin
President & CEO

Munnawar Hamid, OBE
Chairman

Tariq Iqbal Khan
Director

Shamsul Hasan
Director

Statement of Changes in Equity

for the year ended December 31, 2015

	Note	Share Capital	Discount on Issue of Shares	*Statutory Reserves	Advance against shares subscription	Convertible Preference shares	Accumulated Loss	Total Equity
Rupees in '000								
Balance as at January 01, 2014		26,716,048	(13,284,674)	162,762	-	2,200,000	(9,526,849)	6,267,287
Total comprehensive income for the year 2014								
Profit after tax for the year ended December 31, 2014		-	-	-	-	-	86,860	86,860
Other comprehensive income		-	-	-	-	-	9,518	9,518
Total comprehensive income for the year 2014		-	-	-	-	-	96,378	96,378
Transfer from surplus on revaluation of fixed assets on account of incremental depreciation- net of tax	22.3	-	-	-	-	-	3,720	3,720
Advance against shares subscription	1.3	-	-	-	2,000,000	-	-	2,000,000
Transfer to statutory reserves		-	-	17,372	-	-	(17,372)	-
Balance as at December 31, 2014		26,716,048	(13,284,674)	180,134	2,000,000	2,200,000	(9,444,123)	8,367,385
Total comprehensive income for the year 2015								
Loss after tax for the year ended December 31, 2015		-	-	-	-	-	(1,711,605)	(1,711,605)
Other comprehensive income		-	-	-	-	-	(8,802)	(8,802)
Total comprehensive income for the year 2015		-	-	-	-	-	(1,720,407)	(1,720,407)
Share subscription money for issue of right shares	20.3	-	-	-	8,000,000	-	-	8,000,000
Issuance of right shares at discount	20.3	51,282,051	(43,282,051)	-	(8,000,000)	-	-	(172,881)
Share issue cost		-	-	-	-	-	-	(172,881)
Transfer from surplus on revaluation of fixed assets on account of incremental depreciation - net of tax	22.3	-	-	-	-	-	2,495	2,495
Balance as at December 31, 2015		77,998,099	(56,566,725)	180,134	2,000,000	2,200,000	(11,334,916)	14,476,592

* Statutory reserves represent amount set aside as per requirements of section 21 of the Banking Companies Ordinance, 1962.

The annexed notes 1 to 47 and Annexure I and II form an integral part of these financial statements.

Azmat Tarin
President & CEO

Munnawar Hamid, OBE
Chairman

Tariq Iqbal Khan
Director

Shamsul Hasan
Director

Cash Flow Statement

for the year ended December 31, 2015

	Note	2015	2014
		Rupees in '000	
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss) / profit before taxation		(1,839,702)	131,415
Less : Dividend income		(40,652)	(47,168)
		(1,880,354)	84,247
Adjustments for non-cash items			
Depreciation	12.2	357,813	385,732
Amortization of intangible assets	12.3	86,106	82,212
Amortization of premium / (discount) on investments		120,555	(2,724)
Provision against non-performing loans and advances - net	11.3	589,293	79,077
Provision against consumer financing	11.3	88,190	127,402
Impairment in the value of investments		45,373	167,675
Unrealized gain on revaluation of investments - held-for-trading	10.1	(1,291)	(169,053)
Share of profit from associate	28	(13,041)	(9,392)
Other provisions / (reversals)	30	762,976	(38,019)
(Gain) / loss on sale of fixed assets	12.5	(1,365)	70
		2,034,609	622,980
		154,255	707,227
(Increase) / Decrease in operating assets			
Lendings to financial institutions		(3,777,944)	(2,553,141)
Net investments in held-for-trading securities		2,363,241	(43,576)
Advances		(2,784,813)	(3,135,834)
Other assets		(5,936,893)	(2,343,318)
		(10,136,409)	(8,075,869)
Increase / (Decrease) in operating liabilities			
Bills payable		260,251	(594,309)
Borrowings		11,487,936	10,360,271
Deposits		12,327,326	(663,197)
Other liabilities		253,018	(66,587)
		24,328,531	9,036,178
		14,346,377	1,667,536
Income tax paid		(84,552)	(127,141)
Net cash flows from operating activities		14,261,825	1,540,395

Azmat Tarin
President & CEO

Munnawar Hamid, OBE
Chairman

Tariq Iqbal Khan
Director

Shamsul Hasan
Director

Cash Flow Statement

for the year ended December 31, 2015

	Note	2015	2014
		Rupees in '000	
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investment in available-for-sale securities		(19,457,997)	(3,612,922)
Dividend received		43,198	49,714
Proceeds on disposal of operating fixed assets	12.5	49,593	79,055
Net investment in operating fixed assets		(425,505)	(398,607)
Net cash flows from investing activities		(19,790,711)	(3,882,760)
CASH FLOWS FROM FINANCING ACTIVITIES			
Shares issue cost		(172,881)	-
Proceeds from issuance of right shares		8,000,000	2,000,000
Finance lease obligation paid		(2,960)	(3,052)
Net cash flows from financing activities		7,824,159	1,996,948
Increase / (Decrease) in cash and cash equivalents		2,295,273	(345,417)
Cash and cash equivalents at the beginning of the year		5,242,462	5,587,879
Cash and cash equivalents at the end of the year	34	7,537,735	5,242,462

The annexed notes 1 to 47 and Annexure I and II form an integral part of these financial statements.

Azmat Tarin
President & CEO

Munnawar Hamid, OBE
Chairman

Tariq Iqbal Khan
Director

Shamsul Hasan
Director

Notes to the Financial Statements

for the year ended December 31, 2015

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. The Bank is engaged in banking services as described in the Banking Companies Ordinance, 1962. The Bank operates through 88 branches (2014: 88 branches) including 10 (2014: 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 2015 are 'A-2' and 'A-' respectively.
- 1.2 Major shareholders of the Bank as on December 31, 2015 are Sirthos 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 and Mr. Zulqarnain Nawaz Chattha and Mr. Zubair Nawaz Chattha of Gourmet Group.
- 1.3 The State Bank of Pakistan (SBP) vide BSD Circular No. 7 dated April 15, 2009 has set the Minimum Capital Requirement (MCR) for Banks of Rs. 10 billion (net of losses), which was required to be achieved by December 31, 2013. The Banks are also required to maintain a Capital Adequacy Ratio (CAR) of at least 10% of the risk weighted assets of the Bank.

In order to meet the capital requirements of 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) in its right shares Subscription Account (maintained with the Bank) out of which the Bank has issued shares for Rs. 8 billion (i.e. 5,128,205,128 shares at Rs. 1.56 per share) until December 31, 2015. The aforementioned amount of Rs. 10 billion includes Rs. 2 billion received during 2014 as advance against shares subscription, in the right shares Subscription Account from certain investors, whose clearance for issuance of shares was awaited from SBP. The SBP vide its letter No. BPRD / BA&CP / 644 / 24214 / 2014 dated December 10, 2014 had allowed the Bank to consider the advance against shares subscription for MCR and CAR purposes as at December 31, 2014 subject to certain conditions (i.e. issue of shares and adjustment of finance facility of one of the investors), which were required to be completed by March 31, 2015. However, the Bank has not been able to comply with these conditions to date but it is still considering such advance against shares subscription towards MCR and CAR and has reported to SBP on the same basis throughout the year.

The SBP through its letter No. BPRD / BA&CP / 644 / 4133 / 2016 dated February 27, 2016 has advised (since individual shareholding of prospective investors is below 5% threshold) the Bank to decide the matter of share issuance to prospective investors in the light of Bank's internal policies, directions from the Board of Directors and compliance with all applicable laws, rules and regulations. Further, the SBP has advised the Bank to obtain NOC from the relevant quarters and ensure compliance of the terms and conditions embodied in their letter dated December 11, 2014 before finalizing the decision of share issuance to prospective investors. The Bank has decided that it will issue the shares to prospective investors after obtaining the NOC from relevant quarters and addressing all legal requirements.

The capital of the Bank (net of losses and discount on shares) as of December 31, 2015 amounted to Rs. 12.10 billion including advance against shares subscription of Rs. 2 billion and excluding general reserves of Rs. 180.13 million and convertible preference shares of Rs. 2.20 billion. Further, the CAR of the Bank as disclosed in note 20.5 is 13.84%.

If the Bank does not consider advance against shares subscription of Rs. 2 billion towards MCR than the MCR of the Bank (net of losses and discount on shares) as of December 31, 2015 would have amounted to Rs. 10.10 billion (excluding general reserves of Rs. 180.13 million and convertible preference shares of Rs. 2.20 billion) and CAR would have been 11.89%.

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 financial statements as such but are restricted to the amount of facility actually utilised and the appropriate portion of mark-up thereon.

The Islamic Banking branches of the Bank have complied with the requirements set out under the Islamic Financial Accounting Standards issued by the Institute of Chartered Accountants of Pakistan and notified under the provisions of the Companies Ordinance, 1984 except for the adoption of IFAS 3 'Profit & Loss Sharing on Deposits' as disclosed in note 3.

- 2.2 The financial results of the Islamic Banking branches have been included in these financial statements for reporting purposes, after eliminating material inter-branch transactions / balances. Key financial figures of the Islamic Banking branches are disclosed in Annexure II to these financial statements.

Notes to the Financial Statements

for the year ended December 31, 2015

- 2.3 These financial statements have been prepared in Pakistani Rupee which is the functional and presentation currency of the Bank. The amounts are rounded off to the nearest thousand.

3. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved Accounting Standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP), as are notified under the Companies Ordinance, 1984, provisions of and directives issued 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 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 the 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 financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.

IFRS 8, 'Operating Segments' is effective for the Bank's accounting periods beginning on or after January 1, 2009. All banking companies in Pakistan are required to prepare their annual financial statements in line with the format prescribed under BSD Circular No. 4 dated February 17, 2006, 'Revised Forms of Annual Financial Statements' (as updated from time to time), effective from the accounting year ended December 31, 2006. The management of the Bank believes that as the SBP has defined the segment categorisation in the above mentioned circular, the SBP requirements prevail over the requirements specified in IFRS 8. Accordingly, segment information disclosed in these financial statements is based on the requirements laid down by the SBP.

The State Bank of Pakistan 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 Securities & Exchange Commission of Pakistan (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 financial statements of the Bank.

4. STANDARDS, AMENDMENTS AND INTERPRETATIONS OF APPROVED ACCOUNTING STANDARDS

4.1 Standards, amendments and interpretations to published approved accounting standards that are effective in the current year

The following published approved accounting standards are effective for accounting periods beginning on or after January 1, 2015:

- IFRS 12 'Disclosure of interest in other entities'
- IFRS 13 'Fair Value Measurement'

The application of above standards has resulted in additional disclosures in the Bank's financial statements (refer note 12.8.1 & 38).

There are certain other new and amended standards and interpretations that are mandatory for the Bank's accounting periods beginning on or after January 1, 2015 but are considered not to be relevant or do not have any significant effect on the Bank's operations and therefore are not detailed in these financial statements.

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

The following amendments to approved accounting standards are effective for accounting periods, beginning on or after the date mentioned against each of them. These amendment are either not relevant to the Bank's operations or are not expected to have significant impact on the Bank's financial statements other than certain additional disclosures:

Effective from accounting period beginning on or after

- | | |
|---|------------------|
| - Amendments to IFRS 11 'Joint Arrangements' – Accounting for acquisitions of interest in joint ventures operations | January 01, 2016 |
| - Amendments to IAS 1 'Presentation of Financial Statements' – Disclosure initiative | January 01, 2016 |

Notes to the Financial Statements

for the year ended December 31, 2015

- Amendments to IAS 16 and IAS 38 – Clarification of acceptable methods of depreciation and amortisation	January 01, 2016
- Amendments to IAS 16 and IAS 41 – Agriculture: Bearer Plants	January 01, 2016
- Amendments to IAS 27 'Separate Financial Statements' – Equity method in separate financial statements	January 01, 2016
- Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' – assets between an investor and its associate or joint venture	January 01, 2016
- Amendments to IFRS 10 'Consolidated Financial Statements', IFRS 12 'Disclosure of Interests in Other Entities' and IAS 28 'Investments and Joint Ventures' - Investment Entities : Applying the consolidation exception	January 01, 2016

In addition to the above, the following new standards have been issued by IASB which are yet to be notified by the SECP / SBP for the purpose of applicability in Pakistan.

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 9 – Financial Instruments
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 15 – Revenue from Contracts with Customers
- IFRS 16 – Leases

5. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention, except that certain fixed assets 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.

5.1 Use of critical accounting estimates and judgments

The preparation of these financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. It also requires management to exercise judgment in the application of its accounting policies. The estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

The areas where various assumptions and estimates are significant to the Bank's financial statements or where judgment was exercised in application of accounting policies are as follows:

5.1.1 Provision against non-performing loans and advances and debt securities.

The Bank reviews its loan portfolio and debt securities (classified as investments) to assess the amount of non-performing loans and advances and debt securities and determine provision required there-against on regular basis. While assessing this requirement, various factors including the past dues, delinquency in the account, financial position of the borrower, the forced sale value of collateral held and requirements of the Prudential Regulations are considered, except for loans and advances where relaxation has been allowed by SBP. For portfolio impairment provision on consumer advances and small enterprise finance, the Bank follows the general provision requirements set out in Prudential Regulations issued by the SBP.

5.1.2 Fair value of derivatives

The fair value of derivatives which are not quoted in active markets are determined by using valuation techniques. The valuation techniques take into account the relevant interest rates in-effect at the reporting date and the rates contracted.

5.1.3 Classification of investments

In classifying investments, the Bank follows the guidance provided in SBP circulars:

- Investments classified as 'held-for-trading' are securities which are acquired with an intention to trade by taking advantage of short term market / interest rate movements and are to be sold within 90 days of acquisition.
- Investments classified as 'held-to-maturity' are non-derivative financial assets with fixed or determinable payments and fixed maturity. In making this judgment, the Bank evaluates its intention and ability to hold such investment to maturity.

Notes to the Financial Statements

for the year ended December 31, 2015

- The investments which are not classified as 'held-for-trading' or 'held-to-maturity' are classified as 'available-for-sale'.

5.1.4 Impairment of 'available-for-sale' equity investments

The Bank determines that 'available-for-sale' equity investments are impaired when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is significant or prolonged requires judgment. In making this judgment, the Bank evaluates, among other factors, the normal volatility in share price. In addition, the impairment may be appropriate when there is an evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology and operational / financial cash flows.

5.1.5 Defined benefit plan

The liability of the defined benefit plan (gratuity) is determined using actuarial advice using the Projected Unit Credit Method. The actuarial valuation involves making certain actuarial assumptions as disclosed in note 36. Actuarial assumptions are entity's best estimates of the variables that will determine the ultimate cost of providing post-employment benefits. Changes in these assumptions in future years may affect the liability / asset under the plan in those years.

5.1.6 Income taxes

In making the estimates for income taxes currently payable by the Bank, the management looks at the current income tax laws and the decisions of appellate authorities on certain issues in the past. For recovery of deferred tax asset recognised on unused tax losses, management projects and determines future taxable profits that are probable and will be available against which these unused tax losses can be utilised.

5.1.7 Depreciation, amortisation and revaluation of operating fixed assets

In making estimates of the depreciation / amortisation method, management uses the method which reflects the pattern in which economic benefits are expected to be consumed by the Bank. The method applied is reviewed at each financial year-end and if there is a change in the expected pattern of consumption of the future economic benefits embodied in the assets, the method is changed to reflect the change in pattern. Such change is accounted for as change in accounting estimate in accordance with International Accounting Standard - 8, "Accounting Policies, Changes in Accounting Estimates and Errors". Further, the Bank estimates the revalued amount of land and buildings on a regular basis. The estimates are based on valuations carried out by independent professional valuers under the market conditions.

5.1.8 Fair value hierarchy of assets and liabilities

The fair value of the assets and liabilities is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The Bank categorizes fair value measurements within the following fair value hierarchy:

a) Level 1

These are quoted prices (unadjusted) in active markets for identical assets or liabilities that the bank can access at the measurement date.

b) Level 2

These are inputs other than quoted prices included within Level 1 inputs that are observable for asset or liability, either directly or indirectly.

c) Level 3

These are unobservable inputs for the asset or liability.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently to all years presented.

6.1 Cash and cash equivalents

Cash and cash equivalents comprise cash and balances with treasury banks, balances with other banks in current and deposit accounts.

6.2 Lendings to / borrowings from financial institutions

The Bank enters into transactions of borrowings (re-purchase) from and lendings (reverse re-purchase) to financial institutions at contracted rates for a specified period of time. These are recorded as under:

Notes to the Financial Statements

for the year ended December 31, 2015

6.2.1 Sale under repurchase obligations (repo)

Securities sold subject to a re-purchase agreement (repo) are retained in the financial statements as investments and the counter party liability is included in borrowings. The differential in sale and re-purchase value is accrued over the period of the agreement and recorded as expense.

6.2.2 Purchase under resale obligations (reverse repo)

Securities purchased under agreement to resell (reverse repo) are included in lendings to financial institutions. The differential between the contracted price and resale price is amortised over the period of the agreement and recorded as income.

Securities held as collateral are not recognised in the financial statements, unless these are sold to third parties, in which case the obligation to return them is recorded at fair value as a trading liability under borrowings from financial institutions.

6.2.3 Other lendings

Other lendings include term lendings and unsecured lendings to financial institutions.

All lendings are stated net of provision, if any. Mark-up / interest income on such lendings is recorded on time proportion basis using effective interest rate method except mark-up on impaired / delinquent lendings, which are recognised on receipt basis.

6.2.4 Other borrowings

Other borrowings including borrowings from SBP are recorded at proceeds received. Mark-up expense on such borrowings is charged to the profit and loss account on time proportion basis using effective interest method.

6.3 Trade and settlement date accounting

All "regular way" purchases and sales of financial assets are recognised on the trade date, i.e., the date that the Bank commits to purchase or sell the assets. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulations or conventions in the market place.

6.4 Investments

The Bank classifies its investments as follows:

a) Held-for-trading

These are securities which are either acquired for generating profit from short-term fluctuations in market prices, interest rate movements, dealers' margin or are securities included in a portfolio in which a pattern of short-term profit taking exists.

b) Held-to-maturity

These are securities with fixed or determinable payments and fixed maturity in respect of which the Bank has the positive intent and ability to hold to maturity.

c) Available-for-sale

These are investments, other than investment in associate, that do not fall under the "held-for-trading" or "held-to-maturity" categories.

6.4.1 Initial measurement

Investments are initially recognised at acquisition cost which in case of investments other than "held-for-trading" includes transaction costs associated with the investments.

6.4.2 Subsequent measurement

Held-for-trading

These are measured at subsequent reporting dates at fair value. Gains and losses on re-measurement are included in the profit and loss account.

Held-to-maturity

These are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts.

Notes to the Financial Statements

for the year ended December 31, 2015

Available-for-sale

Quoted securities classified as available-for-sale investments are measured at subsequent reporting dates at fair value. Any surplus / deficit arising thereon is kept in a separate account shown in the statement of financial position below equity and taken to the profit and loss account when actually realised upon disposal or when the investment is considered to be impaired.

Unquoted equity securities are valued at the lower of cost and break-up value. The break-up value of these equity securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. A decline in the carrying value is charged to the profit and loss account. A subsequent increase in the carrying value, upto the cost of investment, is credited to the profit and loss account. Investments in other unquoted securities are valued at cost less impairment losses, if any.

6.4.3 Investment in associates

Investment in associates in which the Bank has significant influence, but not control, over the financial and operating policies are accounted for using the equity method.

Companies where there are common directors but the Bank does not have significant influence are accounted for as ordinary investments.

6.4.4 Gains or losses on disposal of investments

Gains or losses on disposal of investments are included in the profit and loss account.

6.4.5 Provision for diminution in the value of securities

Provision for diminution in the value of securities (except Participation Term Certificates and Term Finance Certificates) is made after considering impairment, if any, in their value. Impairment is recognised when there is an objective evidence of significant and prolonged decline in the value of such securities. Provisions for diminution in the value of debentures, Participation Term Certificates and Term Finance Certificates are made as per the requirements of the Prudential Regulations issued by the SBP.

6.5 Advances

Advances including Islamic financing are stated net of specific and general provisions. Specific and general provisions against advances are determined on the basis of Prudential Regulations and other directives issued by the SBP and charged to the profit and loss account. Provisions are held against identified as well as unidentified losses. Provisions against unidentified losses include general provision maintained at 1.5% of the fully secured consumer portfolio and 5% of the unsecured consumer portfolio. Further, the Bank maintains provision at 1% of the secured Small Enterprise (SE) portfolio and 2% of the unsecured SE portfolio. Advances are written off when there are no realistic prospects of recovery.

6.5.1 Murabaha

Murabaha financings are reflected as receivables at the invoiced amount. The profit on that sale revenue not due for payment is deferred by recording a credit to the "Deferred Murabaha Income" account. Profit is taken to the profit and loss account over the period of the Murabaha.

6.5.2 Musharaka

This is a partnership whereby two or more persons commingle either their money or work or obligations to earn a profit or a yield or appreciation in value according to a mutually agreed profit sharing formula and to share the loss, if any, according to their proportionate shares in the Musharaka. One or more partner(s) may be assigned the responsibility of management of the Musharaka against a higher share in the profits.

6.5.3 Diminishing musharaka

In Diminishing musharaka financing, the Bank enters into Musharakah based on Shirkat-ul-milk for financing an agreed share of fixed asset (e.g. house, land, plant or machinery) with its customers and enters into period profit payment agreement for the utilisation of the Bank's Musharaka share by the customer.

6.5.4 Musawamah

Musawamah financings are reflected as receivables at the invoiced amount. The profit on that sale revenue not due for payment is deferred by recording a credit to the "Deferred Musawamah Income" account. Profit is taken to the profit and loss account over the period of the Musawamah.

Notes to the Financial Statements

for the year ended December 31, 2015

6.6 Operating fixed assets

6.6.1 Property and equipment

a) Owned assets

An item of property and equipment is initially recognised at cost which is equal to the fair value of consideration paid at the time of acquisition or construction of the asset.

Measurement subsequent to initial recognition

Property and equipment other than land and buildings are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of fixed assets.

Land is stated at its revalued amount whereas buildings are stated at revalued amount less accumulated depreciation and accumulated impairment losses, if any.

Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. Maintenance and normal repairs are charged to the profit and loss account as and when incurred. Major renewals and improvements are capitalised and the assets so replaced, if any, are retired.

Surplus arising on revaluation is credited to the "Surplus on Revaluation of Fixed Assets" account. Deficit arising on subsequent revaluation of fixed assets is adjusted against the balance in the above-mentioned surplus account as allowed under the provisions of the Companies Ordinance, 1984. The surplus on revaluation of fixed assets to the extent of incremental depreciation charged on the related assets is transferred to equity.

Gains or losses on disposal of assets are taken to income currently, except that the related surplus on revaluation of fixed assets (net of deferred tax) is transferred directly to unappropriated profit / accumulated loss.

Depreciation

Depreciation is computed over the useful lives of the related assets using straight line method so as to write down the cost of assets to their residual values over their estimated useful lives at the rates given in note 12 to these financial statements. Depreciation on additions during the year is charged from the month of acquisition. Depreciation on disposals during the year is charged for the proportionate period with respect to number of months during which the assets remained in use. Same basis and estimates for depreciation are applied to owned assets and assets subject to finance lease.

Useful lives and residual values of assets are reviewed at each reporting date and adjusted if impact on depreciation is significant.

b) Leased assets

Assets held under finance lease are stated at cost less accumulated depreciation and accumulated impairment loss, if any. The outstanding obligations under the lease arrangements are shown as a liability net of finance charges allocable to future periods. Depreciation on assets held under finance lease is charged in a manner consistent with that for depreciable assets which are owned by the Bank.

Finance charges are allocated to accounting periods so as to provide a constant periodic rate of return on the outstanding liability.

6.6.2 Capital work-in-progress

Capital work-in-progress is stated at cost less accumulated impairment losses, if any. These are transferred to relevant category of property and equipment as and when the assets become available for use.

6.6.3 Intangible assets

These include computer software and are recorded initially at cost and subsequently stated at cost less any accumulated amortisation and accumulated impairment losses, if any.

These are amortised over their finite useful lives and amortisation is charged to the profit and loss account using the straight line method so as to write down the cost of the assets to their residual values over their estimated useful lives at the rates given in note 12 to these financial statements. Amortisation is charged from the month of acquisition. The useful lives and amortisation method are reviewed and adjusted, if appropriate, at each reporting date.

Notes to the Financial Statements

for the year ended December 31, 2015

Costs associated with maintenance of computer software are recognised as an expense as and when incurred.

6.7 Income taxes

Income tax expense comprises of current and deferred tax. Income tax expense is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

6.7.1 Current

Provision for current taxation is based on taxable income for the year determined in accordance with the prevailing laws for taxation on income earned. The current tax expense is calculated using prevailing tax rates or tax rates expected to apply to the taxable profits for the year at enacted tax rates. The charge for the current tax also includes adjustments, where considered necessary, relating to prior years arising from assessments made during the year for such years.

6.7.2 Deferred

Deferred tax is recognised using the balance sheet liability method on all temporary differences between the amounts attributed to assets and liabilities for financial reporting purposes and amounts used for taxation purposes. In addition, the Bank also records deferred tax assets on available tax losses. Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted or substantively enacted at the date of statement of financial position.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The Bank also recognises deferred tax asset / liability on deficit / surplus on revaluation of fixed assets and securities which is adjusted against the related deficit / surplus in accordance with the requirements of IAS 12 "Income Taxes".

6.8 Impairment of non-financial assets

At each reporting date, the Bank reviews the carrying amounts of its non-financial assets other than deferred tax asset to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of assets is estimated in order to determine the extent of the impairment loss, if any. Recoverable amount is the greater of net selling price and value in use. Whenever the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and an impairment loss is taken to the profit and loss account except for impairment loss on revalued assets, which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation.

6.9 Provisions

Provisions are recognised when the Bank has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and are adjusted to reflect the current best estimates.

Provision against identified non-funded losses is recognised when identified and reasonable certainty exists for the Bank to settle the obligation. The loss is charged to the profit and loss account net of expected recovery and is classified under "other liabilities".

6.10 Staff retirement benefits

6.10.1 Defined contribution plan

The Bank operates an approved funded provident fund scheme for all its permanent employees. Equal monthly contributions are made, both by the Bank and its employees, to the fund at the rate of 8.33 percent of basic salaries of employees.

6.10.2 Defined benefit plan

The Bank operates an approved gratuity scheme for all its regular employees. Beginning from January 01, 2005, the entitlement of the employees commences on the completion of five years of service with the Bank. Projected Unit Credit Actuarial Cost Method has been used for actuarial valuation.

Re-measurement component, which is the net of actuarial gains and losses, is immediately recognised in other comprehensive income, whereas, service costs and net interest income / (expense) are charged to the profit and loss account.

Notes to the Financial Statements

for the year ended December 31, 2015

6.10.3 Benefits for outsourced staff

The entitlement of outsourced employees is based on number of years of service. Upon completion of 1 year of service, gratuity expense equivalent to a month's salary (withdrawn) is accrued. After the first year, expense equivalent to a month's salary is further accrued in each year if the employee remains in service for major part of the year (181 days or more). Payments against liability are made to outsourcing agencies when eligible employee leaves service. Unpaid expense is included in "Other Liabilities".

6.11 Revenue recognition

- Mark-up / return / interest on advances and investments is recognised on accrual basis that takes into account effective yield on the assets except in case of advances classified under the Prudential Regulations issued by the SBP (as amended from time to time) on which mark-up / return / interest is recognised on receipt basis. Mark-up / return / interest on rescheduled / restructured advances and investments is recognised in accordance with the directives of the SBP.
- Profit on Diminishing Musharakah financings is recognised on accrual basis.
- Profit on Sukuk is recognised on accrual basis.
- Fees, brokerage and commission on letters of credit / guarantee and other services are amortised over the tenure of the respective facility, whereas account maintenance and service charges are recognised when realised.
- Dividend income is recognised when the right to receive the dividend is established.
- Gain / (loss) on sale of investments is credited / charged to the profit and loss account currently.

6.12 Non-Banking Assets acquired in satisfaction of claims / Other real estate owned (OREO)

At the time of loan settlement, non-banking assets are recognised at settlement value (including transfer charges). The settlement value is determined after obtaining three valuations from the professional valuers included in the approved panel of Pakistan Banks Association (PBA).

Provision against non-performing advances and suspended mark-up / return / interest is reversed on acquisition of non-banking assets to the extent of recoveries made. Further, recoveries against previously written off loans through OREO are recognised as income in the profit and loss account.

Subsequent to initial recognition, these are stated at the lower of the carrying value or current fair value / agreed price of such assets.

Gains and losses on disposal of non-banking assets are recognised in the profit and loss account when the risks and rewards are transferred to the buyer.

6.13 Foreign currencies

6.13.1 Foreign currency transactions

Transactions in foreign currencies are translated to Rupees at the foreign exchange rates prevailing on the transaction date. Monetary assets and liabilities in foreign currencies are expressed in Rupee terms at the rates of exchange prevailing on the reporting date. Non-monetary assets and liabilities are translated using exchange rates that prevailed when the values were determined.

Translation gains and losses are included in income currently.

6.13.2 Contingencies and commitments

Commitments for outstanding forward foreign exchange contracts disclosed in these financial statements are translated at forward rates applicable to their respective maturities. Contingent liabilities / commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in rupee terms at the rates of exchange prevailing at the date of the statement of financial position.

6.14 Financial instruments

6.14.1 Financial assets and liabilities

Financial assets and financial liabilities carried on the statement of financial position include cash and balances with treasury banks; balances with other banks, lendings to financial institutions, investments (excluding investment in associate), advances, certain other assets, borrowings from financial institutions, deposits, bills payable, liabilities against assets subject to finance lease, and other liabilities. The particular recognition methods adopted for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with them.

Notes to the Financial Statements

for the year ended December 31, 2015

6.14.2 Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently re-measured at fair value using valuation techniques. All derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative. Any change in the fair value of derivative financial instruments is taken to the profit and loss account.

6.15 Off-setting

Financial assets and financial liabilities are set-off and the net amount is reported in the financial statements when there is legally enforceable right to set-off and the Bank intends either to settle on a net basis or to realise the assets and to settle the liabilities simultaneously.

6.16 Segment reporting

A segment is a distinguishable component of the Bank that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of the other segments. Segment information is presented as per the Bank's functional structure and guidance of the SBP. Following are the main business segments of the Bank:

6.16.1 Business segments

Wholesale Banking

Deposits, trade and other lending activities for corporates and financial institutions.

Treasury

This segment undertakes the Bank's treasury, money market and capital market activities.

Treasury manages the asset and liability mix of the Bank and provides customers with products that meet their demand for management of liquidity, cash flow, interest rate fluctuations and foreign exchange risks.

Consumer / SME Banking

Wealth management, deposits, mortgages, auto finance, unsecured lending and SME lending (including SME trade).

All assets, liabilities, off balance sheet items, and items of income and expenses are distributed in primary segments in accordance with the core functions performed by the business groups.

6.16.2 Geographical segment

The Bank conducts all its operations in Pakistan.

6.17 Deposits

Deposits are initially recorded at the amount of proceeds received. Mark-up accrued on deposits is recognised separately as part of other liabilities and is charged to the profit and loss account on a time proportionate basis.

6.18 Share capital

Ordinary shares are classified as equity and recognized at their face value. Discount on issue of shares is separately reported in statement of changes in equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

6.19 Earnings per share

The Bank presents basic and diluted earnings per share (EPS). Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year.

6.20 Fiduciary assets

Assets held in fiduciary capacity are not treated as assets of the Bank in the statement of financial position.

Notes to the Financial Statements

for the year ended December 31, 2015

	Note	2015	2014
		Rupees in '000	
7. CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency	7.1	1,607,864	1,009,734
Foreign currencies		641,176	432,336
With State Bank of Pakistan (SBP) in	7.2		
Local currency - current account		3,551,543	2,329,060
Foreign currency - current account	7.3	377,792	332,722
Foreign currency - deposit account		1,064,273	937,905
With National Bank of Pakistan (NBP) in			
Local currency - current account		101,022	61,227
		7,343,670	5,102,984

7.1 This includes national prize bonds amounting to Rs. 4.18 million (2014: Rs. 5.05 million).

7.2 Deposits with SBP are maintained to comply with the statutory requirements of SBP issued from time to time.

7.3 This represents US Dollar settlement account maintained with SBP.

	Note	2015	2014
		Rupees in '000	
8. BALANCES WITH OTHER BANKS			
In Pakistan			
On current accounts		53,781	66,654
Outside Pakistan			
On current accounts		140,284	72,824
		194,065	139,478
9. LENDINGS TO FINANCIAL INSTITUTIONS			
Repurchase agreement lendings (Reverse repo)	9.2	5,946,221	3,000,000
Foreign placement	9.3	314,223	-
Bai Muajjal	9.4	517,500	-
		6,777,944	3,000,000
9.1 Particulars of lending			
In local currency		6,463,721	3,000,000
In foreign currencies		314,223	-
		6,777,944	3,000,000
9.2 Securities held as collateral against lending to financial institutions			

Note	2015			2014		
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
Pakistan Investment Bonds 9.2.1 / 9.2.2	2,150,000	1,250,000	3,400,000	3,000,000	-	3,000,000
Market Treasury Bills 9.2.1 / 9.2.2	574,821	1,971,400	2,546,221	-	-	-
	2,724,821	3,221,400	5,946,221	3,000,000	-	3,000,000

Notes to the Financial Statements

for the year ended December 31, 2015

- 9.2.1** These have been purchased under the resale agreements at mark-up rates ranging from 6.40% to 6.45% (2014: 9.75% to 10.00%) per annum with maturities in January and February 2016.
- 9.2.2** The market value of collateral held against reverse repurchase agreement lendings as of December 31, 2015 is Rs. 6,182 million (2014: Rs. 3,131 million).
- 9.3** These have been placed with a foreign bank as pledge against issuance of SBLC favouring VISA at the interest rate of 0.26% per annum with maturity in February 2016.
- 9.4** This represents outright purchase of GOP Ijara Sukuk (GIS) on deferred payment basis (Bai-Muajjal) at return of 6.94% per annum with maturity in November 2016.

10 INVESTMENTS - NET

Note	2015			2014		
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
	Rupees in '000					
10.1 INVESTMENTS BY TYPES:						
Held-for-Trading Securities						
Pakistan Investment Bonds	10.3	45,923	260,257	306,180	-	2,500,368
Available-for-Sale Securities						
- Market Treasury Bills	10.3	4,428,514	19,108,191	23,536,705	3,522,238	6,342,179
- Pakistan Investment Bonds	10.3	1,910,522	6,052,915	7,963,437	586,897	2,887,536
- GOP Ijara Sukuk	10.3	2,100,000	-	2,100,000	1,106,265	-
- Term Finance Certificates - Listed	10.4	27,967	-	27,967	25,000	-
- Term Finance Certificates - Unlisted	10.5	27,038	-	27,038	12,215	-
- Shares in listed companies		913,332	-	913,332	788,736	-
- Shares in unlisted companies	10.6	5,680	-	5,680	5,680	-
	10.7	9,413,053	25,161,106	34,574,159	6,047,031	9,229,715
Held-to-maturity securities						
- Shares repurchase (fully provided)		74,910	-	74,910	74,910	-
Associate						
- SPI Insurance Company Limited	10.8	85,002	-	85,002	71,961	-
Investments at cost						
		9,618,888	25,421,363	35,040,251	6,193,902	11,730,083
Less : Provisions for diminution in value of Investments	10.9	(89,370)	-	(89,370)	(84,026)	-
Investments - net of provision						
		9,529,518	25,421,363	34,950,881	6,109,876	11,730,083
Unrealized gain on revaluation of investments - held-for-trading		43	1,248	1,291	-	169,053
Surplus / (deficit) on revaluation of available-for-sale securities	22.1	39,549	7,347	46,896	(22,217)	118,619
Total investments at market value		9,569,110	25,429,958	34,999,068	6,087,659	12,017,755
						18,105,414

Notes to the Financial Statements

for the year ended December 31, 2015

	Note		2015	2014
			Rupees in '000	
10.2 Investments by segments				
Federal Government Securities				
Market Treasury Bills	10.3	23,536,705	9,864,417	
Pakistan Investment Bonds	10.3	8,269,617	5,974,801	
GOP Ijara Sukuks	10.3	2,100,000	1,106,265	
		33,906,322	16,945,483	
Term Finance Certificate, Debentures, Bonds and Participation Term Certificates				
Term Finance Certificates - Listed	10.4	27,967	25,000	
Term Finance Certificates - Unlisted	10.5	27,038	12,215	
		55,005	37,215	
Fully paid-up ordinary shares				
Listed companies		913,332	788,736	
Unlisted companies	10.6	5,680	5,680	
		919,012	794,416	
Other investments				
Investment in associate	10.8	85,002	71,961	
Shares repurchase (fully provided)		74,910	74,910	
		159,912	146,871	
Investments at cost				
Less : Provision for diminution in the value of investments	10.9	(89,370)	(84,026)	
Investments - net of provision				
Unrealized gain on revaluation of held-for-trading investments		34,950,881	17,839,959	
Surplus on revaluation of available-for-sale securities	22.1	1,291	169,053	
		46,896	96,402	
Total investments at market value		34,999,068	18,105,414	
10.2.1 Strategic investments				
Available-for-sale securities				
Ordinary shares - Unlisted	10.6	5,680	5,680	
Associate				
SPI Insurance Company Limited	10.8	85,002	71,961	
		90,682	77,641	
10.3 Particulars of Federal Government securities				
	Note	Maturity period	Principal payment	Coupon rate / yield
				Coupon mark-up/ payment
Market Treasury Bills	10.3.1	Jan 2016 to Sept 2016	On maturity	6.28% to 7.50%
Pakistan Investment Bonds	10.3.2	July 2016 to March 2025	On maturity	8.75% to 12.00%
GOP Ijara Sukuks		June 2017 to December 2018	On maturity	4.39% to 5.89%
				Semi-annually
10.3.1	These include securities having face value of Rs. 760 million (2014: Rs. 110 million) pledged with various financial institutions. Out of these, securities having face value of Rs. 693 million (2014: Rs. nil) have been pledged with Global Industrial and Defence Products (GIDS), Pakistan as guarantor. Further, securities having face value of Rs. 67 million (2014: Rs. 110 million) have been pledged with United Bank Limited on account of issuance of letter of guarantee (for guarantee commission) favoring Arif Habib Corporation Limited being the guarantor for issuance of Bank's convertible preference shares (refer note 21).			
10.3.2	These include securities having face value of Rs. 47.70 million (2014: Rs. 47.70) pledged with SBP and National Bank of Pakistan as security to facilitate T.T. discounting facility to branches of the Bank.			

Notes to the Financial Statements

for the year ended December 31, 2015

	2015			2014	
		Credit rating	Amount Rupees in '000	Credit rating	Amount Rupees In '000
10.4	Term Finance Certificates - Listed				
	Jahangir Siddiqui Company Limited Pakistan Mobile Communication Limited	AA+ AA-	12,500 15,467 27,967	AA+ AA-	25,000 - 25,000

10.4.1 Particulars of Listed Term Finance Certificates

Particulars	Redemption terms	Profit rate per annum	Profit payment	Maturity
Jahangir Siddiqui Company Limited	In 8 semi annual instalments starting from April 2013	6M kibor + 2.4%	Semi - annually	30-Oct-16
Pakistan Mobile Communication Limited	In 16 quarterly installments starting from October 2012	6M kibor + 2%	Quarterly	18-Apr-16

	Note	2015		2014	
		Credit rating	Amount Rupees in '000	Credit rating	Amount Rupees in '000
10.5	Term Finance Certificates - Unlisted				
Azgard Nine Limited (fully provided)	10.5.1	D	8,780	D	8,780
Gharibwal Cement Limited (fully provided)*		-	-	D	3,435
Pak Libya Holding Company Limited		AA	18,258 27,038	-	- 12,215

* This represented investments in non-investment grade TFC's as per Mutual Funds Association of Pakistan (MUFAP).

10.5.1 These include 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 for in the financial statements.

10.5.2 Particulars of Unlisted Term Finance Certificates

Particulars	Redemption terms	Profit rate per annum	Profit payment	Maturity
Azgard Nine Limited (note 10.5.1)	7 semi annual instalments commencing from the 24th month ending after March 31, 2012	Zero coupon	Semi annually	31-Mar-17
Pak Libya Holding Company Limited	10 equal semi annual installments	6M Kibor + 1.6%	Semi annually	7-Feb-16

	Name of CEO	2015		2014	
		Credit rating	Amount Rupees in '000	Credit rating	Amount Rupees in '000
10.6	Ordinary Shares-Unlisted (fully provided)				
Pakistan Export Finance Guarantee Limited	Mr. S.M. Zaeem	Unrated	5,680	Unrated	5,680

Notes to the Financial Statements

for the year ended December 31, 2015

10.7 Quality of 'available-for-sale' securities

Note	Credit rating	2015		2014	
		Market value Rupees in '000		Credit rating	Market value Rupees in '000
Market Treasury Bills	Unrated	23,537,278		Unrated	9,879,711
Pakistan Investment Bonds	Unrated	7,978,688		Unrated	3,607,122
GOP Ijara Sukuk	Unrated	2,122,600		Unrated	1,103,931
Listed Term Finance Certificates					
Jahangir Siddiqui Company Limited	AA+	12,225		A+	25,004
Pakistan Mobile Communication Limited	AA-	15,607		-	
		27,832			25,004
Unlisted Term Finance Certificates					
Gharibwal Cement Limited	-	-		D	3,435
Azgard Nine Limited	Unrated	8,780		Unrated	8,780
Pak Libya Holding Company Limited	AA	18,283		-	
		27,063			12,215
Shares in Listed Companies					
Adamjee Insurance Company Limited	AA	12,997		AA	24,730
Agritech Limited	D	81,388		D	67,461
AKD Capital Limited	A+	82,235		Unrated	15,065
Amreeli Steels Limited	Unrated	48,957		-	-
Askari Bank Limited	AA	16,305		-	-
Attock Cement Limited	Unrated	26,840		Unrated	20,883
Bank Alfalah Limited	AA	19,454		AA	22,532
Bank Al-Habib Limited	AA+	22,880		-	-
Century Paper Board Mills Limited	-	-		A+	8,132
Chenab Limited	Unrated	1,988		Unrated	3,672
D.G.Khan Cement Limited	Unrated	3,837		Unrated	15,474
Engro Foods Limited	A+	13,706		AA-	-
Engro Corporation Limited	-	-		AA-	28,796
Fauji Fertilizer Bin Qasim Limited	Unrated	26,340		Unrated	35,038
Fauji Fertilizer Co. Limited	Unrated	3,682		-	-
Hub Power Company Limited	-	-		AA+	7,836
HUM Network Limited	A+	19,427		-	-
Habib Metro Bank Limited	AA+	12,188		-	-
ICI Pakistan Limited	-	-		Unrated	6,289
Javedan Corporation Limited	Unrated	95,469		Unrated	89,348
Kot Addu Power Company Limited	AA+	43,335		-	-
National Bank of Pakistan	AAA	45,934		-	-
Nishat Chunian Limited	A-	10,744		A-	18,168
Nishat Chunian Power Limited	A+	38,535		-	-
Nishat Mills Limited	-	-		AA	13,309
Pak Elektron Limited	A	6,254		A-	14,326
Pakistan Oilfields Limited	Unrated	50,924		Unrated	37,936
Pakistan State Oil Limited	-	-		AA+	25,770
Pakistan Telecommunication Limited	Unrated	42,462		Unrated	13,933
Pioneer Cement Limited	Unrated	20,762		-	-
Shakarganj Mills Limited	Unrated	1,499		Unrated	1,429
Shell Pakistan Limited	Unrated	25,106		Unrated	24,594
Singer Pakistan Limited	Unrated	8,530		Unrated	7,701
Sui Northern Gas Company Limited	AA-	39,134		AA	89,801
Sui Southern Gas Co. Limited	-	-		AA-	10,296
Summit Bank Limited	A	101,001		A	114,365
United Bank Limited	-	-		AA+	22,601
		921,913			739,485
Shares in Unlisted Companies					
Pakistan Export Finance Guarantee Limited	10.6	Unrated	5,680	Unrated	5,680
			34,621,054		15,373,148

Notes to the Financial Statements

for the year ended December 31, 2015

- 10.7.1** During the year ended December 31, 2012, 8,704,640 shares of Agritech Limited were acquired from Azgard Nine Limited as part of multiple agreements including Master Restructuring Agreements (MRA). These shares were acquired at an agreed price of Rs. 35 per share. The market value of these shares as at December 31, 2015 is Rs. 9.35 (2014: Rs.7.75) per share resulting in an impairment loss of Rs. 223.27 million.

As per the most recent SBP letter No. BPRD/BRD-(Policy)/2014-11546 dated June 27, 2014 on this matter, 100% impairment / provision is required upto December 31, 2015, resulting in impairment of Rs. 45.37 million (2014: 80.68 million) during the current year.

10.8 Investment in Associate

Name of company	Chief Executive Officer	Proportion of ownership interest	Place of incorporation	Principal activity
SPI Insurance Company Limited	Mian M. A. Shahid	23.08% (2014: 23.08%)	Pakistan	General Insurance

- 10.8.1** Summarized financial information in respect of associate based on latest available financial statements as at September 30, 2015 is set out below:

	September 30, 2015	September 30, 2014
	Rupees in '000	
Total assets	706,921	645,444
Total liabilities	338,581	333,614
Net assets	<u>368,340</u>	<u>311,830</u>
Net premium revenue	<u>353,180</u>	<u>302,215</u>
Profit for the period (after tax)	<u>39,811</u>	<u>22,455</u>

- 10.8.1.1** Summarized financial information of associate is based on financial information for quarter ended September 30, 2015 because financial statement of associate for the year ended December 31, 2015 are not available at the time of authorization of issue of these financial statements. There is no difference between the proportionate share of net assets of associate and its carrying value accounted on equity method therefore, no reconciliation is required.

- 10.8.1.2** There is no share of contingencies and commitments from associate as at September 30, 2015 and 2014.

	2015	2014
	Rupees in '000	
10.9 Particulars of provision		
Opening balance	84,026	86,563
Charge for the year	8,780	-
Reversals for the year	(3,436)	(2,537)
	5,344	(2,537)
Write off	-	-
Closing balance	<u>89,370</u>	<u>84,026</u>

10.10 Particulars of provision in respect of type and segment

Available-for-sale securities	2015	2014
	Rupees in '000	
Ordinary shares - unlisted	5,680	5,680
Term Finance Certificates - unlisted	8,780	3,436
Held-to-maturity securities		
Shares repurchase	<u>74,910</u>	<u>74,910</u>
	<u>89,370</u>	<u>84,026</u>

Notes to the Financial Statements

for the year ended December 31, 2015

10.11 Investment in Un-listed Shares, Term Finance Certificates and Bonds

10.11.1 Investment in fully paid up unlisted ordinary shares (fully provided)

2015	2014	Paid up value per share Rupees	Name of investee	2015	2014
No. of ordinary shares				Rupees in '000	
568,000	568,000	10	Pakistan Export Finance Guarantee Chief Executive Mr. S.M. Zaeem	5,680	5,680

10.11.2 Term Finance Certificates - listed

Name of investee	No. of certificates held	Paid up value per certificate (Rupees)	2015	2014
			Rupees in '000	
Jahangir Siddiqui Company Limited	10,000	5,000	12,500	25,000
Pakistan Mobile Communication Ltd.	780	20,000	15,467	-
			27,967	25,000

10.11.3 Term Finance Certificates - unlisted

Name of investee	No. of certificates held	Paid up value per certificate (Rupees)	2015	2014
			Rupees in '000	
Gharibwal Cement Limited (fully provided)	1,195	5,000	-	3,435
Azgard Nine Limited	1,756	5,000	8,780	8,780
Pak Libya Holding Company Limited	22,005	5,000	18,258	-
			27,038	12,215
			2015	2014
			Note	Rupees in '000

11. ADVANCES - NET

Loans, cash credits, running finances, etc.				
In Pakistan			61,896,411	57,868,559
Outside Pakistan			-	-
			61,896,411	57,868,559
Islamic financing and related assets	11.1.3		4,647,752	5,745,328
Bills discounted and purchased (excluding treasury bills)				
Payable in Pakistan			169,893	134,761
Payable outside Pakistan			331,284	668,491
			501,177	803,252
Advances - gross			67,045,340	64,417,139
Provision against non-performing advances - specific	11.3		(5,455,331)	(5,022,650)
Provision against consumer finance - general	11.3		(515,802)	(427,612)
Advances net of provision			61,074,207	58,966,877

11.1 Particulars of advances (Gross)

In local currency	67,004,990	64,209,096
In foreign currencies	40,350	208,043
	67,045,340	64,417,139

Notes to the Financial Statements

for the year ended December 31, 2015

	Note	2015 Rupees in '000	2014 Rupees in '000
11.1.2	Short Term (for upto one year)	38,538,608	32,342,726
	Long Term (for over one year)	28,506,732	32,074,413
11.1.3	Islamic financing and related assets	Annexure -II	67,045,340
	Murabaha financing	11.1.3.1	3,280,752
	Musharaka financing	11.1.3.2	-
	Musawammah financing	11.1.3.2	943,000
	Diminishing Musharaka		424,000
11.1.3.1	Murabaha financing	4,647,752	5,745,328
	Financing	2,410,098	2,095,181
	Advances	870,654	3,450,147
		3,280,752	2,095,181

11.1.3.2 During the year, Musharaka financing of Rs. 943 million (in respect of land purchased from external parties) was converted to Musawammah financing. Further, during the year, the Bank terminated Musharaka financing agreements of Rs. 2,507 million and transferred such amount to non-banking assets acquired in satisfaction of claims (refer note 14.2). The previously accrued / uncollected markup of Rs. 269 million in respect of these financings (which was condoned by SBP) until December 31, 2014 has been reversed in these financial statements.

11.2 Advances include Rs. 8,520 million (2014: Rs. 8,222 million) which have been placed under non-performing status as detailed below.

Category of classification - specific	2015			2014		
	Classified Advances	Provision required (Domestic)	Provision held	Classified Advances	Provision required (Domestic)	Provision held
	Rupees in '000					
Sub-standard	962,278	121,076	121,076	364,371	39,445	39,445
Doubtful	738,233	129,494	129,494	545,927	62,005	62,005
Loss	6,819,402	5,204,761	5,204,761	7,311,649	4,921,200	4,921,200
	8,519,913	5,455,331	5,455,331	8,221,947	5,022,650	5,022,650

11.3 Particulars of provision against non-performing advances

Note	2015			2014		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
Opening balance	5,022,650	427,612	5,450,262	5,131,997	300,210	5,432,207
Charge for the year	1,986,292	88,190	2,074,482	1,105,665	127,402	1,233,067
Reversals	(1,396,999)	-	(1,396,999)	(1,026,588)	-	(1,026,588)
Net charge for the year	589,293	88,190	677,483	79,077	127,402	206,479
Amounts written off	(156,612)	-	(156,612)	(188,424)	-	(188,424)
Closing balance	5,455,331	515,802	5,971,133	5,022,650	427,612	5,450,262

Notes to the Financial Statements

for the year ended December 31, 2015

11.3.1 The reversal of provision for the current year includes Rs. 1,153.92 million against certain non-performing loans due to sell off of debt / assignment of Bank's rights to debt to a private company and an individual under "Debt-Property Swap" transactions (refer note 14.2).

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

As of December 31, 2015, total FSV benefit taken against all loans and advances amounts to Rs. 1,253 million (2014: Rs. 1,351 million), net of tax, which shall not be available for payment of cash or stock dividend / bonus to employees. As at December 31, 2014, SBP had allowed the Bank certain additional relaxations in respect of FSV benefit, which expired in September 2015.

11.3.3 As at December 31, 2015, the Bank has availed the benefit of relaxation from provision of Rs. 600 million under Regulation R-8 Prudential Regulations against certain non-performing loans, which has been granted by SBP through its letter dated February 27, 2016.

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

	Note	2015	2014
		Rupees in '000	
11.4 Particulars of provision for consumer financing - general			
Opening balance		427,612	300,210
Charge for the year		88,190	127,402
Reversals		-	-
Closing balance		<u>515,802</u>	<u>427,612</u>

11.5 Particulars Of Write Offs

11.5.1 Against provision		156,612	188,424
Directly charged to profit and loss account		-	-
		<u>156,612</u>	<u>188,424</u>
11.5.2 Write offs of Rs. 500,000 and above	Annexure I	142,572	174,234
Write offs of below Rs. 500,000		14,040	14,190
		<u>156,612</u>	<u>188,424</u>

11.5.3 Details of loan write off of Rs. 500,000 and above

In terms of sub-section (3) of section 33A of the Banking Companies Ordinance, 1962 the statement in respect of written-off loans or any other financial relief of Rs. 500,000 or above allowed to a person(s) during the year ended December 31, 2015 is given in Annexure - I. However, these write-offs do not affect the Bank's right to recover the debts from these customers.

		2015	2014
		Rupees in '000	
11.6 Particulars of loans and advances to directors, associated companies, etc.			
Debts due by directors, executives or officers of the Bank or any of them either severally or jointly with any other persons			
Balance at the beginning of the year		1,805,530	1,113,505
Loans granted during the year		701,231	1,241,370
Repayments / adjustments		(342,928)	(549,345)
Balance at the end of the year		<u>2,163,833</u>	<u>1,805,530</u>
Debts due by companies or firms in which the directors of the Bank are / (were) interested as directors, partners or in the case of private companies as members			
Balance at the beginning of the year		1,190,282	778,814
Loans granted during the year		4,424,337	4,320,967
Repayments / adjustment		(3,936,960)	(3,909,499)
Balance at the end of the year		<u>1,677,659</u>	<u>1,190,282</u>

Notes to the Financial Statements

for the year ended December 31, 2015

Details of loans and advances to associates, subsidiary and other related parties are given in note 40.

	Note	Rupees in '000	2015	2014
12. OPERATING FIXED ASSETS				
Capital work-in-progress	12.1	242,621	265,312	
Property and equipment	12.2	3,965,106	3,969,454	
Intangible assets	12.3	288,921	328,524	
		4,496,648	4,563,290	
12.1 Capital work-in-progress				
Civil works		76,332	67,074	
Advances to suppliers and contractors		166,289	198,238	
		242,621	265,312	
12.1.1 Movement in capital work-in-progress				
Opening balance		265,312	35,112	
Additions during the year		425,505	416,332	
Transferred to property, equipment and intangible assets		(448,196)	(186,132)	
Closing balance		242,621	265,312	

12.2 Property and equipment

	2015								Net Book value as at December 31, 2015	Rate of depreciation
	Cost / Revalued Amount				Accumulated Depreciation					
	As at January 01, 2015	Adjustment	Additions	Disposals	As at December 31, 2015	As at January 01, 2015	Adjustment	Charge for the year	Disposals	As at December 31, 2015
Rupees in '000										
Freehold Land - 12.2.1	326,484	-	-	-	326,484	-	-	-	-	326,484
Leasehold Land - 12.2.1 & 12.2.2	1,907,321	-	-	-	1,907,321	-	-	-	-	1,907,321
Buildings on Leasehold Land - 12.2.2	957,461	-	-	-	957,461	174,329	-	47,892	222,221	735,240
Buildings on Freehold Land	10,306	-	-	-	10,306	3,356	-	496	-	3,852
Leasehold Improvements	883,922	-	96,726	-	980,648	527,928	-	83,640	611,768	368,889
Furniture & Fixture	273,010	-	5,537	-	278,547	158,589	-	23,057	-	181,646
Other Equipment	427,651	(61)	33,310	-	460,900	352,843	-	29,689	-	382,532
Computers & MIS Equipment	873,739	61	22,759	(1,801)	896,758	766,422	-	88,278	(1,801)	832,899
Vehicles	489,161	-	243,381	(136,551)	595,971	215,353	-	100,877	(88,323)	227,907
	6,151,055	-	401,693	(138,352)	6,414,396	2,198,820	-	354,129	(90,124)	2,462,825
										3,951,571
Assets held under finance lease:										
Other Equipment	18,194	-	-	-	18,194	975	-	3,884	-	4,669
December 31, 2015	6,169,249	-	401,693	(138,352)	6,432,590	2,199,795	-	357,813	(90,124)	2,467,484
										3,965,106

	2014								Net Book value as at December 31, 2014	Rate of depreciation
	Cost / Revalued Amount				Accumulated Depreciation					
	As at January 01, 2014	Adjustment	Additions	Disposals	As at December 31, 2014	As at January 01, 2014	Adjustment	Charge for the year	Disposals	As at December 31, 2014
Rupees in '000										
Freehold Land - 12.2.1	326,484	-	-	-	326,484	-	-	-	-	326,484
Leasehold Land - 12.2.1	1,907,321	-	-	-	1,907,321	-	-	-	-	1,907,321
Buildings on Leasehold Land	979,316	670	-	(22,525)	957,461	127,394	-	48,437	(1,502)	174,329
Buildings on Freehold Land	10,976	(670)	-	-	10,306	2,841	-	515	-	3,356
Leasehold Improvements	877,328	-	6,594	-	883,922	448,326	-	79,602	-	527,928
Furniture & Fixture	268,876	-	4,134	-	273,010	135,794	-	22,785	-	158,589
Other Equipment	400,291	-	18,380	-	427,651	310,442	-	42,401	-	352,843
Computers & MIS Equipment	872,506	(410)	5,085	(1,452)	875,739	665,527	-	102,290	(1,395)	766,422
Vehicles	488,931	-	133,755	(133,525)	489,161	202,118	-	88,717	(75,480)	215,353
	6,141,029	(410)	167,938	(157,502)	6,151,055	1,892,440	-	384,757	(78,377)	2,198,820
										3,952,235
Assets held under finance lease:										
Other Equipment	-	-	18,194	-	18,194	-	-	975	-	975
December 31, 2014	6,141,029	(410)	186,132	(157,502)	6,169,249	1,892,440	-	385,732	(78,377)	2,199,795
										3,969,454

Notes to the Financial Statements

for the year ended December 31, 2015

- 12.2.1** These include land and buildings revalued in 2008 by Habib Associates, an independent valuer. The revaluation resulted in a surplus of Rs. 118.67 million. Had there been no revaluation, the carrying value of the revalued land and buildings would have been lower by Rs. 96.35 million (2014 : Rs.100.07 million). The Bank's land and buildings were again revalued during the year, However, no revaluation surplus or deficit was recorded as the revalued amounts were not materially different from carrying values.
- 12.2.2** During the year, the Bank entered into an agreement to sell the previous Head Office Building of the Bank. Pursuant to the agreement, the Bank received a down payment, which is currently classified in 'Other liabilities' (note 19). The remaining balance is required to be paid by the buyer within 5 years from the effective date of the agreement, which is dependent on certain approvals that are currently pending. During the repayment period the buyer will also pay 7% per annum as rent on the outstanding amount of consideration. Since the agreement is not yet effective and the conditions to recognize disposal are not met, the Head Office Building has not been derecognized and is currently classified in property and equipment.

12.3 Intangible assets

	2015						Rate of Amortization	
	Cost		Accumulated Amortization		As at December 31, 2015	Net Book value as at December 31, 2015		
	As at January 01, 2015	Additions	As at December 31, 2015	As at January 01, 2015				
Rupees in '000								
Computer software	743,736	46,503	790,239	415,212	66,106	501,318	288,921 14.28% - 25%	
2014								
	Cost		Accumulated Amortization		As at December 31, 2014	Net Book value as at December 31, 2014	Rate of Amortization	
	As at January 01, 2014	Additions	As at December 31, 2014	As at January 01, 2014				
	Rupees in '000							
Computer software	740,851	2,685	743,736	333,000	82,212	415,212	328,524 14.28% - 25%	
Rupees in '000								

- 12.4** The gross carrying amount of fully depreciated assets that are still in use is as follows:

Furniture, electrical, office, computer equipment and others	1,046,192	686,505
Leasehold improvements	114,876	87,308
Vehicles	42,570	38,421
Intangible Assets	142,911	80,141
	1,346,549	892,375

12.5 Details of disposal of fixed assets - By negotiations / Bank policy

Description	Date of capitalization	Date of disposal	Cost	Accumulated depreciation	Book value	Sale proceeds / insurance claim	Gain / (Loss)	Mode of disposal	Particulars of purchaser
Rupees in '000									
Assets having Cost of Rs. 500,000 and above									
Toyota Camry Reg # 2AZ-2586918	25-Aug-11	8-Jan-15	2,500	1,708	792	792	-	Bank employee	Uzman Naveed Chaudhry
Honda Civic VTi SR Reg # BBA-383	21-Jan-14	20-Jan-15	2,418	484	1,934	1,975	41	Bank employee	Azfar Naqvi
Honda City A/T Reg # BCB-192	29-Aug-14	22-Jan-15	1,663	139	1,524	1,552	28	Bank employee	Sajid Ali
Suzuki Mehran VXR Eng # PKB497036	17-Oct-11	30-Jan-15	591	384	207	217	10	Bank employee	Jaffer Balg
Toyota Corolla Altis Eng # Q006069	29-Dec-11	24-Feb-15	1,860	1,178	682	744	62	Bank employee	Naiyer Saifi
Toyota Altis Eng # Q012550	14-Sep-12	26-Mar-15	1,680	846	845	845	-	Bank employee	Najam Faiz
Toyota Land Cruiser Prado Reg # BF-5877	1-Jan-10	16-Mar-15	4,000	4,000	-	-	-	Bank employee	Javed Yousuf Eidhi
Suzuki Swift Reg # AZW-261	20-Jun-14	3-Mar-15	1,039	156	883	883	-	Bank employee	Asif Javed
Honda Civic VTi Eng # R18Z1-2542152	2-Apr-13	17-Mar-15	2,102	806	1,296	1,331	35	Bank employee	Asad Abbas
Honda City Eng # L13Z1-3430144	30-Jul-12	26-Mar-15	950	507	443	459	16	Bank employee	Shams Ul Haq Maharvi
Suzuki Alto Reg # RAA410	14-Apr-10	8-Apr-15	600	600	-	10	10	Bank employee	Hasan Riaz
Toyota Corolla XLi Reg # Q-512	27-Sep-11	30-Apr-15	1,000	717	283	283	-	Bank employee	Abbas Ali Chaudhry
Toyota Corolla Altis Eng # Q004664	1-Nov-11	24-Apr-15	1,860	1,271	589	620	31	Bank employee	Sohail Sheikh
Mercedez Benz Reg # RT-228	29-Dec-11	8-Apr-15	2,500	1,667	833	875	42	Bank employee	Farooq Nasim
Suzuki Swift Reg # ST-12-413	27-Jun-12	8-Apr-15	1,176	666	510	549	39	Bank employee	Asghar Ali
Suzuki Cultus VXL Reg # LRS-6761	31-Dec-03	30-Apr-15	660	660	-	328	328	Tender	Waqar Ahmed Khan

Notes to the Financial Statements

for the year ended December 31, 2015

12.5 Details of disposal of fixed assets - By negotiations / Bank policy

Description	Date of capitalization	Date of disposal	Cost	Accumulated depreciation	Book value	Sale proceeds / Insurance claim	Gain / (Loss)	Mode of disposal	Particulars of purchaser
Rupees in '000									
Assets having Cost of Rs. 500,000 and above									
Honda Civic Chassis # NFBFD1678BRA127967	1-May-11	12-May-15	1,860	1,488	372	372	-	Bank employee	Jawed Rajput
Toyota Corolla Eng # Q001775	24-Jun-11	11-May-15	1,400	1,097	303	303	-	Bank employee	Muhammad Muntazir
Toyota Corolla XLI Eng # X82879	28-Jun-11	19-May-15	1,000	783	217	217	-	Bank employee	Nauman Iqbal
Honda City Eng # L1321-3425356	13-Jul-11	12-May-15	600	460	140	140	-	Bank employee	Qamar Ali Khan
Honda City Eng # L1321-3426516	13-Jul-11	12-May-15	800	460	140	140	-	Bank employee	Shariq Ayaz Ahmed
Toyota Corolla GLI Reg # AMY-461	21-Oct-11	27-May-15	1,000	717	283	283	-	Bank employee	Waseem Miri
Honda City Eng # L1321-3429196	12-Dec-11	27-May-15	1,000	683	317	317	-	Bank employee	Osama Sohail
Toyota Corolla GLI Eng # Q005690	30-Jan-12	12-May-15	1,591	1,061	530	530	-	Bank employee	Mohsin Zia
Honda City Reg # LED-07-6515	29-Jun-12	12-May-15	1,176	686	490	490	-	Bank employee	Rauf Jamal
Suzuki Cultus VXRI Reg # AXN-793	29-Jun-12	12-May-15	950	554	396	396	-	Bank employee	Asim Rafiq
Toyota Corolla Eng # Y386109	26-Jun-12	12-May-15	970	566	404	404	-	Bank employee	Asif Kamal
Honda City ENG # L1321-3432791	30-Jul-12	12-May-15	1,211	686	525	525	-	Bank employee	Muhammad Farooq
Toyota Corolla Eng # 0556261	27-Aug-12	12-May-15	1,211	666	545	545	-	Bank employee	Waseem Ahmed
Suzuki Swift Reg # AYE-744	3-Oct-12	29-May-15	970	501	469	469	-	Bank employee	Shahzad Villani
Honda City Eng # PL13Z1-3430363	30-May-12	12-May-15	1,131	679	452	452	-	Bank employee	Muhammad Ifthikhar
Suzuki Cultus VXRI Eng # PKF586071	21-Jul-14	7-Jun-15	1,039	190	849	849	-	Bank employee	Jacqueline Desilva
Toyota Corolla GLI Reg # VJ-620	12-Jul-12	15-Jun-15	1,626	949	677	705	28	Bank employee	Farooq Sanwar
Nissan Sunny Eng # 161120	29-Nov-12	2-Jun-15	990	511	479	479	-	Bank employee	Shahid Manzoor
Honda Civic VTI Reg # ATP-662	15-May-14	1-Jun-15	1,282	278	1,004	1,004	-	Bank employee	Salman Shahid
Toyota Corolla GLI Eng # Y438572	20-Oct-11	1-Jun-15	1,000	733	267	267	-	Bank employee	Kaleem Sabir
Honda Civic VTI Eng # 2542969	25-Apr-13	14-Jun-15	2,323	1,007	1,318	1,318	-	Bank employee	Saqib Pal
Suzuki Cultus VXRI Eng # PKF566454	27-Jun-12	1-Jun-15	950	570	380	380	-	Bank employee	Waqar Ul Islam
Honda City Reg # AXT - 344	30-Jul-12	22-Jun-15	1,211	706	505	505	-	Bank employee	Usman Ata
Honda City Reg # AUE-223	9-Aug-12	7-Jun-15	1,211	685	525	525	-	Bank employee	Junaid Shabbir
Toyota Corolla GLI AXIP-912	29-Jun-12	11-Jun-15	1,607	964	643	643	-	Bank employee	Suleiman Abid Bhopal
Suzuki Cultus VXRI Reg # AXV-927	19-Jul-12	22-Jun-15	970	566	404	404	-	Bank employee	Muhammad Khalid Hussain
Suzuki Cultus VXRI Reg # AXV-062	29-Jun-12	22-Jun-15	950	570	380	380	-	Bank employee	Syed Kazim Raza
Suzuki Cultus VXRI ENG # PKF603471	27-Feb-15	1-Jun-15	1,039	69	970	970	-	Bank employee	Sohail Zafar Joya
Honda Civic VTI Reg # LED-09-8567	23-Dec-13	7-Jun-15	1,034	310	724	724	-	Bank employee	Zeehan Pervaiz
Suzuki Cultus VXRI Reg # AXP-857	26-Jun-12	2-Jun-15	950	570	380	380	-	Bank employee	Rizwan Ullah Khan
Honda City Eng # L1321-3428909	12-Dec-11	22-Jun-15	1,000	700	300	300	-	Bank employee	Abid Hussain
Toyota Corolla GLI Eng # Q003855	18-Oct-11	2-Jun-15	1,400	1,027	373	373	-	Bank employee	Wahed Abidi
Suzuki Swift DLX ENG # PKS13014243	30-Jul-12	29-Jun-15	1,176	686	490	490	-	Bank employee	Masruro Ahmed Jamali
Toyota Corolla XLI Eng # Y359560	23-Jun-11	4-Jun-15	1,000	800	200	200	-	Bank employee	Iftikhar Hussain
Toyota Corolla XLI Reg # ARV-119	4-Oct-12	23-Jul-15	1,211	666	545	585	20	Bank employee	Muhammad Sameen Siddiqui
Honda Civic Eng # D15y3-1038413	13-Mar-12	5-Jul-15	1,000	667	333	333	-	Bank employee	Asaf Akhter
Suzuki Cultus VXRI Reg # AXN - 354	27-Jun-12	30-Jul-15	970	598	372	388	16	Bank employee	Muhammad Nasir Jamali
Toyota Allis Reg # AZE-978	5-Apr-13	12-Jul-15	2,087	939	1,148	1,148	-	Bank employee	Mansoor Mukhtar
Toyota Allis Eng # Q012352	27-Aug-12	12-Jul-15	1,673	976	597	781	84	Bank employee	Syed Adeel Azher
Toyota Corolla GLI Eng # Y472368	20-Dec-11	6-Jul-15	1,574	1,128	446	446	-	Bank employee	Jahangir Asfar
Suzuki Cultus VXR Reg # LEE-08-3830	14-Jun-10	6-Jul-15	600	600	-	-	-	Bank employee	Liaquat Ali
Audi A4 Reg # UX-888	11-Sep-14	27-Jul-15	2,388	398	1,990	1,990	-	Bank employee	Jawad Majid Khan
Suzuki Cultus Eng # PKF589956	7-Sep-12	12-Jul-15	970	550	420	420	-	Bank employee	Mehmood Ahmed Sheikh
Suzuki Swift DLX REG # BAU-894	26-Nov-13	16-Aug-15	1,034	362	572	572	-	Bank employee	Shahzad Ahmed Duranri
Suzuki Cultus VXRI Eng # PKF596105	21-Jul-14	24-Aug-15	1,039	225	814	814	-	Bank employee	Erum Hussain
Toyota Corolla GLI Reg # AZR-440	23-Jul-14	10-Aug-15	1,282	278	1,004	1,154	150	Bank employee	Zahid Nousherwani
Toyota Corolla Car Chassis # NZE120-0101967	2-Mar-12	6-Sep-15	1,156	809	347	366	19	Bank employee	Adnan Kakakhail
Honda City Reg # LED-12-995	20-Jun-12	10-Sep-15	950	617	333	333	-	Bank employee	Muhammad Mubashir
Honda City Reg # LEF-12-1233	23-Oct-12	6-Sep-15	1,639	956	683	738	55	Bank employee	Amir Nasir Uddin
Toyota Corolla GLI Eng # Y571082	23-Jun-15	6-Sep-15	1,500	75	1,425	1,450	25	Bank employee	Suleman Abid Bhopal
Suzuki Swift DX Eng # PKS13019086	28-Jul-13	21-Oct-15	1,019	459	560	577	17	Bank employee	Haider Rehman
Toyota Axio X Chassis # 8044831	28-Nov-12	10-Nov-15	990	594	396	427	31	Bank employee	Asim Shahzad
Suzuki Cultus VXRI Reg # EG-238	11-Jun-15	21-Oct-15	1,039	69	970	1,022	52	Bank employee	Junaid Ali Duranri
Suzuki Cultus VXRI Reg # BBY-498	4-Aug-14	29-Nov-15	1,039	260	773	779	-	Bank employee	Muhammad Saeed Ashraf
Toyota Passo Eng # 1053223	6-Feb-14	10-Nov-15	1,049	367	682	682	-	Bank employee	Muhammad Noushad
Honda City Eng # L1321-34266116	24-Aug-11	10-Nov-15	1,000	850	150	150	-	Bank employee	Khawaja Tanvir
Suzuki Cultus VXRI Eng # PKF567648	8-Aug-12	2-Nov-15	970	630	340	356	16	Bank employee	Zeeshan Javed Salimi
Honda City Eng # L1321-3429642	24-Jun-12	29-Nov-15	910	622	288	288	-	Bank employee	Shakeel Akhter Panni
Suzuki Swift DLX Eng # PKS13024878	3-Jul-14	12-Oct-15	1,282	320	962	1,004	42	Bank employee	Jahangir Khanzada
Suzuki Cultus Eng # PKF5670328	20-Dec-11	2-Nov-15	910	713	197	228	31	Bank employee	Faisal Sherwani
Toyota Allis Reg # BCF-790	13-Oct-14	2-Nov-15	2,153	359	1,794	1,794	-	Claim	SPI Insurance
Mercedez Benz Reg # ST-001	15-Dec-10	31-Oct-15	32,846	32,112	534	534	-	Bank employee	Shaukat Tarin
Honda Civic i-VTEC Eng # R18Z1-2540698	22-Feb-13	13-Dec-15	2,102	1,191	911	911	-	Bank employee	Imran Aslam
Honda Civic VTI Eng # R18Z1-2544583	7-Jun-13	31-Dec-15	2,332	1,166	1,166	1,166	-	Bank employee	Romana Khokar
Total			136,551	88,323	48,228	49,456	1,228		

Notes to the Financial Statements

for the year ended December 31, 2015

12.5 Details of disposal of fixed assets - By negotiations / Bank policy

Description	Date of capitalization	Date of disposal	Cost	Accumulated depreciation	Book value	Sale proceeds / insurance claim	Gain / (Loss)	Mode of disposal	Particulars of purchaser
Rupees in '000									
Assets having cost of less than Rs. 500,000									
Lenovo Laptop Model # 59064922	1-Aug-11	3-Feb-15	83	83	-	7	7	Bank employee	Muhammad Waseem
Toshiba Laptop Satellite L-510-B402	6-Oct-10	4-Feb-15	80	80	-	7	7	Bank employee	Shahid Munawar
Toshiba Notebook computer Satellite L-640-1012U	1-Nov-10	23-Feb-15	82	82	-	7	7	Bank employee	Anwar Ul Haq Majeed
Toshiba Notebook Computer Model Portage R600-D266	24-Jun-11	23-Feb-15	162	162	-	10	10	Bank employee	Waheed Ahmed Ghuman
Lenovo think pad X 200 Series Model # 7455-D8G	7-Jan-10	6-Apr-15	110	110	-	10	10	Bank employee	Asad Abbas
Toshiba Notebook computer Portage R700-2010U	2-Mar-11	27-May-15	215	215	-	10	10	Bank employee	Talha Saeed
Toshiba Notebook Computer Satellite L635-1098UB	26-Sep-11	22-Jun-15	77	77	-	7	7	Bank employee	Salman Shahid
Toshiba Laptop Satellite L-300-P510	1-Apr-09	21-Jul-15	84	84	-	7	7	Bank employee	Muhammad Itikhar
Laptop Serial # 4C118520H	23-Jul-12	6-Sep-15	145	145	-	10	10	Bank employee	Nadeem Qureshi
Lenovo IDEAPAD B570e Serial # 59316829	10-Jan-12	24-Nov-15	68	68	-	7	7	Bank employee	Mohsin Zia
Toshiba Notebook Computer Model Satellite Pro C640-1027U	26-Sep-11	12-Oct-15	77	77	-	7	7	Bank employee	Abdullah Jalwalá
Toshiba Laptop Satellite L-510-S401	3-Oct-09	7-Oct-15	84	84	-	7	7	Bank employee	Muhammad Imran
Toshiba Notebook computer Satellite Pro C640	8-Mar-11	29-Nov-15	78	78	-	7	7	Bank employee	Muhammad Omair
Toshiba Notebook computer Model Satellite Pro C640	28-Jul-11	21-Dec-15	78	78	-	7	7	Bank employee	Zameer Ahmed Memon
Toshiba Laptop Satellite L-300-P502	13-Aug-09	31-Dec-15	65	65	-	7	7	Bank employee	Syed Asif saeed
Toshiba Notebook Laptop Model # Portage R830-2010U	1-Dec-11	31-Dec-15	168	168	-	10	10	Bank employee	Shahram Raza
Laptop Serial # 4C118517H	25-May-12	31-Dec-15	145	145	-	10	10	Bank employee	Romana Khokar
Total			1,801	1,801	-	137	137		
Grand Total			138,352	90,124	48,228	49,593	1,365		

- 12.5.1** Disposals to Bank's employees are made as per their terms of employment. Disposals during the year have been made to Advisor to the Chairman, Executive Director, other Executives (as defined in note 37) and other staff. These include both resigned and active staff of the Bank.

13 DEFERRED TAX ASSETS - NET

Deferred tax debits arising in respect of

	Note	Rupees in '000
Provision for diminution in the value of investments		111,654
Provision against non-performing advances		2,440,860
Provision against other assets		258,292
Unabsorbed tax depreciation		852,568
Unabsorbed tax losses		721,734
		4,385,108

Deferred tax credits arising due to

	22.1	22.2	Rupees in '000
Accelerated tax depreciation			(148,869)
Surplus on revaluation of investments			(16,414)
Surplus on revaluation of property			(24,272)
Remeasurement of defined benefit plan			(14,584)
			(204,139)
			4,180,969

Notes to the Financial Statements

for the year ended December 31, 2015

13.1 Movement in temporary differences

	Balance at January 01, 2014	Recognised in profit and loss	Recognised in equity	Balance at December 31, 2014	Recognised in profit and loss	Recognised in equity	Balance at December 31, 2015
Rupees in '000							
Deductible / (Taxable) temporary differences on:							
Provision for diminution in value of investments	41,748	57,798	-	99,546	12,108	-	111,654
Provision against non-performing advances	2,104,316	57,612	-	2,161,928	278,932	-	2,440,860
Unused tax losses	1,340,549	(220,236)	-	1,120,313	(398,579)	-	721,734
Provision against other assets	-	-	-	-	258,292	-	258,292
Unabsorbed tax depreciation	818,567	-	-	818,567	34,001	-	852,568
Accelerated tax depreciation	(244,805)	60,271	-	(184,534)	35,665	-	(148,869)
Surplus on revaluation of investments	(180,223)	-	146,482	(33,741)	-	17,327	(16,414)
Surplus on revaluation of fixed assets	(26,876)	-	1,302	(25,574)	-	1,302	(24,272)
Remeasurement of defined benefit plan	(14,198)	-	(5,125)	(19,323)	-	4,739	(14,584)
	3,839,078	(44,555)	142,659	3,937,182	220,419	23,368	4,180,969

13.2 The Bank has an aggregate amount of deferred tax asset of Rs. 4,181 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 losses carried forward and other 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 recent capital injection, growth of low cost deposits, growth in high yield consumer advances, investment returns, branch expansion plans, 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 realised in future.

13.3 Status of tax and other details are disclosed in notes 32.2 and 32.3 to these financial statements.

		Note	2015	2014
			Rupees In '000	
14 OTHER ASSETS				
Income / mark-up accrued in local currency			2,108,584	2,528,453
Income / mark-up accrued in foreign currencies			1,159	2,715
Advances, deposits, advance rent and other prepayments	14.5		552,487	561,426
Advance taxation			453,470	368,918
Net defined benefit asset	36.1.1		41,669	55,209
Non-banking assets acquired in satisfaction of claims			10,896,597	4,822,227
Non-banking assets acquired in satisfaction of claims with buy back option with customers			388,465	334,914
Branch adjustment account	14.1 & 14.2		11,285,062	5,157,141
Unrealised gain on derivative financial instruments	14.4		2,364	-
Others			26,845	49,655
			322,104	220,530
			14,793,744	8,944,047
Less: Provision held against other assets	14.3		(723,056)	(23,419)
			14,070,688	8,920,628
14.1 Aggregate market value of non-banking assets acquired in satisfaction of claims			11,982,158	5,979,958

Notes to the Financial Statements

for the year ended December 31, 2015

14.2 These include properties aggregating to Rs. 2,431.86 million (including registration cost of Rs. 271.88 million) against which debts previously partially / fully provided aggregating to Rs. 2,221.13 million (including mark-up of Rs. 256.86 million) were assigned / sold / novated. The debts have been assigned / sold / novated at the values offered by the seller of the properties. These also include transfer of properties from loans and advances due to termination of Musharaka financing agreements of Rs. 2,507 million (refer note 11.1.3.2). These properties and certain other properties included in non-banking assets acquired in satisfaction of claims are currently un-developed and have been evaluated based on the valuation reports from valuers on Pakistan Banks Association's list of approved valuers.

	Note	2015 Rupees in '000	2014 Rupees in '000
14.3 Provisions against other assets			
Opening balance		23,419	23,419
Charge for the year	14.3.1	699,637	-
Reversals		-	-
Net charge for the year	30	699,637	-
Amounts written off		-	-
Closing balance		723,056	23,419

14.3.1 This represents impairment / provision held against properties acquired under satisfaction of claims.

14.4 Unrealized gain on derivative financial instruments

	Contract / Notional amount		Unrealised gain	
	2015	2014	2015	2014
	Rupees in '000			
Forward exchange contracts	6,962,229	5,154,542	26,845	48,923
Equity futures	-	47,802	-	732
	6,962,229	5,202,344	26,845	49,655

14.5 This includes advance of Rs. 15 million paid to the Advisor to the Chairman of the Board of Directors of the Bank against monthly advisory services fee.

	2015 Rupees in '000	2014 Rupees in '000
15 BILLS PAYABLE		
In Pakistan	2,413,342	2,153,091
Outside Pakistan	-	-
	2,413,342	2,153,091
16. BORROWINGS		
In Pakistan	33,114,577	21,379,547
Outside Pakistan	115,605	362,699
	33,230,182	21,742,246
16.1 Particulars of borrowings with respect to currencies		
In local currency	33,114,577	21,379,547
In foreign currencies	115,605	362,699
	33,230,182	21,742,246

Notes to the Financial Statements

for the year ended December 31, 2015

		Note	2015	2014
			Rupees in '000	
16.2	Details of borrowings secured / unsecured			
	Secured			
Borrowings from State Bank of Pakistan (re-finance)				
Export refinance scheme	16.2.1	2,099,670	3,199,470	
Long term finance - export oriented projects	16.2.1	-	382	
Repurchase agreement borrowings	16.2.2	25,639,264	11,979,695	
		27,738,934	15,179,547	
	Unsecured			
Call borrowings	16.2.3	2,080,000	6,200,000	
Borrowing from other financial institutions	16.2.4	59,848	185,866	
Trading liability		3,295,643	-	
Overdrawn nostro accounts		55,757	176,833	
		5,491,248	6,562,699	
		33,230,182	21,742,246	

- 16.2.1** The Bank has entered into agreements for financing with the State Bank of Pakistan (SBP) for extending export finance to customers. As per the agreements, the Bank has granted SBP the right to recover the outstanding amount from the Bank at the date of maturity of the finance by directly debiting the current account maintained by the Bank with SBP. These borrowing are repayable within six months. These carry markup rates ranging from 1.50% to 3.50% (2014: 5.50% to 6.50%) per annum.
- 16.2.2** These represent funds borrowed from the local interbank money market against government securities carrying interest rate ranging between 6.11% to 6.50% (2014: 9.50%) per annum with maturities up to January 2016.
- 16.2.3** These represent unsecured borrowings from the local money market carrying interest rate ranging from 6.95% to 7.50% (2014: 9.9% to 13%) per annum with maturities up to January 2016.
- 16.2.4** This represents borrowing in foreign currency and carry interest rate ranging from 2.82% to 2.89% (2014: 2.77% to 2.87%) per annum.

		2015	2014
		Rupees in '000	
17	DEPOSITS AND OTHER ACCOUNTS		
	Customers		
Fixed deposits		34,140,750	28,655,490
Savings deposits		20,257,192	18,265,332
Current accounts - non-remunerative		21,472,804	17,889,766
Margin accounts - non-remunerative		987,425	719,372
Others		823,770	370,250
		77,681,941	65,900,210
	Financial institutions		
Remunerative deposits		3,368,691	2,802,189
Non-remunerative deposits		46,949	67,856
		3,415,640	2,870,045
		81,097,581	68,770,255
17.1	Particulars of deposits		
In local currency		73,804,972	62,028,488
In foreign currencies		7,292,609	6,741,767
		81,097,581	68,770,255

Notes to the Financial Statements

for the year ended December 31, 2015

18 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2015			2014	
	Minimum lease payments	Financial charges for future periods	Principal outstanding	Minimum lease payments	Financial charges for future periods
Rupees in '000					
Not later than one year	4,794	1,449	3,345	5,097	2,243
Later than one year and not later than five years	12,382	1,582	10,800	18,255	4,004
Over five years	-	-	-	-	-
	17,176	3,031	14,145	23,352	6,247
					17,105

- 18.1** The Bank has acquired solar panels under finance lease from NBP Leasing Limited. The lease term is 5 years and the discounting factor used is 6 months KIBOR + 4%.

19. OTHER LIABILITIES

	Note	Rupees in '000	
Mark-up / return / interest payable in local currency		487,424	583,088
Mark-up / return / interest payable in foreign currencies		9,787	2,325
Un-earned commission and income on bills discounted		61,739	58,661
Accrued expenses		94,116	86,702
Unrealized loss on derivative financial instruments	19.1	45,542	144,015
Branch adjustment account		-	38,135
Provision against off-balance sheet obligations		86,736	86,736
Workers' Welfare Fund (WWF)		36,975	36,975
Advance received against future sale of non banking assets		150,718	91,506
Advance received against future sale of fixed assets		118,500	-
Gratuity payable to outsourced staff	29.2	36,123	20,946
Others		677,687	403,240
		1,805,347	1,552,329

19.1 Unrealised loss on forward foreign exchange contracts

	Contract / Notional amount		Unrealised loss	
	2015	2014	2015	2014
Rupees in '000				
Forward foreign exchange contracts	6,688,102	10,659,164	45,542	144,015

20 SHARE CAPITAL

20.1 Authorised capital

2015	2014		2015	2014
No. of shares in '000			Rupees in '000	
10,500,000	4,000,000	Ordinary shares of Rs.10 each	105,000,000	40,000,000

Notes to the Financial Statements

for the year ended December 31, 2015

20.2 Issued, subscribed and paid up capital

2015 No. of shares in '000	2014 No. of shares in '000		2015 Rupees in '000	2014 Rupees in '000
800,315	800,315	Ordinary shares of Rs.10 each Fully paid in cash	8,003,150	8,003,150
100,000	100,000	Ordinary shares of Rs.10 each Fully paid in cash and issued at a discount of Rs. 2.5 per share	1,000,000	1,000,000
1,771,290	1,771,290	Ordinary shares of Rs.10 each Fully paid in cash and issued at a discount of Rs.7.5 per share	17,712,898	17,712,898
5,128,205	-	Ordinary shares of Rs.10 each Fully paid in cash and issued at a discount of Rs. 8.44 per share	51,282,051	-
7,799,810	2,671,605		77,998,099	26,716,048

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

As mentioned in note 1.3, on August 27, 2014, the Board of Directors of the Bank approved the issuance of right shares of Rs. 10 billion (6,410,256,410 right shares at Rs. 1.56 per share, at a discount of Rs. 8.44 per share), under the provisions of Section 86 of the Companies Ordinance, 1984 subject to the approvals of the shareholders and regulatory approvals. The Bank received Rs. 10 billion (including Rs. 2 billion received in December 2014) in its Right Shares Subscription Account maintained with the Bank out of which, the Bank has issued shares for Rs. 8 billion (i.e., 5,128,205,128 shares at Rs. 1.56 per share) until December 31, 2015.

20.4 The Bank had approved issuance of right shares @ 311.00226% on December 2, 2009 at a discount of Rs. 7.5 per share having face value of Rs. 10 each to generate net additional capital of Rs. 7 billion. Out of these right shares, an amount of Rs. 2.572 billion was unsubscribed. SECP had granted three years extension for subscription of the rights, in line with tenor of convertible preference shares (refer note 21). Subsequent to the year end on January 27, 2016, the Board of Directors of the Bank passed a resolution to exercise call option in respect of convertible preference shares (refer note 21) and resultantly has cancelled the unsubscribed rights. The Bank has intimated the cancellation of unsubscribed rights shares to SECP on January 27, 2016.

20.5 CAPITAL ADEQUACY	2015 Rupees in '000	2014 Rupees in '000
Total Capital Adequacy Ratio	13.84%	9.14%

21. CONVERTIBLE PREFERENCE SHARES

The Bank has issued 880 million Convertible Preference Shares (CPS) in March 2013 at issue price of Rs. 2.50 per share aggregating to paid-up amount of Rs. 2,200 million. The CPS are sub-ordinated to all other liabilities including deposits of the Bank. These CPS have three years tenor and are convertible into ordinary shares of the Bank at the conversion ratio of 1:1. There are no voting rights and dividend entitlement on these CPS. The subscribers have an option to exercise the put option at the end of the tenor through which they can sell their CPS to Arif Habib Corporation Limited (the Guarantor) at the strike price of Rs. 3.70 per CPS. The Bank is entitled to exercise Call Option, which is exercisable in full or in parts at any time after one year from the issue date subject to subscription of unsubscribed right shares. Any partial redemption will be on a pro rata basis. The SBP has restricted the utilization of the funds received to investment in papers of Government of Pakistan and has allowed to consider the investments in Government papers held against the proceeds of CPS for Statutory Liquidity Requirement (SLR) purposes.

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

Subsequent to year end on January 27, 2016, the Board of Directors of the Bank in its meeting approved the exercise of Call Option in respect of 880 million CPS. As per the terms of CPS, the Bank can exercise call option latest by March 21, 2016 and the maximum cash outflow for this purpose is expected to be Rs. 3,256 million out of which Rs. 1,056 million will be charged directly to statement of changes in equity.

Notes to the Financial Statements

for the year ended December 31, 2015

	Note	2015 Rupees in '000	2014 Rupees in '000
22. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX			
Surplus on revaluation of			
- available for sale securities	22.1	30,482	62,661
- fixed assets	22.2	69,588	70,781
		100,070	133,442
22.1 Surplus / (deficit) on revaluation of available for sale securities			
Federal Government securities			
Market Treasury Bills		573	15,294
Pakistan Investment Bonds		15,251	132,689
GOP Ijara Sukus		22,600	(2,334)
Fully paid-up ordinary shares			
Listed companies		8,581	(49,251)
Term Finance Certificate, Debentures, Bonds and Participation Term Certificates			
Term Finance Certificates - Listed		(135)	4
Term Finance Certificates - Unlisted		26	-
		46,896	96,402
Related deferred tax liability	10.1	(16,414)	(33,741)
		30,482	62,661
22.2 Surplus on revaluation of fixed assets			
Surplus on revaluation of fixed assets	22.3	93,860	96,355
Related deferred tax liability	13	(24,272)	(25,574)
		69,588	70,781
22.3 Reconciliation of surplus on revaluation of fixed assets			
At the beginning of the year		96,355	100,075
Surplus realized on account of incremental depreciation - net of tax		(2,495)	(3,720)
At the end of the year	12.2.1	93,860	96,355
23 CONTINGENCIES AND COMMITMENTS			
23.1 Direct credit substitutes		-	-
23.2 Transaction-related contingent liabilities			
Guarantees favouring			
Government		8,839,726	7,033,057
Banking companies and other financial institutions		73,199	779,376
Others		3,152,207	1,594,841
23.3 Trade-related contingent liabilities			
Letters of Credit & Acceptances		4,085,903	4,714,168
23.4 Claims against the bank not acknowledged as debt	23.4.1 & 23.4.2	342,051	195,088

Notes to the Financial Statements

for the year ended December 31, 2015

- 23.4.1** These represent recovery suits filed by various parties in which the Bank is a direct or indirect defendant.
- 23.4.2** Suits for damages of Rs. 25.63 billion (2014: Rs. 872 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.

During the prior year, two suits amounting to Rs. 847.55 billion were filed in response to recovery suits previously filed by the Bank stood decreed in favor of the Bank and the defendants' appeal in respect thereof was dismissed by the High Court. The defendants filed appeal in the Honorable Supreme Court which was subsequently withdrawn by the defendants themselves. During the year, the Bank has entered into a settlement agreement with the borrower. Subsequent to the year end, pursuant to the agreement, the borrower has withdrawn the cases against the Bank.

	2015	2014
	Rupees in '000	
23.5 Commitments in respect of forward contracts		
Forward exchange contracts with State Bank of Pakistan, banks and other institutions		
Sale	4,347,910	5,092,390
Purchase	9,302,422	10,461,691
23.6 Claims against the bank by Competition Commission of Pakistan and Others	35,640	35,640
23.7 Commitments in respect of		
Property, civil work and equipment	120,728	66,419
Purchase of hardware / software	44,821	35,801
	165,549	102,220
23.8 Other commitments		
Forward sale of listed equity securities		48,534
23.9 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.		

24. DERIVATIVE INSTRUMENTS

A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price in one or more underlying financial instruments, reference rates or indices. The principal derivatives used by the Bank are forward foreign exchange contracts, foreign exchange swaps and equity futures. The Bank at present does not engage in structured derivative products such as Interest Rate Swaps, Forward Rate Agreements and Foreign Exchange Options.

A forward foreign exchange contract is an agreement to buy or sell a specified amount of foreign currency on a specified future date at an agreed rate. Equity futures are exchange traded contractual agreements to either buy or sell a specified security at a specific price and date in the future. A foreign exchange swap is used by the Bank if it has a need to exchange one currency for another currency on one day and then re-exchange those currencies at a later date.

The Bank enters into these contracts for the purpose of squaring currency / equity positions.

All derivatives are recognised at their fair value. Fair values are obtained from quoted market prices in active markets. Derivatives are carried in the balance sheet as assets when their fair value is positive and as liabilities when their fair value is negative.

Credit risk in respect of derivative financial instruments arises from the potential for a counterparty to default on its contractual obligations. The principal amount of the derivative contract does not represent real exposure to credit risk, which is limited to the positive fair value of instrument.

The details of commitments under forward foreign exchange contracts and equity futures contracts outstanding at year-end have been given in notes 23.5 and 23.8, respectively.

The accounting policies used to recognise and disclose derivative instruments are given in note 6.14.2. The risk management framework of derivative instruments is given in note 42.

Notes to the Financial Statements

for the year ended December 31, 2015

	Note	2015	2014
		Rupees in '000	
25. MARK-UP / RETURN / INTEREST EARNED			
On loans and advances to:			
Customers		6,797,603	7,834,980
Financial institutions		-	-
On investments in:			
Held-for-trading securities		127,331	121,306
Available-for-sale securities		1,766,615	1,327,841
On deposits with financial institutions		1,893,946	1,449,147
On call money lendings		382	315
On securities purchased under resale agreements		398	437
Profit on Bai Muajjal		237,283	144,337
		3,703	-
		8,933,315	9,429,216
26. MARK-UP / RETURN / INTEREST EXPENDED			
Deposits		3,944,343	4,626,246
Securities sold under repurchase agreements		1,168,713	493,272
Call borrowings		325,191	333,536
Borrowings from State Bank of Pakistan under export refinance scheme		106,774	231,192
SWAP money market expense		283,015	278,407
Others		5,649	6,446
		5,833,685	5,969,099
27. GAIN / (LOSS) ON SALE OF SECURITIES - NET			
Government securities			
Market Treasury Bills		103,003	15,294
Pakistan Investment Bonds		456,961	64,146
GOP Ijara Sukuk Bonds		5,949	19,119
Shares - listed		82,238	244,751
Term Finance Certificates		2,797	(8,687)
Mutual funds		-	11,969
		650,948	346,592
28. OTHER INCOME			
Rent on property		5,046	3,373
Rent on lockers		9,815	10,366
Gain / (loss) on sale of property and equipment - net	12.5	1,365	(70)
(Loss) / gain from non-banking assets and profit from sale of or dealing with such assets - net	28.1	(52,531)	15,180
Postage, telex and other service charges recovered		24,824	21,892
Share of profit from associate		13,041	9,392
Early loan termination charges		41,338	32,482
		42,898	92,615

28.1 During the year, the Bank sold properties having book value of Rs. 819 (2014: Rs. 577 million) for Rs. 766 million (2014: Rs. 592 million).

Notes to the Financial Statements

for the year ended December 31, 2015

	Note	2015 Rupees in '000	2014 Rupees in '000
29. ADMINISTRATIVE EXPENSES			
Salaries, allowances and other benefits		2,416,253	2,176,932
Charge for defined benefit plan	36.1.3 / 29.2	71,662	73,909
Contribution to defined contribution plan	36.2	64,321	60,904
Non-executives directors' fees, allowances and other expenses		19,953	23,711
Rent, taxes, insurance, electricity, etc.		693,869	605,561
Guarantee commission paid in respect of CPS	21	81,400	81,400
Legal and professional charges		354,012	230,928
Communications		239,978	190,642
Financial charges on leased assets		1,931	1,048
Repairs and maintenance		298,372	241,148
Stationery and printing		61,667	65,249
Security charges		80,342	72,128
Advertisement and publicity		125,598	91,991
Depreciation	12.2	357,813	385,732
Amortization of intangible assets	12.3	86,106	82,212
Auditors' remuneration	29.1	10,401	10,598
Fuel and travelling expenses		127,779	144,982
Brokerage and commission		11,812	8,373
Subscriptions and newspapers		13,315	10,117
Entertainment		43,044	34,753
Others		109,091	99,726
		5,268,719	4,692,044
29.1 Auditors' remuneration			
Annual audit fee		3,600	3,000
Half yearly review		1,380	1,150
Special certifications		3,986	5,378
Out-of-pocket expenses		1,435	1,070
		10,401	10,598
29.2	It includes gratuity accrued pertaining to outsourced staff amounting to Rs. 18.34 million (2014: Rs. 28.09 million).		
	Note	2015 Rupees in '000	2014 Rupees in '000
30. OTHER PROVISIONS / WRITE OFFS / (REVERSALS)			
Provision against other assets	14.3	699,637	-
Other provisions / (reversal)	30.1	63,000	(38,019)
Write offs		339	-
		762,976	(38,019)

30.1 This represents payment of Rs. 25 million to a customer for settlement of claim and provision of Rs. 38 million in respect of a claim from a foreign supplier of the customer decreed by Honorable Peshawar High Court (PHC). The Bank has filed an appeal before the PHC which is pending adjudication. However, management (being prudent) has recorded the provision in these financial statements.

Notes to the Financial Statements

for the year ended December 31, 2015

	Note	2015 Rupees in '000	2014 Rupees in '000
31. OTHER CHARGES			
Penalties imposed by SBP	31.1	37,178	5,687
Operational loss		40,405	1,875
Worker's Welfare Fund		-	2,682
Impairment in value of Non-Banking Assets		-	17,183
		77,583	27,427

31.1 These represent penalties imposed by SBP on various non-compliances related to rules and regulations.

	2015 Rupees in '000	2014 Rupees in '000
32. TAXATION		
Current		
- for the year	-	-
- prior year	(92,322)	-
	(92,322)	-
Deferred		
- for the year	220,419	(44,555)
- prior year	220,419	(44,555)
	128,097	(44,555)
32.1 Relationship between tax expense and accounting profit		
(Loss) / profit before tax	(1,839,702)	131,415
Tax rate	35%	35%
Tax at applicable rate	(643,896)	45,995
Permanent difference	18,654	1,990
Deferred tax asset / minimum tax credit written off / adjusted	490,900	-
Others	6,245	(3,430)
	(128,097)	44,555

32.2 The income tax returns of the Bank have been submitted up to Tax Year 2015. The Bank has filed appeals before ATIR against certain disallowances amounting to Rs. 1,996 million made by Tax officer for assessment / tax year(s) 2000-2001, 2001-2002, 2002-2003 and 2004. The disallowances amounting to Rs. 682 million in respect of tax years 2003 and 2006 are pending at CIR (A). Management is confident that the outcome of these appeals would be in favor of the Bank.

32.3 Income tax returns for tax years 2011 and 2014 were selected for audit. The proceedings of the audit are in process, no order has been passed by the relevant tax authorities. 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. Orders were issued by the Assessing Officer creating a tax demand of Rs. 39 million along with default surcharge of Rs. 17 million. The Bank has filed an appeal for all the orders raised.

32.4 The Bank's return in respect of AJK operations have been submitted up to and including Tax Year 2015. Certain appeals were filed before the various appellate forums which are pending adjudication. Management is confident that the outcome of these appeals would be in favor of the Bank.

Notes to the Financial Statements

for the year ended December 31, 2015

	Note	2015	2014
33. (LOSS) / EARNINGS PER SHARE - BASIC AND DILUTED			
(Loss) / profit after taxation for the year - attributable to ordinary equity holders of the Bank for basic and diluted (Rupees in '000)		(1,711,605)	86,860
Weighted average number of basic outstanding ordinary shares during the year (Numbers in '000)		2,943,992	2,741,854
Weighted average number of diluted outstanding ordinary shares during the year (Numbers in '000)	33.1	2,943,992	3,621,854
Basic (loss) / earnings per share (Rupee)		(0.58)	0.03
Diluted (loss) / earnings per share (Rupee)		(0.58)	0.02
33.1	As disclosed in note 21, The Board of Directors of the Bank has approved the exercise of call option in respect of CPS, therefore there is no change in weighted average number of shares in current year.		
34. CASH AND CASH EQUIVALENTS		2015	2014
		Rupees in '000	
Cash and balances with treasury banks	7	7,343,670	5,102,984
Balances with other banks	8	194,065	139,478
		7,537,735	5,242,462
35. STAFF STRENGTH		2015	2014
		Number of persons	
Permanent		1,247	1,205
Temporary / Contractual basis		31	27
		1,278	1,232
Bank's own staff strength at the end of the year		1,375	1,674
Outsourced	35.1		
Total staff strength		3,153	2,906
35.1	These exclude outsourced security guards and commission based agents.		
36. STAFF RETIREMENT BENEFITS			
36.1 Defined benefit plan			
As disclosed in note 6.10.2, the Bank operates an approved funded gratuity scheme for all its regular employees. The entitlement of the employees commences on completion of five years with the Bank beginning from January 01, 2005. Projected Unit Credit Actuarial Cost Method has been used for actuarial valuation dated December 31, 2015. The financial statements of the fund are separately prepared and audited and are not included as part of these financial statements. Contribution funds are placed in bank account maintained with Silkbank in fixed deposit and super saver scheme at the rates ranging from 4% to 6.5%.			

Notes to the Financial Statements

for the year ended December 31, 2015

	Note	2015	2014
		Rupees in '000	
36.1.1 Amount recognized in the balance sheet:			
Present value of the defined benefit obligation	36.1.2	372,201	307,802
Less: Fair value of the plan assets	36.1.2	(413,870)	(363,011)
Asset	14	(41,669)	(55,209)
36.1.2 Movement of present value of defined benefit obligation and fair value of plan assets			
		2015	Total
		Present value of defined benefit obligation	Fair value of plan assets
		Rupees in '000	
As at January 1, 2015		307,802	(363,011)
Current service cost		57,539	57,539
Interest cost / (income)		33,080	(37,296)
Bank's contributions		-	(4,216)
Benefits paid		(31,594)	(53,324)
Remeasurements recognised in other comprehensive income:			
Gain due to change in financial assumptions		(2,867)	-
Loss due to change in demographic assumptions		-	(2,867)
Loss due to changes in experience adjustment		8,241	-
Return on plan assets excluding amounts included in interest income		-	8,241
As at December 31, 2015		5,374	8,167
		372,201	(413,870)
			(41,669)
		2014	Total
		Present value of defined benefit obligation	Fair value of plan assets
		Rupees in '000	
As at January 1, 2014		251,241	(291,806)
Current service cost		49,355	-
Interest cost / (income)		33,010	(36,547)
Bank's contributions		-	(3,537)
Benefits paid		(25,898)	(45,819)
Remeasurements recognised in other comprehensive income:			
Gain due to change in financial assumptions		(3,503)	-
Loss due to changes in experience adjustment		3,597	(3,503)
Return on plan assets excluding amounts included in interest income		-	3,597
As at December 31, 2014		94	(14,737)
		307,802	(363,011)
			(55,209)

Notes to the Financial Statements

for the year ended December 31, 2015

	Note	2015 Rupees in '000	2014 Rupees in '000
36.1.3 Amount recognised in profit and loss account:			
Current service cost		57,539	49,355
Interest cost on defined benefit obligation		33,080	33,010
Interest income on plan assets		<u>(37,296)</u>	<u>(36,547)</u>
	29	<u>53,323</u>	<u>45,818</u>
36.1.4 Remeasurements recognised in OCI for the year			
Actuarial loss on obligation		5,374	94
Actuarial loss / (gain) on plan assets		<u>8,167</u>	<u>(14,737)</u>
		<u>13,541</u>	<u>(14,643)</u>
36.1.5 Movement of net defined benefit asset:			
Net defined benefit asset at the beginning of the year		(55,209)	(40,565)
Charge for the year	36.1.3	53,323	45,818
Remeasurements - gains recognized in OCI during the year	36.1.4	<u>13,541</u>	<u>(14,643)</u>
Bank's contributions	36.1.2	<u>(53,324)</u>	<u>(45,819)</u>
Net defined benefit asset at the end of the year		<u>(41,669)</u>	<u>(55,209)</u>
36.1.6 Actual return on plan assets		<u>29,129</u>	<u>51,284</u>
36.1.7 Principal actuarial assumptions			
Financial assumptions			
Discount factor used		9.00%	10.50%
Expected increase in eligible pay *		<u>8.00%</u>	<u>9.50%</u>
Demographic assumptions			
Mortality rates (for death in service)		SLIC (2001-05)-1	SLIC (2001-05)-1
Rates of employee turnover		Ultra Heavy Rates	Ultra Heavy Rates
Normal retirement age (years)		60 years	60 years

* Salary increments were assumed to be given on January 01, each year.

- 36.1.8** The discount rate of 9.00% (per annum compound) is representative of yields on Pakistan Investment Bonds and high quality term finance certificates.
- 36.1.9** The expected charge for the year 2016 is Rs. 59.298 million.
- 36.1.10** The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
	Rupees in '000		
Discount rate	1%	(20,009)	22,284
Salary growth rate	1%	24,106	(21,996)

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the Projected Unit Credit Actuarial Cost Method at the end of the reporting period) has been applied as when calculating net defined benefit asset recognised within the statement of financial position.

Notes to the Financial Statements

for the year ended December 31, 2015

	2015	2014
	Rupees in '000	
36.1.11 Composition of fair value of plan assets		
Pakistan Investment Bonds	25,393	44,500
Term Finance Certificate	4,917	26,183
Cash and bank balances	23,949	49,445
Term Deposits	349,000	231,465
National Investment Trust Units	10,611	11,418
	413,870	363,011

36.2 Defined contribution plan

The Bank operates an approved funded contributory provident fund for all its permanent employees to which equal monthly contributions are made both by the Bank and the employees at the rate of 8.33% of basic salary. The financial statements of the fund are separately prepared and audited and are not included as part of these financial statements. Contribution funds are placed with bank account maintained with Silkbank in fixed deposit and super saver scheme at the rates ranging from 4% to 15%.

	2015	2014
	Note	Rupees in '000
Bank's contribution	29	64,321
		60,904

37 COMPENSATION OF DIRECTORS AND EXECUTIVES

	2015	2014	2015	2014	2015	2014
	President / Chief Executive		Executive Directors		Executives	
	Rupees in '000					
Managerial remuneration	36,904	32,727	12,500	15,699	577,975	519,140
Charge for defined benefit plan	3,074	2,726	1,041	1,255	42,387	39,309
Contribution to defined contribution plan	3,074	2,726	1,041	1,255	42,387	39,309
Rent and house maintenance	18,452	16,363	6,250	7,850	288,989	259,571
Medical	3,690	3,273	1,250	1,570	57,798	51,913
Conveyance	7,381	6,545	2,500	3,140	115,594	103,827
Bonus and others	13,552	8,559	4,516	3,831	132,542	161,186
	86,127	72,919	29,098	34,600	1,257,672	1,174,255
Number of persons remained at end of year	1	1	1	1	437	387

The Chief Executive, Executive Director and Executives are provided with free use of Bank provided cars. Executives mean employees, other than Chief Executive Officer and Directors, whose basic salary exceeds five hundred thousand rupees in a financial year.

38. 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 5.1.1 to these financial statements.

Notes to the Financial Statements

for the year ended December 31, 2015

The maturity and repricing profile and effective rates are stated in notes 42.2.3, 42.3.1 and 42.3.2 respectively.

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.

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

Level 1 : Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 : Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 : Fair value measurements using input for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The table below analysis the financial and non-financial assets carried at fair values, by valuation methods. 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.

	Fair Value							
	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								
- Pakistan Investment Bonds		307,463		307,463				
Available-for-sale Securities								
- Shares in listed companies	921,913	-	-	921,913				
- Pakistan Investment Bonds	-	7,978,688	-	7,978,688				
- Market Treasury Bills	-	23,537,278	-	23,537,278				
- GOP Ijara Sukuk	-	2,122,600	-	2,122,600				
- Term Finance Certificates - Listed	-	27,832	-	27,832				
	921,913	33,666,398	-	34,588,311				
Non-Financial Asset measured at fair value								
Operating fixed assets - land and buildings	-	2,975,499	-	2,975,499				
Off balance sheet financial instruments								
Foreign exchange option purchased	-	9,302,422	-	9,302,422				
Foreign exchange option sold	-	4,347,910	-	4,347,910				

The valuation techniques used for above assets are same as disclosed in note 6.4.1, 6.4.2 & 12.2.1 of these financial statements.

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

- 39. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES**

For management purposes, the Bank is organized into following major business segments:

- Wholesale Banking *
- Treasury*
- Consumer / SME Banking +

All assets, liabilities, off balances sheet items, and items of income and expense are distributed in primary segments in accordance with the core functions performed by the business groups.

Notes to the Financial Statements

for the year ended December 31, 2015

	Wholesale Banking	Treasury (Trading)	Consumer/SME Banking	Total
	Rupees in '000			
2015				
Total Income - net	594,396	1,204,392	3,195,165	4,993,953
Total expenses	(1,357,655)	(197,627)	(5,278,373)	(6,833,655)
Net loss	(763,259)	1,006,765	(2,083,208)	(1,839,702)
Taxation				128,097
Net loss after taxation				(1,711,605)
Segment assets (gross)	45,961,910	44,385,733	49,573,175	139,920,818
Segment non performing loans	4,764,859	-	3,755,054	8,519,913
Segment provision required	4,066,852	-	2,716,707	6,783,559
Segment liabilities	8,478,603	31,302,406	78,779,588	118,560,597
Segment return on net assets (ROA) (%)	-2.68%	10.22%	-7.23%	
Segment cost of funds (%)	4.84%	8.55%	5.11%	
2014				
Total income - net	755,161	1,007,648	3,417,671	5,180,480
Total expenses	(644,594)	(269,244)	(4,135,227)	(5,049,065)
Net income	110,567	738,404	(717,556)	131,415
Taxation				(44,555)
Net profit after taxation				86,860
Segment assets (gross)	41,084,035	23,653,685	43,555,840	108,293,560
Segment non performing loans	4,874,843	-	3,347,104	8,221,947
Segment provision required	3,244,330	-	2,313,377	5,557,707
Segment liabilities	11,078,404	19,166,437	63,990,185	94,235,026
Segment return on net assets (ROA) (%)	0.49%	7.34%	-2.32%	
Segment cost of funds (%)	7.03%	13.21%	6.15%	

* These include Islamic Banking Business (for details refer Annexure II).

40. 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 plan and defined contribution plan.

Transactions with related parties are carried out in the normal course of business at agreed terms other than those transactions which are made under the terms of employment. Majority of the transactions with related parties comprise 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 (note 12.5.1).

Details of transactions with related parties and balances with them as at the year-end are as follows:

Notes to the Financial Statements

for the year ended December 31, 2015

	2015			2014		
	Key CEO & Directors	management personnel & Others	Associated companies & common directorship	Key CEO & Directors	management personnel & Others	Associated companies & common directorship
Rupees in '000						
Balances						
Loans						
Loans outstanding at the beginning of the year	3,599	2,742	1,190,282	1,996	4,009	778,814
Loans given during the year	15,210	4,297	4,424,337	1,868	20,316	4,320,967
Loans repaid / adjusted during the year	(18,659)	(2,969)	(3,936,960)	(265)	(21,583)	(3,909,499)
Loans outstanding at the end of the year	150	4,070	1,677,659	3,599	2,742	1,190,282
Deposits						
Deposits at the beginning of the year	13,846	136,117	1,492,381	38,022	248,339	109,568
Deposit received during the year	364,138	8,962,558	11,875,907	494,707	1,062,221	2,654,874
Deposits repaid / adjusted during the year	(359,894)	(8,028,532)	(10,162,939)	(518,883)	(1,174,443)	(1,272,061)
Deposits at the end of the year	18,090	1,070,143	3,205,349	13,846	136,117	1,492,381
Investments - Shares						
At the beginning of the year	-	-	176,748	-	-	207,475
Investment made during the year	-	-	113,610	-	-	67,502
Investments redeemed / impaired / adjusted during the year	-	-	(58,595)	-	-	(98,229)
Investments at the end of the year	-	-	231,763	-	-	176,748
Transactions						
Short term employment benefits	106,994	299,726	-	99,556	344,282	-
Termination benefits	8,231	21,667	-	7,963	22,579	-
Mark-up earned on advances	501	913	80,616	256	831	93,104
Mark-up paid on deposits	662	15,024	192,121	1,404	5,133	60,098
Services rendered / goods received	-	141,951	83,353	-	132,410	68,272
Meeting fee of non-executive directors	19,155	-	-	23,711	-	-
Share of profit from Associate	-	-	13,041	-	-	9,392

40.1 Deposits of employees' Provident Fund and employees' Gratuity Fund - Rs. 1,027 million (2014: 776 million) carries mark-up at the rates ranging from 5.5% to 15% (2014: 10% to 15%).

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

Notes to the Financial Statements

for the year ended December 31, 2015

41. CAPITAL ASSESSMENT AND ADEQUACY

41.1 Scope of Applications

The Basel-III Framework is applicable to the Bank on a stand alone basis and the Bank has adopted the Standardised approach for Credit and Market Risk and Basic Indicator Approach for Operational Risk while using the simple approach for Credit Risk Mitigation as per SBP guidelines. Saudi Pak Insurance Company Limited (SPICL) is an associate of the Bank which has not been considered for consolidation both under accounting and regulatory scope of consolidation. The Bank owns 23.08% investment in shares of SPICL due to which the Bank has acquired significant influence, but not control, over financial and operating policies of SPICL.

41.1.1 Capital management

Objective of Capital Management:

The Bank manages its capital to attain following objectives and goals:

- To comply with statutory capital requirements set by regulators and comparable with peers;
- Ensuring sufficient liquidity to support its financial obligations and execute its operating and strategic plans;
- Maintaining healthy liquidity reserves and access to capital;
- To mitigate all expected and unexpected losses to keep institution a going concern so it can continue to provide adequate return to shareholders; and
- To extend credit to support growth in business even in adverse and stressed economic environment.

The State Bank of Pakistan (SBP) vide BSD Circular No. 7 dated April 15, 2009 set the Minimum Capital Requirement (MCR) for Banks of Rs. 10 billion (net of losses) for all locally incorporated banks to be achieved up to December 31, 2013. The Banks are also required to maintain a Capital Adequacy Ratio (CAR) of at least 10% plus capital conservation buffer of 0.25% of the risk weighted exposures of the Bank. The capital of the Bank (net of losses and discount on shares) as of December 31, 2015 amounted to Rs. 12.10 billion excluding general reserves of Rs. 180 million and convertible preference share of Rs. 2.2 billion and CAR of 13.84%.

The required capital adequacy ratio including CCB (10.25% of the risk-weighted assets) has been achieved through injection of capital by the Bank and its sponsors as mentioned in note 1.3.

The Capital Adequacy Ratio of the Bank is subject to the Basel III capital adequacy guidelines stipulated by SBP through its BPRD Circular No. 06 of 2013 dated August 15, 2013 (as amended). These Instructions are effective from December 31, 2013 in a phased manner with full implementation intended by December 31, 2019. Under Basel III guidelines, banks are required to maintain the following ratios on an ongoing basis.

Phase-in arrangement and full implementation of the minimum capital requirements:

Ratio	Year						As on Dec 31
	2013	2014	2015	2016	2017	2018	
CET I	5.00%	5.50%	6.00%	6.00%	6.00%	6.00%	6.00%
ADT I	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
Tier 1	6.50%	7.00%	7.50%	7.50%	7.50%	7.50%	7.50%
Total Capital	10.00%						
*CCB	-	-	0.25%	0.65%	1.275%	1.90%	2.50%
Total Capital plus CCB	10.00%	10.00%	10.25%	10.65%	11.28%	11.90%	12.50%

*Capital Conservation Buffer (CCB) Consisting of CET1 only

Bank's regulatory capital is analyzed into three tiers.

Common Equity Tier 1 capital (CET1), which includes fully paid up capital, balance in share premium account / discount on issue of shares, general reserves, statutory reserves as per the financial statements and net unappropriated profits after all regulatory adjustments applicable on CET1.

The deduction from Tier 1 capital includes mainly:

- (i) Book value of intangibles
- (ii) Reciprocal cross holdings in equity capital instruments of other banks
- (iii) Threshold deductions applicable from 2014 on deferred tax assets

Notes to the Financial Statements

for the year ended December 31, 2015

Additional Tier 1 Capital (AT1), which includes perpetual non-cumulative preference shares (which are allowed to be included in Tier 1 Capital as per BPRD/CS/2900/13 dated March 13th, 2013) and share premium resulting from the issuance of preference shares balance in share premium account after all regulatory adjustments applicable on AT1.

Tier 2 capital, which includes subordinated debt instruments, share premium of issuance of subordinated debt instruments, general provisions for loan losses (up to a maximum of 1.25 % of credit risk weighted assets), net of tax reserves on revaluation of fixed assets and securities up to a maximum of 45% of the balance and (40% of the remaining revaluation reserves of 55%) and foreign exchange translation reserves after all regulatory adjustments applicable on Tier-2.

The deductions from Tier 2 include mainly:

(i) Significant minority investment in banking and other financial entities

Banking operations are categorised as either trading book or banking book and risk-weighted assets are determined according to specified requirements of SBP that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures. The total risk-weighted exposures comprise of the credit risk, market risk and operational risk.

The Bank uses reputable and SBP approved rating agencies for deriving risk weight to specific credit exposures. These are applied consistently across the Bank credit portfolio for both on-balance sheet and off-balance sheet exposures.

For domestic claims, External Credit Assessment Institutions (ECAs) recommended by the State Bank of Pakistan (SBP), namely Pakistan Credit Rating Agency Limited (PACRA) and JCR-VIS Credit Rating Company Limited (JCR-VIS) are used. For claims on foreign entities, ratings assigned by Standard and Poor's, Fitch and Moody's are used. Foreign exposures not rated by any of the aforementioned rating agencies are categorised as unrated.

Exposures	2015				
	JCR	PACRA	S&P	FITCH	Moody's
	✓	✓	-	-	-
Corporate Banks	✓	✓	✓	✓	✓

SBP indicative mapping process as instructed in SBP circular "Minimum Capital Requirements for Banks and DFIs" (indicated in table below) was used to map alphanumeric ratings of PACRA, JCR-VIS, S&P's, Moody's, Fitch Ratings, and numeric scores of ECAs, to SBP rating grades.

Mapping to SBP Ratings Grades

Long-term rating grade mapping

SBP Rating Grade	PACRA	JCR-VIS	FITCH	S&P	MOODY'S	ECA Scores
1	AAA	AAA	AAA	AAA	Aaa	1
	AA+	AA+	AA+	AA+	Aa1	
	AA	AA	AA	AA	Aa2	
	AA-	AA-	AA-	AA-	Aa3	
2	A+	A+	A+	A+	A1	2
	A	A	A	A	A2	
	A-	A-	A-	A-	A3	
3	BBB+	BBB+	BBB+	BBB+	Baa1	3
	BBB	BBB	BBB	BBB	Baa2	
	BBB-	BBB-	BBB-	BBB-	Baa3	
4	BB+	BB+	BB+	BB+	Ba1	4
	BB	BB	BB	BB	Ba2	
	BB-	BB-	BB-	BB-	Ba3	
5	B+	B+	B+	B+	B1	5,6
	B	B	B	B	B2	
	B-	B-	B-	B-	B3	
6	CCC+ and Below Below	CCC+ and Below	CCC+ and Below	CCC+ and Below	Caa1 and	7

Short-term ratings grades mapping

SBP Rating Grade	PACRA	JCR-VIS	FITCH	S&P	MOODY'S
S1	A-1	A-1	F1	A-1+, A-1	P-1
S2	A-2	A-2	F2	A-2	P-2
S3	A-3	A-3	F3	A-3	P-3
S4	Others	Others	Others	Others	Others

Notes to the Financial Statements

for the year ended December 31, 2015

	Note	2015 Rupees in '000	2014 Rupees in '000
41.2 Capital Adequacy Ratio (CAR)			
Common Equity Tier 1 capital (CET1): Instruments and reserves			
1 Fully Paid-up Capital		79,693,394	28,716,048
2 Balance in Share Premium Account		-	-
3 Reserve for issue of Bonus Shares		-	-
4 Discount on Issue of shares		(56,566,725)	(13,284,674)
5 General/ Statutory Reserves		180,134	180,134
6 Gain/(Losses) on derivatives held as Cash Flow Hedge		-	-
7 Unappropriated/unremitted profits/ (losses)	41.2.5	(12,212,853)	(10,322,060)
8 Minority Interests arising from CET1 capital instruments issued to third parties by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)		-	-
9 CET 1 before Regulatory Adjustments		11,093,950	5,289,448
10 Total regulatory adjustments applied to CET1	41.2.1	1,661,562	1,116,038
11 Common Equity Tier 1		<u>9,432,388</u>	<u>4,173,410</u>
Additional Tier 1 (AT 1) Capital			
12 Qualifying Additional Tier-1 capital instruments plus any related share premium		2,200,000	2,200,000
13 of which: Classified as equity		2,200,000	2,200,000
14 of which: Classified as liabilities		-	-
15 Additional Tier-1 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group AT 1)		-	-
16 of which: instrument issued by subsidiaries subject to phase out		-	-
17 AT1 before regulatory adjustments		2,200,000	2,200,000
18 Total regulatory adjustment applied to AT1 capital	41.2.2	25,501	28,785
19 Additional Tier 1 capital after regulatory adjustments		2,174,499	2,171,215
20 Additional Tier 1 capital recognised for capital adequacy		2,174,499	1,138,203
21 Tier 1 Capital (CET1 + admissible AT1) (11+20)		<u>11,606,888</u>	<u>5,311,613</u>
Tier 2 Capital			
22 Qualifying Tier 2 capital instruments under Basel III plus any related share premium		-	-
23 Tier 2 capital instruments subject to phase-out arrangement issued under pre-Basel 3 rules		-	-
24 Tier 2 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group tier 2)		-	-
25 of which: instruments issued by subsidiaries subject to phase out		-	-
26 General provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets		515,802	427,612
27 Revaluation Reserves (net of taxes)		-	-
28 of which: Revaluation reserves on fixed assets		634,842	531,282
29 of which: Unrealised gains / losses on AFS		20,424	35,090
30 Foreign Exchange Translation Reserves		-	-
31 Undisclosed/Other Reserves (if any)		-	-
32 T2 before regulatory adjustments		1,171,068	993,984
33 Total regulatory adjustment applied to T2 capital	41.2.3	25,501	28,785
34 Tier 2 capital (T2) after regulatory adjustments		1,145,567	965,199
35 Tier 2 capital recognised for capital adequacy		1,145,567	965,199
36 Portion of Additional Tier 1 capital recognized in Tier 2 capital		-	1,033,013
37 Total Tier 2 capital admissible for capital adequacy		<u>1,145,567</u>	<u>1,998,212</u>
38 TOTAL CAPITAL (T1 + admissible T2) (21+37)		<u>12,752,455</u>	<u>7,309,825</u>
39 Total Risk Weighted Assets (RWA)	41.5	<u>92,135,474</u>	<u>79,961,633</u>

Notes to the Financial Statements

for the year ended December 31, 2015

	2015	2014
	Rupees in '000	
40 CET1 to total RWA	10.24%	5.22%
41 Tier-1 capital to total RWA	12.60%	6.64%
42 Total capital to total RWA	13.84%	9.14%
43 Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)	-	-
44 of which: capital conservation buffer requirement	-	-
45 of which: countercyclical buffer requirement	-	-
46 of which: D-SIB or G-SIB buffer requirement	-	-
47 CET1 available to meet buffers (as a percentage of risk weighted assets)	-	-
National minimum capital requirements prescribed by SBP		
48 CET1 minimum ratio	6.00%	5.50%
49 Tier 1 minimum ratio	7.50%	7.00%
50 Total capital minimum ratio	10.00%	10.00%
Leverage Ratio		
Tier 1 Capital	11,606,887	5,311,613
Total Exposures	150,045,867	117,621,892
Leverage Ratio	7.74%	4.52%

In year 2015, the Bank and its sponsors have injected capital due to which Leverage ratio as of December 31, 2015 has significantly increased compared to December 31, 2014.

Regulatory Adjustments and Additional Information	Amount	Rupees in '000	
		Amounts subject to Pre - Basel III treatment	Amount
41.2.1 Common Equity Tier 1 capital: Regulatory adjustments			
1 Goodwill (net of related deferred tax liability)	306,829		328,524
2 All other intangibles (net of any associated deferred tax liability)	-		-
3 Shortfall in provisions against classified assets	-		-
4 Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	288,694		224,063
5 Defined-benefit pension fund net assets	-		-
6 Reciprocal cross holdings in CET1 capital instruments of banking, financial and insurance entities	81,693		45,134
7 Cash flow hedge reserve	-		-
8 Investment in own shares/ CET1 instruments	-		-
9 Securitization gain on sale	-		-
10 Capital shortfall of regulated subsidiaries	-		-
11 Deficit on account of revaluation from bank's holdings of fixed assets/ AFS	-		-
12 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-		-
13 Significant investments in the common stocks of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-		-
14 Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	984,346		487,464
15 Amount exceeding 15% threshold	-		-
16 of which: significant investments in the common stocks of financial entities	-		1,163
17 of which: deferred tax assets arising from temporary differences	-		29,690
18 National specific regulatory adjustments applied to CET1 capital	-		-
19 Investments in TFCs of other banks exceeding the prescribed limit	-		-
20 Any other deduction specified by SBP (mention details)	-		-

Notes to the Financial Statements

for the year ended December 31, 2015

		2015	2014
	Rupees in '000		
	Amount	Amounts subject to Pre - Basel III treatment	Amount
Regulatory Adjustments and Additional Information			
21 Adjustment to CET1 due to insufficient AT1 and Tier 2 to cover deductions	-		
22 Total regulatory adjustments applied to CET1 (sum of 1 to 21)	1,661,562		1,116,038
41.2.2 Additional Tier-1 & Tier-1 Capital: regulatory adjustments			
23 Investment in mutual funds exceeding the prescribed limit [SBP specific adjustment]	-		
24 Investment in own AT1 capital instruments	-		
25 Reciprocal cross holdings in Additional Tier 1 capital instruments of banking, financial and insurance entities	-		
26 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-		
27 Significant investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation	-		
28 Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from additional tier-1 capital	25,501		28,785
29 Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-		
30 Total regulatory adjustment applied to AT1 capital (sum of 23 to 29)	25,501		28,785
41.2.3 Tier 2 Capital: regulatory adjustments			
31 Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	25,501		28,785
32 Reciprocal cross holdings in Tier 2 instruments of banking, financial and insurance entities	-		
33 Investment in own Tier 2 capital instrument	-		
34 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-		
35 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-		
36 Total regulatory adjustment applied to T2 capital (sum of 31 to 35)	25,501		28,785
41.2.4 Additional Information		2015	2014
Risk Weighted Assets subject to pre-Basel III treatment	Amount	Amount	
37 Risk weighted assets in respect of deduction items (which during the transitional period will be risk weighted subject to Pre-Basel III Treatment)	-		
(i) of which: deferred tax assets	433,040		
(ii) of which: Defined-benefit pension fund net assets	-		
(iii) of which: Recognised portion of investment in capital of banking, financial and insurance entities where holding is less than 10% of the issued common share capital of the entity	-		896,250
			154,159

Notes to the Financial Statements

for the year ended December 31, 2015

	2015	2014
	Rupees in '000	Rupees in '000
	Amount	Amount
(iv) of which: Recognised portion of investment in capital of banking, financial and insurance entities where holding is more than 10% of the issued common share capital of the entity	-	-
Amounts below the thresholds for deduction (before risk weighting)		
38 Non-significant investments in the capital of other financial entities	179,575	-
39 Significant investments in the common stock of financial entities	85,002	-
40 Deferred tax assets arising from temporary differences (net of related tax liability)	-	487,464
Applicable caps on the inclusion of provisions in Tier 2		
41 Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	515,802	-
42 Cap on inclusion of provisions in Tier 2 under standardized approach	1,024,041	-
43 Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	-
44 Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	-

- 41.2.5** In view of the repurchase of the property, SBP while recognising the sale as a sale, vide their letter dated August 24, 2011, has advised the Bank to reclassify 50% of the gain realised on sale of the said property (including amount transferred from revaluation surplus to accumulated loss) for capital adequacy calculation purposes as part of Tier-2 capital with treatment similar to revaluation reserves. Initially revaluation reserves upto 45% were allowed, however since the B-3 deductions has commenced from December 2014, the recognition of the remaining revaluation (55%) has been gradually allowed. On December 2014, the Bank has also recognised (40% of the remaining revaluation reserves of 55%). Accordingly, an amount of Rs. 877.937 million has been transferred from accumulated loss to revaluation reserve as Tier II Capital for capital adequacy calculation.

Notes to the Financial Statements

for the year ended December 31, 2015

41.3 Capital Structure Reconciliation

Step I

Assets

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

Total assets

Balance sheet of the published financial statements	Under regulatory scope of consolidation
---	---

As at December 31, 2015

Rupees in '000

7,343,670	7,343,670
194,065	194,065
6,777,944	6,777,944
34,999,068	34,999,068
61,074,207	61,074,207
4,496,648	4,496,648
4,180,969	4,180,969
14,070,688	14,070,688
133,137,259	133,137,259

Liabilities and equity

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

Total liabilities

2,413,342	2,413,342
33,230,182	33,230,182
81,097,581	81,097,581
-	-
14,145	14,145
-	-
1,805,347	1,805,347
118,560,597	118,560,597

Share capital/ Head office capital account
 Advance against proposed issue of right shares
 Discount on issue of right shares
 Reserves
 Convertible preference shares
 Unappropriated / Unremitted profit / (losses)

Total equity

77,998,099	77,998,099
(56,566,725)	(56,566,725)
180,134	180,134
2,000,000	2,000,000
2,200,000	2,200,000
(11,334,916)	(11,334,916)
14,476,592	14,476,592

Surplus on revaluation of assets

100,070	100,070
---------	---------

Total liabilities and equity

133,137,259	133,137,259
--------------------	--------------------

Notes to the Financial Statements

for the year ended December 31, 2015

Step II	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	As at December 31, 2015		
	Rupees in '000		
Assets			
Cash and balances with treasury banks	7,343,670	7,343,670	
Balanced with other banks	194,065	194,065	
Lending to financial institutions	6,777,944	6,777,944	
Investments	34,999,068	34,999,068	
of which: Non-significant investments in the capital instruments of banking, financial and insurance entities exceeding 10% threshold	-	-	a
of which: significant investments in the capital instruments issued by banking, financial and insurance entities exceeding regulatory threshold	-	-	b
of which: Mutual Funds exceeding regulatory threshold	+	+	c
of which: reciprocal crossholding of capital instrument (separate for CET1, AT1, T2)"	81,693	81,693	d
of which: others (mention details)	-	-	e
Advances	61,074,207	61,074,207	
shortfall in provisions/ excess of total EL amount over eligible provisions under IRB"	-	-	f
general provisions reflected in Tier 2 capital	515,802	515,802	g
Fixed Assets	4,496,648	4,496,648	
Deferred Tax Assets	4,180,969	4,180,969	
of which: DTAs that rely on future profitability excluding those arising from temporary differences	288,694	288,694	h
of which: DTAs arising from temporary differences exceeding regulatory threshold	3,892,275	3,852,558	i
Other assets	14,070,688	14,070,688	
of which: Goodwill	-	-	j
of which: Intangibles	306,829	306,829	k
of which: Defined-benefit pension fund net assets	-	-	l
Total assets	133,137,259	133,137,259	
Liabilities & equity			
Bills payable	2,413,342	2,413,342	
Borrowings	33,230,182	33,230,182	
Deposits and other accounts	81,097,581	81,097,581	
Sub-ordinated loans	-	-	
of which: eligible for inclusion in AT1	+	-	m
of which: eligible for inclusion in Tier 2	-	-	n
Liabilities against assets subject to finance lease	14,145	14,145	
Deferred tax liabilities	-	-	
of which: DTLs related to goodwill	+	-	o
of which: DTLs related to intangible assets	-	-	p
of which: DTLs related to defined pension fund net assets	+	-	q
of which: other deferred tax liabilities	+	-	r
Other liabilities	1,805,347	1,805,347	
Total liabilities	118,560,597	118,560,597	
Share capital	79,998,099	79,998,099	
of which: amount eligible for CET1	79,998,099	79,998,099	s
of which: amount eligible for AT1	-	-	t

Notes to the Financial Statements

for the year ended December 31, 2015

Step II	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
As at December 31, 2015			
Rupees in '000			
Discount on issue of right shares	(56,566,725)	(56,566,725)	
Reserves	180,134	180,134	
of which: portion eligible for inclusion in CET1(provide breakup)	180,134	180,134	u
of which: portion eligible for inclusion in Tier 2	-	-	v
Convertible preference shares	2,200,000	2,200,000	
Unappropriated profit/ (losses)	(11,334,916)	(11,334,916)	w
Minority Interest	-	-	x
of which: portion eligible for inclusion in CET1	-	-	y
of which: portion eligible for inclusion in AT1	-	-	z
Surplus on revaluation of assets	100,070	100,070	
of which: Revaluation reserves on Fixed Assets	69,588	69,588	
of which: Unrealised Gains / Losses on AFS	30,482	30,482	aa
In case of Deficit on revaluation (deduction from CET1)	-	-	ab
Total liabilities & equity	133,137,259	133,137,259	

Basel III Disclosure Template (with added column)

Step III	Component of regulatory capital reported by bank	Source based on reference number from step 2
Rupees in '000		

Common Equity Tier 1 capital (CET1): Instruments and reserves

1 Fully Paid-up Capital/ Capital deposited with SBP	79,693,394	(s)
2 Balance in Share Premium Account	(56,566,725)	
3 Reserve for issue of Bonus Shares	-	
4 General/ Statutory Reserves	180,134	(u)
5 Gain/(Losses) on derivatives held as Cash Flow Hedge	-	
6 Unappropriated/unremitted profits/ (losses)	(12,212,853)	(w)
7 Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-	(x)
8 CET 1 before Regulatory Adjustments	11,093,950	

Common Equity Tier 1 capital: Regulatory adjustments

9 Goodwill (net of related deferred tax liability)	-	(j) - (o)
10 All other intangibles (net of any associated deferred tax liability)	306,829	(k) - (p)
11 Shortfall of provisions against classified assets	-	(f)
12 Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	288,694	{(h) - (r)} * x%
13 Defined-benefit pension fund net assets	-	{(l) - (q)} * x%
14 Reciprocal cross holdings in CET1 capital instruments	81,693	(d)
15 Cash flow hedge reserve	-	
16 Investment in own shares/ CET1 instruments	-	
17 Securitization gain on sale	-	

Notes to the Financial Statements

for the year ended December 31, 2015

Step III	Component of regulatory capital reported by bank	Source based on reference number from step 2
	Rupees in '000	
18 Capital shortfall of regulated subsidiaries	-	
19 Deficit on account of revaluation from bank's holdings of fixed assets / AFS	-	(ab)
20 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(a) - (ac) - (ae)
21 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	(b) - (ad) - (af)
22 Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	984,346	(i)
23 Amount exceeding 15% threshold	-	
24 of which: significant investments in the common stocks of financial entities	-	
25 of which: deferred tax assets arising from temporary differences	-	
26 National specific regulatory adjustments applied to CET1 capital	-	
27 of which: Investment in TFCs of other banks exceeding the prescribed limit	-	
28 of which: Any other deduction specified by SBP (mention details)	-	
29 Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	-	
30 Total regulatory adjustments applied to CET1 (sum of 9 to 29)	1,661,562	
31 Common Equity Tier 1	9,432,389	
Additional Tier 1 (AT 1) Capital		
32 Qualifying Additional Tier-1 instruments plus any related share premium	2,200,000	(t)
33 of which: Classified as equity	-	(m)
34 of which: Classified as liabilities	-	
35 Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	-	(y)
36 of which: instrument issued by subsidiaries subject to phase out	-	
37 AT1 before regulatory adjustments	2,200,000	
Additional Tier 1 Capital: regulatory adjustments		
38 Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	-	
39 Investment in own AT1 capital instruments	-	
40 Reciprocal cross holdings in Additional Tier 1 capital instruments	-	
41 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(ac)

Notes to the Financial Statements

for the year ended December 31, 2015

Step III	Component of regulatory capital reported by bank	Source based on reference number from step 2
	Rupees in '000	
42 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	(ac)
43 Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital	-	(ad)
44 Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	25,501	-
45 Total of Regulatory Adjustment applied to AT1 capital (sum of 38 to 44)	28,785	-
46 Additional Tier 1 capital	2,174,499	-
47 Additional Tier 1 capital recognised for capital adequacy	2,174,499	-
48 Tier 1 Capital (CET1 + admissible AT1) (31+47)	11,606,888	-
Tier 2 Capital		
49 Qualifying Tier 2 capital instruments under Basel III plus any related share premium	-	(n)
50 Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)	-	-
51 Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)	-	(z)
52 of which: instruments issued by subsidiaries subject to phase out	-	-
53 General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	427,612	(g)
54 Revaluation Reserves	515,802	-
55 of which: Revaluation reserves on fixed assets	634,842	portion of (aa)
56 of which: Unrealised Gains / Losses on AFS	20,424	-
57 Foreign Exchange Translation Reserves	-	(v)
58 Undisclosed/Other Reserves (if any)	-	-
59 T2 before regulatory adjustments	1,171,067	-
Tier 2 Capital: regulatory adjustments		
60 Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	25,501	-
61 Reciprocal cross holdings in Tier 2 instruments	-	-
62 Investment in own Tier 2 capital instrument	-	-
63 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(ae)
64 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	(af)
65 Amount of Regulatory Adjustment applied to T2 capital (sum of 60 to 64)	25,501	-
66 Tier 2 capital (T2)	1,145,566	-
67 Tier 2 capital recognised for capital adequacy	1,145,566	-
68 Excess Additional Tier 1 capital recognized in Tier 2 capital	-	-
69 Total Tier 2 capital admissible for capital adequacy	1,145,566	-
70 TOTAL CAPITAL (T1 + admissible T2) (48+69)	12,752,454	-

Notes to the Financial Statements

for the year ended December 31, 2015

41.4 Main Features Template of Regulatory Capital Instruments

Set out below is the template that banks must use to ensure that the key features of all regulatory capital instruments are disclosed. Banks will be required to complete all of the cells for each outstanding regulatory capital instrument (please insert "NA" if the question is not applicable). Banks are required to report each regulatory capital instrument in a separate column of the template, such that the completed template would provide a "main features report" that summarises all of the regulatory capital instruments of the bank/banking group.

Disclosure template for main features of regulatory capital instruments			
	Main Features	Common Shares	Instrument - 2
1	Issuer	Silkbank	Silkbank
2	Unique identifier (eg PSX Symbol or Bloomberg identifier etc.)	SILK	
3	Governing law(s) of the instrument	Relevant Capital Market Laws	Relevant Capital Market Laws
4	Regulatory treatment		
5	Transitional Basel III rules	Common Equity Tier I	Additional Tier-1
6	Post-transitional Basel III rules	Common Equity Tier I	Additional Tier-1
7	Eligible at solo/ group / group & solo	-	-
8	Instrument type	Ordinary Shares	PNCPS
9	Amount recognised in regulatory capital (Currency in PKR thousands, as of reporting date)	Rs. (Thousand)	Rs. (Thousand)
10		77,998,089	2,200,000
11	Par value of instrument	PKR 10	PKR 2.50
12	Accounting classification	Shareholders' Equity	Shareholders' Equity
13	Original date of issuance	1994	28-Mar-13
14	Perpetual or dated		
15	Original maturity date		3 years after issuance
16	Issuer call subject to prior supervisory approval	Yes	
17	Optional call date, contingent call dates and redemption amount		After one year
18	Subsequent call dates, if applicable		-
19	Coupons / dividends		
20	Fixed or floating dividend/ coupon		Fixed
21	coupon rate and any related index/ benchmark		-
22	Existence of a dividend stopper		-
23	Fully discretionary, partially discretionary or mandatory		-
24	Existence of step up or other incentive to redeem		-
25	Noncumulative or cumulative		Noncumulative
26	Convertible or non-convertible		Convertible
27	If convertible, conversion trigger(s)		Upon expiry of 3 years
28	If convertible, fully or partially		
29	If convertible, conversion rate		
30	If convertible, mandatory or optional conversion		3.7
31	If convertible, specify instrument type convertible into		Optional:
32	If convertible, specify issuer of instrument it converts into		Common Equity
33	Write-down feature		-
34	If write-down, write-down trigger(s)		-
35	If write-down, full or partial		-
36	If write-down, permanent or temporary		-
37	If temporary write-down, description of write-up mechanism		-
38	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)		-
39	Non-compliant transitioned features		-
40	If yes, specify non-compliant features		-

Notes to the Financial Statements

for the year ended December 31, 2015

41.5 Risk Weighted Assets

The capital requirements for the banking group as per the major risk categories should be indicated in the manner given below:-

	Capital Requirements		Risk Weighted Assets	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Credit Risk				
On-Balance sheet				
Portfolios subject to standardised approach (Simple or Comprehensive) e.g. Cash & cash equivalents				
Sovereign	32,139	29,638	321,390	296,375
Public Sector entities				
Banks	3,760,855	3,350,375	37,608,550	33,503,750
Corporate	1,394,224	1,298,159	13,942,235	12,981,585
Retail	71,072	57,927	710,722	579,270
Residential Mortgages	392,647	341,253	3,926,470	3,412,529
Past Due loans	258,093	90,772	2,580,925	907,718
Deferred tax asset	418,982	423,477	4,189,818	4,234,766
Operating Fixed Assets				
Other assets	1,468,537	1,065,963	14,685,375	10,659,625
Portfolios subject to Internal Rating Based (IRB) Approach e.g. Corporate, Sovereign, Corporate, Retail, Securitization etc.				
Non-market related				
e.g. Financial guarantees, acceptances, performance related commitments, trade related etc.	435,829	363,464	4,358,287	3,634,643
Market related				
e.g. Foreign Exchange contracts/ derivatives etc.	4,082	4,984	40,818	49,838
Equity Exposure Risk in the Banking Book				
Under simple risk weight method				
e.g. Listed, Unlisted	199	367	1,988	3,672
Under Internal models approach				
Market Risk				
Capital Requirement for portfolios subject to Standardised Approach				
Interest rate risk	17,510	136,316	175,096	1,363,163
Equity position risk	167,646	138,135	1,676,465	1,381,348
Foreign Exchange risk		4,366	-	43,663
Capital Requirement for portfolios subject to Internal Models Approach				
Operational Risk	791,734	690,969	7,917,335	6,909,688
Capital Requirement for operational risks				
TOTAL	9,213,549	7,996,163	92,135,474	79,961,633

Notes to the Financial Statements

for the year ended December 31, 2015

Capital Adequacy Ratios	December 31, 2015		December 31, 2014	
	Required	Actual	Required	Actual
CET1 to total RWA	6.00%	10.24%	5.00%	5.22%
Tier-1 capital to total RWA	7.50%	12.60%	6.50%	6.64%
Total capital to total RWA	10.00%	13.84%	10.00%	9.14%
Total capital plus CCB to total RWA	10.25%	13.84%	10.00%	9.14%

42. RISK MANAGEMENT

The business of banking is dependent upon acceptance and management of financial risk. It involves identification, measurement, monitoring and controlling risks with a view to ensure that:

- adequate capital is available as a buffer;
- exposures remain within the limits prescribed by the Board of Directors; and
- risk taking decisions are in line with business strategy and objectives set by the Board.

The Bank is exposed to a number of risks, which it manages at different levels.

The main categories of risks are:

Credit risk

The risk of losses because counterparties fail to meet all or part of their obligations towards the Bank.

The Bank has established an appropriate credit risk structure and culture whereby policies are reviewed and revamped to maintain sound credit granting procedures, maintaining appropriate credit administration, measurement, monitoring processes and adequate controls.

Risk Management structure includes Credit Approval, Credit Administration, Centralised Processing, Credit Monitoring and Basel III functions reporting to the Risk Management Group Head. Senior and experienced officials are heading each risk category.

The Bank manages credit risk through:

- establishment of acceptable risk levels;
- sound procedures and controls for the management of risk assets and credit documentation;
- target market planning and overall market intelligence; and
- accurate and detailed information about the borrower, its financial position and operations of the Bank.

Market risk

The risk of losses because the market value of the Bank's assets and liabilities will vary with changes in market conditions.

Market risk measures and controls are applied at the portfolio level and limits and other controls are applied to particular books and to specific portfolios. Controls and established parameters are applied to prevent any undue risk concentrations in the trading book and include controls on exposure to individual market risk factors and on positions in securities of individual issuers.

Treasury Middle Office (TMO) performs market risk management activities. TMO is jointly responsible with Treasury Front Office for drawing, reviewing market risk policies (fund management, treasury investment) and processes, monitoring and implementation; and escalating any deviation to ALCO / MRPC.

Operational risk

The risk of losses from inadequate or failed internal processes, people and systems or external events. This definition includes legal risks but excludes strategic and reputational risks.

The Bank has in place robust, duly approved various policies, procedures and a Business Continuity Plan. These are continuously reviewed to strengthen operational controls.

Notes to the Financial Statements

for the year ended December 31, 2015

Risk policy sets minimum standards and requires all business units to identify and assess risks. The business units are responsible for day-to-day monitoring of operational risks and for limiting losses as a result thereof. The business units must report operational risk events in the management reporting system. Risk Management Unit has developed a loss database for recording of these events which will be utilised towards building a database to mitigate operational risk.

Liquidity risk

The risk of losses because the Bank's normal liquidity reserves are not sufficient to meet its obligations.

The Bank's approach to liquidity risk management is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due. The Fund Management Policy is formulated keeping in view SBP's guidelines on risk management and Basel III principles on sound liquidity management.

The ALCO/ MRPC is responsible for managing the composition of assets and liabilities, management of liquidity, timely identification of sources of market and liquidity risk, pricing of deposits and advances, deciding on the required maturity profile and the mix of incremental assets and liabilities, defining the interest rate view of the Bank and deciding on future strategies for treasury, reviewing and articulating the funding policy and evaluating the market and liquidity risks involved in launching of new products.

42.1 Credit risk

42.1.1 Credit risk management objectives and policies

Credit risk is the risk that a counterparty will not settle its obligation in accordance with the terms of approval or agreed terms.

Credit exposures include both individual borrowers and groups of connected counterparties and portfolios in the banking and trading books.

Credit Risk Policy and Management Group (CRP&MG) is structured to effectively analyse, monitor and manage credit risk through its policies and procedures that are closely aligned with the Bank's business plan, SBP's Prudential Regulations and Basel III requirements.

Sanctioning authority and approval levels for all facilities is conferred by the Board of Directors upon various functionaries of the Bank and is circulated for information of all concerned through circulars issued by CRP&MG. Credit Sanctioning Powers / Authority Levels in terms of BOD approval, as enhanced / amended from time to time, relate to the total exposure of a customer or a customer group and not to specific loans.

42.1.2 Credit risk rating

Credit risk rating is an important tool in monitoring and controlling credit risk. In order to facilitate early identification of changes in risk profiles, credits with deteriorating ratings will be subject to additional oversight and monitoring, for example, through more frequent visits from Relationship Managers and inclusion on a watch list that is regularly reviewed by senior management. The internal risk ratings can be used by line management in different departments to track the current characteristics of the credit portfolio.

In the light of the requirements specified by SBP and in view of Basel III Accord, the Bank has to assess soundness and appropriateness of internal credit risk measurement and management system. The Bank needs to build the foundation for the IRB (Internal Rating Based) Approach and construct data warehouse confirming to the data criteria of Basel III.

In the absence of standard and reliable financial statements to realistically evaluate the strength of a company for assigning ORR, the Bank has to resort to other pragmatically emphasised quantitative / qualitative factors, which have traditionally been considered for extending credit. The Quantitative Evaluation is based on financial indicators, while Qualitative Evaluation is based on subjective factors.

42.1.3 Objectives of Internal Credit Risk Rating (ORR)

Usually credit ratings are aimed at achieving one or more of the following:

- Internal capital allocation
- Internal risk reporting
- Portfolio management
- The setting of credit risk concentration limits
- Developing risk-based pricing benchmarks

The Bank's initial objective of ORR is to generate accurate and consistent ratings for credit portfolio of the Bank. Credit / Obligor risk ratings are summary indicators of the degree of risk inherent in the Bank's individual credit exposures. A credit rating represents an assessment of the probability of default attached to a given counterparty to meet debt servicing and other repayment obligations on a timely basis. At the Bank, a system has been developed and successfully implemented to assign Credit / Obligor Risk Ratings to each borrower.

Notes to the Financial Statements

for the year ended December 31, 2015

42.1.4 Segmental information

42.1.4.1 Segments by class of business

	2015					
	Advances (Gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
	(Note 11)		(Note 17)		(Note 23)	
Chemical and pharmaceuticals	1,885,359	2.8%	847,540	1.0%	278,318	0.9%
Agribusiness	969,850	1.4%	7,363	0.0%	-	0.0%
Cement	516,975	0.8%	543,948	0.7%	197,305	0.7%
Sugar	4,848,250	7.2%	43,892	0.1%	336,966	1.1%
Textile	4,306,109	6.4%	283,263	0.3%	593,199	2.0%
Footwear and leather garments	305,640	0.5%	3,931	0.0%	107,659	0.4%
Automobile / transportation equipment	733,341	1.1%	89,678	0.1%	44,565	0.1%
Electronics and electrical appliances	2,027,300	3.0%	28,775	0.0%	603,604	2.0%
Power (electricity), gas, water, sanitary	668,688	1.0%	3,636,423	4.5%	82,795	0.3%
Financial	2,146,831	3.2%	3,354,761	4.1%	15,470,664	51.0%
Insurance	-	0.0%	60,592	0.1%	-	0.0%
Individuals	13,087,003	19.5%	42,625,192	52.6%	-	0.0%
Exports / imports and trading	2,230,883	3.3%	1,318,852	1.6%	1,365,885	4.5%
Hotel and resorts	1,224,855	1.8%	18,377	0.0%	152,409	0.5%
Telecommunications	364,578	0.5%	219,819	0.3%	418,801	1.4%
Real estate	7,823,069	11.7%	30,978	0.0%	1,778,703	5.9%
Others	23,906,609	35.7%	27,984,197	34.5%	8,913,734	29.4%
	67,045,340	100%	81,097,581	100%	30,344,607	100%

	2014					
	Advances (Gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
	(Note 11)		(Note 17)		(Note 23)	
Chemical and pharmaceuticals	2,042,953	3.2%	533,689	0.8%	310,957	1.0%
Agribusiness	572,939	0.9%	25,110	0.0%	12,081	0.0%
Cement	325,486	0.5%	565,609	0.8%	294,239	1.0%
Sugar	3,889,493	6.0%	1,707	0.0%	323,493	1.1%
Textile	6,322,766	9.8%	238,242	0.4%	1,205,754	4.0%
Footwear and leather garments	323,096	0.5%	4,235	0.0%	86,968	0.3%
Automobile / transportation equipment	879,024	1.4%	180,862	0.3%	61,066	0.2%
Electronics and electrical appliances	2,128,747	3.3%	16,388	0.0%	1,082,616	3.6%
Power (electricity), Gas, Water, Sanitary	705,433	1.1%	2,515,782	3.7%	850,322	2.8%
Financial	1,723,958	2.7%	2,582,283	3.8%	16,418,974	54.6%
Insurance	-	0.0%	287,763	0.4%	-	0.0%
Individuals	10,636,834	16.5%	37,262,355	54.2%	-	0.0%
Exports / Imports & Trading	2,738,894	4.3%	603,899	0.9%	783,206	2.6%
Hotel & Resorts	1,159,613	1.8%	23,987	0.0%	70,859	0.2%
Telecommunications	918,204	1.4%	550,946	0.8%	236,019	0.8%
Real estate	5,115,996	7.9%	1,404,010	2.0%	1,939,192	6.5%
Others	24,933,703	38.7%	21,973,388	32.0%	6,381,259	21.3%
	64,417,139	100%	68,770,255	100%	30,057,005	100%

Notes to the Financial Statements

for the year ended December 31, 2015

42.1.4.2 Segment by sector

	2015					
	Advances (Gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public / Government	-	0%	12,928,864	16%	8,839,726	29%
Private	67,045,340	100%	68,168,717	84%	21,504,881	71%
	67,045,340	100%	81,097,581	100%	30,344,607	100%

	2014					
	Advances (Gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public/Government	-	0%	8,631,045	13%	7,033,057	23%
Private	64,417,139	100%	60,139,210	87%	23,023,948	77%
	64,417,139	100%	68,770,255	100%	30,057,005	100%

42.1.4.3 Details of non-performing advances and specific provisions by class of business segment

	2015		2014	
	Classified Advances	Specific Provision Held	Classified Advances	Specific Provision Held
Rupees in '000				
Agribusiness	140,292	120,317	104,316	46,767
Textile	1,601,162	1,402,033	1,652,153	1,307,324
Chemical and pharmaceuticals	361,055	235,948	553,825	413,308
Cement	54,289	54,289	54,289	48,860
Footwear and leather garments	137,574	47,478	143,554	113,125
Automobile and transportation equipment	706,566	563,547	767,052	501,336
Electronics and electrical appliances	734,219	715,796	836,110	538,836
Exports / Imports	519,648	290,423	558,573	300,835
Financial	486,140	488,548	81,373	81,373
Services	81,697	26,274	216,661	120,358
Individuals	1,852,334	1,187,714	1,412,450	753,924
Others	1,844,937	322,964	1,841,591	796,604
	8,519,913	5,455,331	8,221,947	5,022,650

42.1.4.4 Details of non-performing advances and specific provisions by sector

	2015		2014	
	Classified Advances	Specific Provision	Classified Advances	Specific Provision
Rupees in '000				
Public / Government	-	-	-	-
Private	8,519,913	5,455,331	8,221,947	5,022,650
	8,519,913	5,455,331	8,221,947	5,022,650

Notes to the Financial Statements

for the year ended December 31, 2015

42.1.4.5 Geographical segment analysis

	2015			
	Profit/(Loss) before taxation	Total assets employed	Net assets employed	Contingencies and commitments
Rupees in '000				
Pakistan	(1,839,702)	133,137,259	14,576,662	30,344,607
2014				
Pakistan	131,415	102,735,853	8,500,827	30,057,005

42.2 Market risk

Market risk is defined as the potential loss in market value of a given portfolio that can be expected to be incurred arising from changes in market prices, namely interest rates, foreign exchange rates and equity prices.

The Bank is exposed to market risk in its trading investment portfolio because the values of its trading positions are sensitive to changes in market prices and rates.

The Bank has a well established framework for market risk management with the Treasury Investment Policy, Liquidity Policy and Market Risk Management Policy. The Bank has major objective of protecting and increasing net interest income in the short run and market value of the equity in the long run for enhancing the shareholders wealth. Further, it defines the contours of the way the Bank's market risk is managed within defined parameters and with prescriptive guidelines on the tools, techniques and processes.

The Asset Liability Committee (ALCO), Market Risk Policy Committee (MRPC) and Investment Committee is entrusted with key decision making in establishing market risk related strategies and monitoring there-against. The Committee decides on product pricing, mix of assets, liabilities, stipulates liquidity and interest rate risk limits, monitors them, articulates the Bank's interest rate view and determines the business strategy of the Bank.

Management of interest rate risk of the Banking Book is primarily focused on interest and fair value through Re-pricing Gap Analysis, Analysis of the Net Interest Income Sensitivity, Duration, Value-at-Risk (VaR) and Fair Value Sensitivity. The management of interest rate risk of the trading book is achieved through mark-to-market practice and exposure analysis. On a periodic basis, risk monitoring reports are prepared for senior management to gain an accurate understanding of Bank's risk position. Mathematical model like Stress-Testing is carried out at least biannually.

The Middle Office in Risk Management Group has an independent reporting structure on risk aspects and helps management in determining compliance in terms of exposure analysis, tracking of limits, funding and various other risk sensitive market parameters.

42.2.1 Foreign exchange risk

Currency risk is the risk of loss arising from the fluctuation of exchange rates. Bank's currency risk is first controlled through a substantially matched funding policy. We utilise appropriate hedging instruments, such as forward foreign exchange (FX) contracts, currency swaps to effectively hedge and manage currency risks.

The majority of foreign currency exposure is in the US dollar. Bank is carefully monitoring the net foreign currency exposure and the effect of exchange rate fluctuation by conducting mark to market sensitivity and stress testing on a regular basis as well as utilizing the currency forward FX contracts to control the risk. Beside that, the Bank has Foreign Exchange Stop Loss Limit based on Daily Value-at-Risk (VaR) to manage the loss absorption capacity of the Bank.

Notes to the Financial Statements

for the year ended December 31, 2015

	2015			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
Rupees in '000				
Pakistan Rupee	130,480,949	110,903,538	(4,941,148)	14,636,263
United States Dollar	2,200,627	6,156,942	3,845,439	(110,876)
Great Britain Pound	374,699	960,387	611,380	25,692
Japanese Yen	-	16,888	17,406	518
Euro	63,755	522,842	466,923	7,836
Other currencies	17,229	-	-	17,229
	133,137,259	118,560,597	-	14,576,662
2014				
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
Rupees in '000				
Pakistan Rupee	100,726,506	87,023,148	(5,246,092)	8,457,266
United States Dollar	1,713,963	5,815,137	4,135,161	33,987
Great Britain Pound	231,098	813,618	583,196	676
Japanese Yen	669	-	-	669
Euro	57,403	583,123	527,735	2,015
Other currencies	6,214	-	-	6,214
	102,735,853	94,235,026	-	8,500,827

42.2.2 Equity position risk

The Bank is exposed to equity price changes on its investments in Trading Book. These equity exposures are primarily related to market price movements in local equity market index. Changes in the overall value of equity trading book are recorded through profit and loss account. Bank's Investment Committee approves the investment stocks and their limits. It also reviews the portfolio with mark to market position on regular basis. Stop loss limits have been approved and are monitored on a regular basis.

42.2.3 Mismatch of interest rate sensitive assets and liabilities

Effective Yield / Interest rate	Total	Exposed to Yield / Interest risk										Not exposed to yield / interest risk	
		Up to 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years			
On-balance sheet financial instruments													
Rupees in '000													
Assets													
Cash and balances with treasury banks	0.03%	7,343,670	7,343,670	-	-	-	-	-	-	-	-	-	
Balances with other banks	194,065	194,065	-	-	-	-	-	-	-	-	-	-	
Lendings to financial institutions	6,777,944	4,063,808	2,195,838	-	817,600	-	-	-	-	-	-	-	
Investments - net	34,090,068	1,126,524	16,576,200	5,803,626	8,201,520	60,603	1,403,961	628,167	160,652	-	1,037,741	-	
Advances - net	81,074,207	4,461,862	27,889,500	10,276,119	8,056,866	1,411,103	1,049,434	2,002,852	1,688,411	2,939,704	1,318,831	-	
Other assets	1,779,669	-	-	-	-	-	-	-	-	-	1,779,669	-	
	112,168,623	17,189,849	46,862,421	16,079,738	16,775,696	1,471,706	2,453,395	2,630,819	1,829,063	2,939,704	4,136,241	-	
Liabilities													
Bills payable	2,413,342	-	-	-	-	-	-	-	-	-	2,413,342	-	
Borrowings	33,230,182	31,251,029	50,038	1,926,114	-	-	-	-	-	-	-	-	
Deposits and other accounts	51.14%	81,097,581	8,631,412	31,116,506	8,925,542	7,960,145	94,640	11,220	22,878	-	23,333,148	-	
Liabilities against assets subject to finance lease	14,148	354	472	706	1,297	2,829	2,829	5,658	-	-	1,864,238	-	
Other liabilities	1,654,238	-	-	-	-	-	-	-	-	-	-	-	
	118,409,488	39,882,795	91,172,107	11,852,362	7,961,442	97,469	14,049	26,536	-	-	27,400,726	-	
On-balance sheet gap	(16,240,665)	(22,692,946)	15,490,314	4,227,377	8,814,244	1,374,237	2,439,346	2,602,263	1,829,063	2,939,704	(23,264,487)	-	
Total Yield / Interest Risk Sensitivity Gap	(16,240,665)	(22,692,946)	15,490,314	4,227,377	8,814,244	1,374,237	2,439,346	2,602,263	1,829,063	2,939,704	(23,264,487)	-	
Cumulative Yield / Interest Risk Sensitivity gap		(22,692,946)	(7,202,632)	(2,975,256)	5,838,089	7,213,226	9,652,572	12,254,855	14,083,918	17,023,822	(6,340,865)	-	

Notes to the Financial Statements

for the year ended December 31, 2015

Effective Yield / Interest rate	Total	Exposed to Yield / Interest risk										Not exposed to yield / interest risk
		Up to 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years		
Rupees in '000												
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	0.00%	5,102,934	1,270,827	-	-	-	-	-	-	-	-	3,832,357
Balances with other banks		139,478	-	-	-	-	-	-	-	-	-	139,478
Lending to financial institutions	10.08%	3,000,000	2,400,000	-	600,000	-	-	-	-	-	-	-
Investments - net	9.39%	18,105,414	265,846	81,285	4,557,921	6,123,356	2,446,688	206,801	55,449	3,566,636	-	800,832
Advances - net	12.40%	58,986,877	1,936,513	33,071,354	9,114,613	5,380,259	817,346	96,652	693,104	3,565,396	1,031,892	3,349,848
Other assets		2,833,143	-	-	-	-	-	-	-	-	-	2,833,143
		88,147,896	5,872,986	33,152,639	14,272,534	11,514,215	8,264,034	309,353	648,553	7,132,032	1,031,892	10,956,558
Liabilities												
Bills payable		2,153,091	-	-	-	-	-	-	-	-	-	2,153,091
Borrowings	9.45%	21,742,246	16,411,661	4,574,939	578,813	-	-	-	-	-	-	176,833
Deposits and other accounts	6.27%	68,770,255	5,535,540	26,438,944	7,736,302	9,839,483	44,123	79,532	54,485	-	-	19,039,846
Liabilities against assets subject to finance lease		17,105	-	265	570	855	1,711	3,421	3,421	6,842	-	-
Other liabilities		1,409,642	-	-	-	-	-	-	-	-	-	1,409,642
		94,092,339	21,947,486	31,014,453	8,317,970	9,841,194	47,544	82,953	61,327	-	-	22,779,412
On-balance sheet gap		(5,944,443)	(16,074,500)	2,138,186	5,954,564	1,573,821	8,216,490	220,400	587,226	7,132,032	1,031,892	(11,823,754)
Total Yield / Interest Risk Sensitivity Gap												
Cumulative Yield / Interest Risk Sensitivity gap												
		(5,944,443)	(16,074,500)	(13,936,314)	(7,981,750)	(8,308,729)	(3,092,239)	(2,871,838)	(2,284,813)	(4,847,419)	(5,879,311)	(5,844,443)

Reconciliation to total assets	2015	2014	Reconciliation to total assets	2015	2014
Balance as per statement of financial position	133,137,259	102,735,853	Balance as per statement of financial position	118,560,597	94,235,026
Less: Non-financial assets			Less: Non-financial liabilities		
Operating fixed assets	4,496,648	4,563,290	Other liabilities	151,110	142,687
Deferred tax assets	4,180,969	3,937,182			
Other assets	12,291,019	6,087,485	Total financial liabilities	118,409,487	94,092,339
	20,968,636	14,587,957			
Total financial assets	112,168,623	88,147,896			

42.3 Liquidity risk

The risk of losses because the Bank's normal liquidity reserves are not sufficient to meet its obligations.

Bank's approach to liquidity risk management is to ensure as far as possible that it will always have sufficient liquidity to meet its liabilities when due. The Fund Management Policy is formulated keeping in view SBP's guidelines on risk management and Basel II principles on sound liquidity management.

The Bank has an Asset and Liability Management Committee (ALCO) and a Market Risk Policy Committee (MRPC) that are part of the framework for management of risk.

The ALCO / MRPC is responsible for managing the composition of assets and liabilities management of liquidity, timely identification of sources of market and liquidity risk, pricing of deposits and advances, deciding on the required maturity profile and the mix of incremental assets and liabilities, defining the interest rate view of the bank and deciding on future strategies for treasury, reviewing and articulating the funding policy; and evaluating the market and liquidity risks involved in launching of new products.

Liquidity contingency funding plans have been drawn up to ensure that alternative funding strategies are in place when any of the indicators being monitored enter into the warning or stress zone and can be implemented on a timely basis to minimize the liquidity risks that may arise upon the occurrence of an unanticipated change in market conditions.

42.3.1 Maturities of assets and liabilities - based on working prepared by the Asset and Liability Management Committee (ALCO) of the Bank

The maturities of Deposits and Cash and Balances with Treasury Banks are determined on the basis of study conducted by the Bank based on past years data and the analysis reviewed by the ALCO from time to time.

Notes to the Financial Statements

for the year ended December 31, 2015

	Total	Up to 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
	Rupees in '000									
Assets										
Cash and balances with treasury banks	7,343,670	610,993	189,467	134,389	539,766	978,177	978,177	1,956,354	978,177	978,176
Balances with other banks	194,065									
Lendings to financial institutions	6,777,844	4,063,908	2,196,536	—	317,500	—	—	—	—	—
Investments - net	34,999,068	2,164,265	18,576,280	5,863,620	8,201,520	88,603	1,403,961	628,168	160,851	—
Advances - net	81,074,207	3,779,973	3,412,931	6,569,080	7,931,302	6,621,552	6,414,584	12,890,666	8,305,772	5,341,425
Operating fixed assets	4,496,548	74,944	149,888	234,832	449,665	899,329	899,329	1,798,661	—	—
Deferred tax assets - net	4,180,363	—	—	—	278,248	652,381	—	165,080	—	3,687,200
Other assets	14,070,688	2,103,677	885,877	611,484	1,227,011	2,252,324	2,166,666	4,354,892	32,899	435,856
	133,137,259	12,991,425	23,410,979	13,344,305	19,143,006	11,464,366	11,862,717	21,599,643	5,477,429	9,842,719
Liabilities										
Bills payable	2,413,342	628,434	85,180	185,345	185,345	512,835	203,927	316,630	158,315	157,351
Borrowings	33,230,182	31,251,029	53,038	1,926,114	—	—	—	—	—	—
Deposits and other accounts	81,097,581	11,739,561	11,052,893	10,719,185	11,405,964	6,110,556	6,027,138	12,854,658	6,015,310	5,971,710
Liabilities against assets subject to finance lease	14,145	354	472	707	1,297	2,829	2,829	5,857	—	—
Other liabilities	1,805,347	470,073	48,740	138,639	138,639	383,604	152,888	236,841	118,421	117,702
	116,560,597	44,089,451	11,220,304	12,968,970	11,731,245	7,009,818	6,386,574	12,613,826	6,292,646	6,246,783
Net assets										
Share capital	77,998,098									
Discount on issue of shares	(56,566,725)									
Reserves	180,134									
Convertible preference shares	2,200,000									
Advance against shares subscription	2,000,000									
Accumulated loss	(11,334,916)									
Surplus on revaluation of assets - net of tax	180,070									
	14,576,662									

	Total	Up to 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
	Rupees in '000									
Assets										
Cash and balances with treasury banks	5,102,984	977,320	30,415	193,842	3,901,407	—	—	—	—	—
Balances with other banks	139,478	—	—	—	—	—	—	—	—	—
Lendings to financial institutions	3,000,000	2,400,000	—	600,000	—	—	—	—	—	—
Investments - net	18,105,414	257,699	24,973	4,557,921	8,785,302	2,471,692	313,781	127,410	3,568,638	—
Advances - net	56,966,677	4,876,252	7,048,421	5,207,776	8,727,644	19,928,787	2,165,944	7,101,373	4,203,377	1,707,303
Operating fixed assets	4,563,290	570,411	570,411	570,411	570,411	570,411	570,411	1,140,824	—	—
Deferred tax assets - net	3,937,182	—	—	—	776,650	743,750	743,750	1,030,782	—	—
Other assets	8,926,628	3,134,412	620,548	4,780,566	365,104	—	—	—	—	—
	102,795,853	12,355,572	8,254,766	15,910,516	19,146,518	23,714,640	4,438,138	9,400,388	7,770,013	1,707,303
Liabilities										
Bills payable	2,153,091	2,153,091	—	—	—	—	—	—	—	—
Borrowings	21,742,246	16,448,687	4,714,745	578,814	—	—	—	—	—	—
Deposits and other accounts	56,776,255	8,890,231	7,453,198	8,856,026	11,469,556	2,301,130	6,012,362	11,920,145	5,934,497	5,933,111
Liabilities against assets subject to finance lease	17,105	286	571	856	1,711	3,420	3,420	8,841	—	—
Other liabilities	1,552,329	906,853	314,404	97,675	135,574	48,837	48,837	—	—	—
	94,235,026	28,398,146	12,482,918	9,533,371	11,806,840	2,353,387	6,064,768	11,926,986	5,934,497	5,933,111
Net assets										
Share capital	26,716,048									
Discount on issue of shares	(13,284,674)									
Reserves	180,134									
Convertible preference shares	2,200,000									
Advance against shares subscription	2,000,000									
Accumulated loss	(9,444,123)									
Surplus on revaluation of assets - net of tax	133,442									
	8,500,827	18,043,576	(4,188,152)	6,377,145	7,539,878	21,381,253	(1,628,632)	(2,526,597)	1,835,516	(4,225,806)

Notes to the Financial Statements

for the year ended December 31, 2015

42.3.2 Maturities of assets and liabilities - based on contractual maturity of these assets and liabilities of the Bank

	Total	Up to 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
	Rupees in '000									
Assets										
Cash and balances with treasury banks	7,343,670	7,343,670	-	-	-	-	-	-	-	-
Balances with other banks	194,065	194,065	-	-	-	-	-	-	-	-
Lendings to financial institutions	6,777,344	4,063,908	2,196,536	-	517,500	-	-	-	-	-
Investments - net	34,990,668	2,164,265	16,576,280	5,803,620	8,201,520	60,603	1,403,861	628,168	166,651	-
Advances - net	61,074,207	3,779,973	3,412,931	6,569,800	7,931,302	6,621,552	5,414,584	12,696,688	5,305,772	5,341,425
Operating fixed assets	4,496,648	74,944	149,888	224,832	449,665	899,329	899,323	1,798,661	-	-
Deferred tax assets - net	4,180,968	-	-	-	276,248	652,381	-	165,080	-	1,087,200
Other assets	14,070,688	2,103,677	885,877	611,484	1,227,011	2,252,324	2,166,666	4,354,892	32,899	435,898
	133,137,259	19,724,582	23,221,512	13,299,246	16,603,246	10,486,189	10,884,540	19,643,489	8,499,322	8,864,543
Liabilities										
Bills payable	2,413,342	2,413,342	-	-	-	-	-	-	-	-
Borrowings	33,230,182	31,251,028	53,039	1,928,114	-	-	-	-	-	-
Deposits and other accounts	81,097,581	11,739,561	11,652,893	10,719,165	11,405,964	6,118,550	6,027,130	12,054,598	8,015,810	5,971,710
Liabilities against assets subject to finance leases	14,145	354	472	707	1,297	2,829	2,829	5,657	-	-
Other liabilities	1,805,347	470,973	48,740	138,639	138,639	383,604	152,688	236,641	116,421	117,702
	118,560,597	45,874,359	11,155,144	12,784,625	11,545,908	6,496,983	6,182,647	12,297,196	6,134,331	6,088,412
Net assets	14,576,662	(26,149,857)	12,086,368	425,291	7,057,346	3,989,208	4,701,833	7,346,293	2,364,901	2,775,131
Share capital	77,998,098	-	-	-	-	-	-	-	-	-
Discount on issue of shares	(56,566,725)	-	-	-	-	-	-	-	-	-
Reserves	180,134	-	-	-	-	-	-	-	-	-
Convertible preference shares	2,200,000	-	-	-	-	-	-	-	-	-
Advance against shares subscription	2,000,000	-	-	-	-	-	-	-	-	-
Accumulated loss	(11,334,316)	-	-	-	-	-	-	-	-	-
Surplus on revaluation of assets - net of tax	100,070	-	-	-	-	-	-	-	-	-
	14,576,662	-	-	-	-	-	-	-	-	-
	Total	Up to 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
	Rupees in '000									
2014										
Assets	5,102,984	5,102,984	-	-	-	-	-	-	-	-
Cash and balances with treasury banks	139,478	139,478	-	-	-	-	-	-	-	-
Balances with other banks	3,000,000	2,400,000	-	600,000	-	-	-	-	-	-
Lending to financial institutions	18,105,414	257,699	24,973	4,557,921	6,785,302	2,471,662	313,761	127,410	3,566,636	-
Investments - net	68,968,877	4,876,252	7,048,421	5,207,776	5,727,644	19,028,787	2,165,944	7,101,373	4,203,377	1,707,303
Advances - net	4,563,290	570,411	570,411	-	570,411	570,411	570,411	1,140,824	-	-
Operating fixed assets	3,937,182	-	-	-	-	984,296	984,296	1,968,590	-	-
Deferred tax assets - net	8,920,628	3,134,412	620,546	4,789,566	385,104	-	-	-	-	-
	102,735,653	16,401,236	8,264,351	15,716,674	14,468,461	23,955,166	4,034,432	10,338,197	7,770,013	1,707,303
Liabilities	2,153,091	2,153,091	-	-	-	-	-	-	-	-
Bills payable	21,742,248	16,448,687	4,714,745	578,814	-	-	-	-	-	-
Borrowings	68,770,255	45,011,700	6,002,570	7,738,302	8,839,483	44,123	79,532	54,545	-	-
Deposits and other accounts	17,105	286	571	856	1,711	3,420	3,420	6,641	-	-
Liabilities against assets subject to finance leases	1,552,220	906,853	314,404	97,675	135,574	48,837	48,837	-	-	-
Other liabilities	64,235,026	64,520,817	11,032,290	8,415,647	9,976,768	96,380	131,838	81,396	-	-
	8,500,827	(48,020,381)	(2,767,939)	7,361,027	4,491,693	23,658,806	3,902,494	10,276,811	7,770,013	1,707,303
Share capital	26,716,048	-	-	-	-	-	-	-	-	-
Discount on issue of shares	(13,284,674)	-	-	-	-	-	-	-	-	-
Reserves	180,134	-	-	-	-	-	-	-	-	-
Convertible preference shares	2,200,000	-	-	-	-	-	-	-	-	-
Advance against shares subscription	2,000,000	-	-	-	-	-	-	-	-	-
Accumulated loss	(9,444,123)	-	-	-	-	-	-	-	-	-
Surplus on revaluation of assets - net of tax	133,442	-	-	-	-	-	-	-	-	-
	8,500,827	-	-	-	-	-	-	-	-	-

42.4 Operational risk

The risk of losses owing to deficient or erroneous internal procedures, human or system errors, or external events.

The Bank has in place robust, duly approved various policies, procedures and a Business Continuity Plan.

These are continuously reviewed to strengthen operational controls. Risk policy sets minimum standards and requires all business units to identify and assess risks. The business units are responsible for day-to-day monitoring of operational risks and for limiting losses as a result thereof. They also report operational risk events in the management reporting system.

Notes to the Financial Statements

for the year ended December 31, 2015

Operational risk tolerance levels, however, have not been established but a broad strategic operational risk direction is in place. This process will move further with the implementation of Internal Control Systems (COSO compliant in process) and Operational Risk Management. Presently, this risk is effectively managed through robust operational policies and procedures.

43. TRUST ACTIVITIES

The Bank is not engaged in any significant trust activities. However, the Bank acts as security agent of investment portfolio services as custodian on behalf of its customers.

44. ISLAMIC BANKING BUSINESS (IBB)

In order to meet the guidelines for Sharia compliance in Islamic Banking Institutions (IBIs), statement of financial position and profit and loss account of IBB as at December 31, 2015 are given in Annexure - II. Further detailed disclosures are also given in the said annexure to comply with instructions issued by SBP to improve transparency and standardisation in IBIs' profit and loss distribution policies and practices. Instructions in this regard were issued by the SBP vide IBD Circular No. 3 dated November 19, 2012 and BSD Circular No.3 dated January 22, 2013.

45. RECLASSIFICATIONS

45.1 Corresponding figures have been rearranged and reclassified to reflect more appropriate presentation of events and transactions for the purpose of comparison, which are as follows:

Statement	Rupees In (000)	Reclassified	
		From	To
Statement of financial position	86,736	Other assets	Other liabilities

46. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorised for issue on February 28, 2016 by the Board of Directors of the Bank.

47. GENERAL

47.1 These financial statements have been prepared in accordance with the revised format for financial statements of banks issued by the SBP through BSD circular letter No.4 dated February 17, 2006.

47.2 Captions in respect of which no amounts exist may not be reproduced in these financial statements except in case of statement of financial position and profit and loss account.

Azmat Tarin
President & CEO

Munnawar Hamid, OBE
Chairman

Tariq Iqbal Khan
Director

Shamsul Hasan
Director

Statement Of Written-off Loans

for the year ended December 31, 2015

SILKBANK LIMITED

ANNEXURE -I

STATEMENT OF WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF DURING THE YEAR 2015

Rupees in '000

Written-off Date	Party Name	Address	Name of the individuals / Partners/Directors (with C.N.I.C. No.)	Father's / Husband Name	Outstanding Liabilities at beginning of year				Principal Written-off	Interest / Margin written-off	Other Financial Relief Provided	Total (9+10+11=12)
					Principal	Interest / Mark-up	Other	Total 5+6+7=8				
1	2		3	4	5	6	7	8	9	10	11	12

Write Off of Rs. 500,000 and above

27-Jan-15	Hassan International	Plot No. L-62 & 62, Sector 21B-B, Gabol Town, North Karachi Industrial Area, Karachi	Mt. Naveed Hassan CNIC: 42201-9426485-1	Mr. Makhdoob-ur-Hassan	4,265	1,763		6,028		1,763		1,763
20-Feb-15	Muhammad Jamil	House # 38, Sl# 11, New Camo Par, Phase II, Harpus Purw	Muhammad Jamil CNIC: 35201-3338985-1	Mohammad Munir	-	1,857		1,857		1,857		1,857
24-Feb-15	Shahid Advertiser	House # 29, Hamed Colony, Sher Shah Ravi, Shadbagh, Lahore	Muhammad Sharif CNIC: 35202-7924072-7	Rammat	1,094	4,771		5,865		4765		4,765
7-Apr-15	Moto Travels Pvt Ltd	L.G-2, Sintia Tower, 5-Davis Road, Lahore	Malik Bashir ud din Khalid CNIC: 35202-9292361-5 Haj Mian Abdul Jabbar CNIC: 35203-2515994-7 Qaseem-ud Din CNIC: 17201-8471265-1 Wasayem-ud-din CNIC: 17201-8471265-1	Malik Saleem ul Khalid Mian Din Muhammad Malik Salim ul Khalid	4,393	1,397		5,890		1,397		1,397
7-Apr-15	Al-Razzak (Pvt) Ltd.	Al-Razzak (Pvt) Ltd. Al-Malik, 79/F, N-1 Lines Saddar, Karachi	Mrs Wasil Hussain CNIC: NA Mrs. Kishwar Jabeen CNIC: NA	NA NA	40,289	12,059		52,348	40,289	12,059		52,348
8-Apr-15	CITILINK TRAVEL (Pvt) Ltd.	7-Egerton Road, Lahore	Mr. Abdul Majed Yousaf CNIC: 35202-8781557-7 Mrs. Sohia Majeed CNIC: 35202-1013027-0 Mrs. Saima Bagum Mr. Abdul Hamid Yousaf CNIC: 35202-0987012-3	Ch. Muhammad Yousaf	1,625	3,363		4,928		3,303		3,303
27-May-15	Theramed Pharmaceuticals	45-Km, Multan Road, Lahore	Abdul Ghaffar Bhatti CNIC: 35202-1103534-8	Muhammad Shehzad	23,323	7,031		30,354		7,619		7,619
7-Jun-15	Javed & Company	Grain market Rahim yar Khan	Muhammad Javed Iqbal CNIC: 31303-1422372-8	Muhammad Iqbal	886	950		1,836	736	1,286		2,007
10-Jun-15	Khurram Enterprises	G-54, Block-C Defence View Phase-II, Doh/Doh Darg Road, Karachi	Khurram Ahmed CNIC: 42301-5014746-5	Aitz-ur-Rehman	5,998	3,320		8,318		3,320		3,320
18-Jun-15	Kagzi Printers	Plot No: 463, Sector 7-A, Near National Refinery, Korangi Ind. Area, Karachi	Arif Hussain CNIC: 42301-0953723-7	Abdul Rehman	3,574	2,800		6,174		2,800		2,800
30-Jun-15	Saleem Asghar Balouch	House # 22-G, 25th Street, Tariheed Commercial Street, Dha Nearest Land Mark, Karachi	Saleem Asghar Balouch CNIC: 42201-0583789-5	Asghar Ali Balouch	468	89		557	468	89		557
30-Jun-15	Akhtar Hussain	House # 15-C Block Subodar Street, Barkat Town, Shabdar Nearest Land Mark, Lahore	Akhtar Hussain CNIC: 35202-8361712-3	Fakhar Ud Din	427	65		515	427	65		515
30-Jun-15	Tayyab Yazdani Malik	House # 152-B Model Town, Nearest Land Mark, Lahore Land Mark, Lahore	Tayyab Yazdani Malik CNIC: 35202-4489683-3	Ghulam Yazdani Malik	449	116		565	449	116		565
30-Jun-15	Syed Nafees Ahmad	House # 368, Block # B-2-B, Phase III Govt Employees Housing Society, Link Road Model Town, Lahore	Syed Nafees Ahmad CNIC: 38302-8268582-3	Syed Hakim Ali Shah	836	33		968	835	93		968
30-Jun-15	Abdul Raul	House # 2/B St # 35 Mustafabad Dhamra Pura Lahore	Abdul Raul CNIC: 35201-1644061-1	Jan Muhammad	441	114		555	441	114		555
30-Jun-15	Amin Yasir	House # 39-0, PECHS Block 6, Karachi	Amin Yasir CNIC: 42201-3527247-7	Muhammad Yasir	921	342	85	1,358	921	342	45	1,309
30-Jun-15	Tanveer A Khan	House # 138-B-5, Khayaban-e-Bagtar, Phase-VII DHA New Site Punc, Karachi	Tanveer A Khan CNIC: 42301-4293617-1	Muhammad Basir ud Din	500	205	36	741	500	205	36	741
30-Jun-15	Fatfat Autos Industries (Pvt) Ltd.	19-Km Multan Road, Lahore	Rana Ghulam Dastagir CNIC: 35202-1158112-3 Mrs. Samina Dastagir CNIC: 35201-322994-6	Rana Muhammad Arif Rana Ghulam Dastagir	75,000	16,499		91,499		16,499		16,499
30-Jun-15	Foil Star CNG Station	50 Km Main Multan Road	Sajid Ahmed CNIC: 35103-5608332-5 Muhammad Nadeem CNIC: 35201-5563114-1	Malik Samaa Ali Ghulam Nabi	15,856	6,281		22,137		8,261		8,261
30-Jun-15	Marvi Agrochem	12-M, Block-6, PECHS, Karachi	Lei Muhammad Solangi Arshad Aleem	NA	35,658	21,949		55,605		21,949		21,949
30-Jun-15	Pan Pacific (Pvt) Ltd.	205 White House Plaza 15-A, Block 6, PECHS, Shahrah-e-Faisal, Karachi	Syed Muhammad Adil Shah CNIC: 589-51-937825 Mrs. Afzina Adil CNIC: 582-55-520266	Muhammad Shaker Muhammad Adil	132,666	24,850		157,616		24,950		24,950
30-Jun-15	Pan Pacific Mitra Services	F-116, Block-F, North Nazimabad, Karachi	Muhammad Adil Shah CNIC: 589-51-937825 Mrs. Afzina Adil CNIC: 582-55-520266 Shafi Muhammad CNIC: NA	Muhammad Shaker Muhammad Adil Faiz Muhammed	-	5,290		5,290		5,290		5,290
30-Jun-15	Sajid Brothers	New Gram Market, Tehsi, Paton District Kasur	Mr. Sajid Ahmed CNIC: 35103-5506332-5	Ghulam Nabi	17,841	17,180		35,021		17,180		17,180

Contd.

Statement Of Written-off Loans

for the year ended December 31, 2015

Rupees in '000

Date	Party Name	Address	Name of the individuals / Partners/Directors (with C.N.I.C. No.)	Father's / Husband's Name	Amount Outstanding at the beginning of the year				Principal Written-off	Interest / Margin written-off	Other Financial Relief Provided	Total (B+C+D+E+F)
					Principal	Interest / Markup	Other	Total 5+6+7+8				
1	2	3	4	5	6	7	8	9	10	11	12	
Write Off of Rs. 500,000 and above												
7-Jul-15	Muhammad Asghar	House # 33-C, C-Block, Qasid-E-Azam University Colony, Islamabad	Muhammad Asghar C.N.I.C: 61101-0476363-1	Talib Hussain	500	75	6	581	500	75	-	575
10-Jul-15	Sana Khan	Houses # 580, Street # 62, Sector # 23	Sana Khan C.N.I.C: 61101-2001490-1	Easa Khan	-	919	-	919	-	919	-	919
15-Jul-15	T & N Fixed Star	12 KM, Saeena Road, Faisalabad	Riaz Aslam Chawala C.N.I.C: 33102-1768357-5 Waqar Arshad Chawala C.N.I.C: 33100-488336-3 Ju Jing Jong G-44917408 Zhao Xing Hua P-4984260 Dong Ming Dong G-44818341	Irfhad Ahmed Chawala Irfhad Ahmed Chawala Ju Guang Sheng Zhao Lee Dong Chun	58,892	22,487	-	81,189	26,592	22,487	-	49,182
26-Aug-15	International Green Industries Limited	1st Floor, Jawn Plaza, 1- Sadar Road, Peshawar	Nasim Javed Khan C.N.I.C: 17301-1828525-3 Mrs. Humaira Javed Wali das Khan Mrs. Nahida Khan Mrs. Azra Yesmeen Mrs. Gul Marjan Mrs. Bibi Noor Mrs. Farneesh Begum Mrs. Khusheen Shaheen	Muhammad Umar Sukhi Khan Nasim Javed	60,699	29,317	-	80,016	50,699	29,317	-	80,016
2-Sep-15	Grocery International	Mian Muhammad Din Bazaar Urdu Bazar Sialkot.	Mian Muhammad Shahid C.N.I.C: 34101-8767040-3	Mian Muhammad Taseem	1,180	1,382	-	2,542	-	1,349	-	1,349
2-Sep-15	Sleekh Agro Industries	Khokhar Road, Basim Bagh, Lahore 54- Commercial Zone - 1st Floor, Cavalry Ground, Lahore, 3940, 1st Floor, Galberg Centre, Main Boulevard, Galberg Lahore	Faraaq Ahmed Sheikh C.N.I.C: 35201-8286462-1 Sheikh Mohammad Iqbal C.N.I.C: 36201-5011708-1 Pervaiz Akhtar C.N.I.C: 35202-7715126-5 Mohammad Idress Sheikh C.N.I.C: 35202-8354920-5	Mohammad Siddique	50,578	53,362	-	103,940	-	49,904	-	49,904
2-Sep-15	Dewan Farooqui Spinning Mills Ltd	Dewan Farooqui Spinning Mills Ltd	Dewan Mohri Yousuf Farooqui C.N.I.C: 42301-6548978-9 Dewan Abdulah Ahmed Swaleh C.N.I.C: 42301-7511974-1 Dewan Abdul Baig Farooqui C.N.I.C: 42301-7130155-5 Dewan Zair Rahman Farooqui C.N.I.C: 61101-7385791-1 Dewan Asim Muatid Farooqui C.N.I.C: 42301-4927084-9 Mrs. Hina Yousuf C.N.I.C: 42301-7944805-4 Mrs. Khalida Farooqui C.N.I.C: 42301-0638767-2	Late Dewan M. Umer Farooqui Late Dewan M. Umer Farooqui Late Dewan M. Umer Farooqui Dewan M. Umer Farooqui Dewan M. Umer Farooqui Dewan M. Umer Farooqui Dewan M. Umer Farooqui	-	66,491	-	66,491	-	66,491	-	66,491
2-Sep-15	Dewan Khalid Textile Mills Ltd	Dewan Khalid Textile Mills Ltd	Dewan M. Zia-ul-Rehman Farooqui C.N.I.C: 61101-1738570-1 Dewan Ghulam Mustafa Khalid C.N.I.C: 42201-7707647-9 Dewan Miftah Ayub Khalid C.N.I.C: 42201-9975110-3 Dewan Mitho Yousuf Farooqui C.N.I.C: 42301-8948978-9 Dewan Abdur Rehman Farooqui C.N.I.C: 42301-0882043-3 Dewan Asim Muatid Farooqui C.N.I.C: 42301-4927084-9	Dewan M. Umer Farooqui Dewan M. Khalid Farooqui Dewan M. Khalid Farooqui Late Dewan M. Umer Farooqui Dewan M. Salman Farooqui Dewan M. Umar Farooqui	-	22,785	-	22,785	-	22,785	-	22,785
2-Sep-15	Dewan Mohammad Yousuf Farooqui	7th Floor, Block-A, Finance & Trade Centre, Shahrah-e-Faisla, Karachi	Dewan M. Yousuf Farooqui C.N.I.C: 42301-8548978-9	Late Dewan M. Umer Farooqui	61,725	53,165	-	114,890	-	53,165	-	53,165
2-Sep-15	Dewan Muftiog Textile Mills Ltd	Dewan Muftiog Textile Mills Ltd	Dewan Mohi Yousuf Farooqui C.N.I.C: 42301-6548978-9 Dewan Abdul Baig Farooqui C.N.I.C: 42301-7130155-5 Muhammad Azimuddin C.N.I.C: 42301-2032996-3 Muhammad Nadeem C.N.I.C: 42101-6958045-9 Dewan Abdullah Ahmed Swaleh C.N.I.C: 42301-7511974-1	Late Dewan M. Umer Farooqui Late Dewan M. Umer Farooqui Muhammad Karimuddin Sheikh Abdul Khatic Late Dewan M. Umer Farooqui	-	111,130	-	111,130	-	111,130	-	111,130
2-Sep-15	Dewan Textile Mills Ltd	Dewan Textile Mills Ltd	Dewan M. Zia-ul-Rehman Farooqui C.N.I.C: 61101-1738570-1 Dewan Ghulam Mustafa Khalid C.N.I.C: 42201-7707647-9 Dewan Miftah Ayub Khalid C.N.I.C: 42201-9975110-3 Dewan Mitho Yousuf Farooqui C.N.I.C: 42301-6948978-9 Dewan Abdul Rehman Farooqui C.N.I.C: 42301-0882043-3	Dewan M. Umer Farooqui Dewan M. Khalid Farooqui Dewan M. Khalid Farooqui Late Dewan M. Umer Farooqui Dewan M. Salman Farooqui	-	68,319	-	68,319	-	68,319	-	68,319

Contd..

Statement Of Written-off Loans

for the year ended December 31, 2015

Rupees in '000

Date	Party Name	Address	Name of the individual Partners/ Directors (with C.N./C.No.)	Father's / Husband Name	Amount Outstanding at the beginning of the year				Principal Written- off	Interest / Maturity written- off	Other Financial Relief Provided	Total (B+C+D+E (2)
					Principal	Interest / Mark-up	Other	Total 5467=5				
1	2	3	4	5	6	7	8	5467=5	9	10	11	12

Write Off of Rs. 500,000 and above

2-Sep-15	Dewan Sugar Mills	Dewan Sugar Mills	Dewan Ziaur Rahman Farooqui CNIC: 61101-7385701-1 Dewan Ghulam Mustafa Khalid CNIC: 42201-7707647-8 Dewan M. Younus Farooqui CNIC: 42301-6548978-9 Dewan Abdul Rehman Farooqui CNIC: 42301-0862043-3 Dewan Asim Muftaq Farooqui CNIC: 42301-4327084-9 Dewan Abdurrahman Farooqui CNIC: 42301-7511924-1 Dewan Ayub Khalid CNIC: 42201-0975110-3	Dewan M. Umer Farooqui Dewan M. Khalid Farooqui Late Dewan M. Umer Farooqui Dewan M. Khalid Farooqui Dewan M. Umer Farooqui Late Dewan M. Umer Farooqui Dewan M. Khalid Farooqui	26,158	-	-	26,158	-	26,158	-	26,158
7-Sepl-15	Chaudhry Kashif Saeed	House # 369, Block G-II, Johar Town, Lahore	Chaudhry Kashif Saeed CNIC: 35202-9134944-8	Chaudhry M. Saeed	575	270	35	679	310	270	-	580
10-Sep-15	Universal Communicator	Office No: 504, 5th Floor, Corporate Avenue, Shahrah-e-Faisl, Karachi	Adil Mirza CNIC: 42101-5068784-7 Dr. Zakiruddin Ahmed CNIC: 42101-6405206-5 Shahzad Hussain CNIC: 35201-0184165-9 Najeeb Ahmed CNIC: 42101-0725171-6 Garrett R. Shockley Passport: 132179348 USA	Muhammad Imliaz Mirza Muhammad Ziauddin Ahmed Muhammad Habibullah Habib Khan Roy R. Shockley	6,640	2,854	-	9,302	448	2,854	-	9,302
10-Sep-15	Umar Steel Ind (Pvt Ltd)	Khokar Road, Bantari Bagh, Lahore	Malik Nadeem Muqeem Abid Malik Abid CNIC: 35202-2746401-3	Malik M. Siddique	7,675	1,797	-	9,472	-	1,471	-	1,471
17-Sep-15	Diamnam Developers	Office No: 172-U Ahmer Arcade, Block 02, P.E.C.H.S. Karachi	Baber Mirza Chughtai CNIC: 42201-0788814-3	Wajid Mirza Chughtai	909,702	101,587	-	1,011,389	-	101,587	-	101,587
17-Sep-15	Mirza Ajmal Sons	A-78, Block 02, P.E.C.H.S. Karachi	Mirza Afzal Baig Partner CNIC: 42301-3092795-9 Mirza Ajmal Baig Partner CNIC: 42301-1056653-9	Mirza Ahmed Baig	344,957	27,491	-	382,447	-	27,491	-	37,491
17-Sep-15	Patel Builders	Bl- 16, Block : 16, F.B Area, Karachi	Mirza Afzal Baig (Partner) CNIC: 42301-3092795-9	Mirza Ahmed Baig	932,989	98,446	-	1,031,435	-	98,446	-	98,446
17-Sep-15	Toronto Holdings	Office No: 172-U, Ahmer Arcade, Block 02, P.E.C.H.S. Karachi	Baber Mirza Chughtai (Partner) CNIC: 42201-0788914-3 Shahzad Baloch (Partner) CNIC: 42201-7321962-5 Shafraz Baloch (Partner) CNIC: 42201-3688560-9	Wajid Mirza Chughtai	319,500	31,560	-	351,060	-	31,560	-	31,560
18-Sep-15	Sohar Enterprises	Jailat Town, Near PSO Pump, 7-KM Main Narwala Road, Faisalabad	Mr. Mujahid Hussain CNIC: 33100-1359689-9	Mr. Masood Ahmad	3,999	1,116	-	5,115	-	1,115	-	1,115
21-Sep-15	Solars Electro Medical	G-22/A-1, Parklane, KDU Scheme, No. 5, Khokhshan, Gilfan, Karachi	Mrs. Atiya Saeed CNIC: 42301-3715470-8 Mrs. Saleema Humayun CNIC: 42301-2295961-8	Dr. Abdul Hayee Saeed Humayun Agiza	28,129	6,059	-	34,188	13,129	6,059	-	28,188
21-Sep-15	M. Pak Flour Mills	Plot # F-35, Sector 50-C, Korangi, Karachi	Saraiuddin	64,981	4,393	-	69,384	-	4,393	-	4,393	
16-Oct-15	Sheikh Nasir Ahmed & Co	Office No: 206, Clifton Center, Karachi	#2301-0975042-7	Not Applicable	-	2,116	-	2,116	-	2,116	-	2,116
21-Oct-15	Nird Khan & Company	15/1, Mumtaz Center, 15-Quetta Road, Lahore	Abid Khan Barky CNIC: 35202-9885795-9	Niaz Ahmed Barky	1,400	589	-	1,889	400	589	-	969
27-Oct-15	Atlantic Pharma	Shahidchura, Road, Lahore	Fauziah Naseem CNIC: 35202-2827563-1	Hadiyah Ullah	2,990	533	-	3,523	-	523	-	523
27-Oct-15	Ayubi Enterprises	17-KM, Ferozepur Road, Lahore	Muhammad Tahir Ayubi CNIC: 35201-1621692-3	Muhammad Ayubi Khan	25,000	5,301	-	28,301	-	5,301	-	5,301
4-Nov-15	Agha Aliq Ahmed Khan	House # 535, G-Bank Street, Gulshan-e-Ravi, Lahore	Agha Aliq Ahmed Khan CNIC: 35303-3023332-7	Riaz Inayatullah	775	763	3	1,542	-	783	-	783
6-Nov-15	Amr Veli Yashay	House # R-12, Al Noor Society, Block-20 Street, F B Area, Karachi	Amr Veli Yashay CNIC: 42101-3665802-5	Muhammad Zaki Yashay	1,500	618	226	2,103	77	618	-	615
11-Nov-15	Ghafiz Anwar	House # 12, Mejid Road, F-644,	Ghafiz Anwar CNIC: 61101-7868458-8	Muhammad Anwar	-	1,442	-	1,442	-	1,442	-	1,442
18-Nov-15	Adam Fabrics (Pvt) Limited	'5 KM, Sargodha Road, Faisalabad P-6, Race Course Road, Civil Lines, Faisalabad	Mian Shoukat Ali Sheikh CNIC: 33100-0715872-1 Wasim Ahmed Sheikh CNIC: 33100-7635992-5	Haaji Barkat Ali Sheikh Sheikh Sheoukat Ali	41,000	3,773	-	45,773	-	3,773	-	3,773
24-Nov-15	Farooq Nazir	House # 60 Alta Turk Block	Farooq Nazir CNIC: 35203-6714947-7	Nazir Ahmad	-	754	-	754	-	754	-	754
4-Dec-15	Muhammad Sami	Rousset 21, St# 10 Street, Manali Bazaar, Beacon Road, Lahore	Muhammad Sami CNIC: 35200-1484829-5	Mian Sabih Ud Dic	580	487	13	1,178	148	487	-	615
22-Dec-15	Al-Sardar Petroleum	Al-Sardar Petroleum	Zulfiqar Ali CNIC: 34201-1431081-7 Fakher Nadeem CNIC: 34201-0414624-1	Ch. Sardar Khan	1,689	1,197	-	2,886	-	1,197	-	1,197

Contd.

Statement Of Written-off Loans

for the year ended December 31, 2015

Rupees in '000

Date	Party Name	Address	Name of the Individuals / Partners/Directors (with CNIC No.)	Father's/Husband Name	Amount Outstanding at the beginning of the year				Principle Written-off	Interest/Mark-up written off	Other Financial Relief provided	Total (i+ii+iii+iv)
					Principal	Interest/Mark-up	Other	Total 5+6+7=8				
4	2		3	4	5	6	7	8	9	10	11	12
Write Off of Rs. 500,000 and above												
31-Dec-15	World Trans Logistic	World Trans Logistic Fayzel Mansion Shop, G-1, G-2, Qasim Quarries, Khiladar, Karachi.	Mst. Jamshed Javed CNIC: 42301-0484290-3	Javed Malik	42,285	6,825	-	49,111	-	6,825	-	6,825
31-Dec-15	Kainaat Publication	Kainaat Publications Office No: 906, 9th Floor, Umt Town, I.I. Chundrigar Road, Karachi	Waqar Hussain Shah CNIC: 61101-6877899-7 Mrs. Aliya Sajjad CNIC: 42303-6421549-0 Muhammad Shabbir CNIC: 35205-1803582-1 Imran Jaffri	Syed Marboob Hussain Shah Syed Sajjad Hussain	30,000	10,888	-	40,888	-	10,888	-	10,888
31-Dec-15	Ghousia Trader Int'l Pvt Ltd	Ghousia Trader Int'l Pvt Ltd 499-R Model Town Ext Lahore	Ch. M. Munibah CNIC: 35202-2875267-9 M. Akhtar M. Shahbaz Jaffer M. Asif Ali	Haji Jaffer Ali	71,289	21,589	-	92,878	-	21,589	-	21,589
31-Dec-15	The 788 Goods Transport	The 788 Goods Transport 9 Km Sheikhpura Road, Sheikhpura	Mr. Sohail Mejed CNIC: 35202-5388278-7	Majeed Ahmed	24,975	8,318	-	33,293	-	8,318	-	8,318
31-Dec-15	Prime Enterprises	Prime Enterprises	Mr. Mehsoos Ali Ch. CNIC: 61101-5873853-5	Ch. Ahmed Hassan	53,003	8,452	-	62,455	-	8,452	-	8,452
31-Dec-15	Al Habib Plastic	Al Habib Plastic 13-Km Rawalpindi Road near Adda post, Lahore	Ehsan Khan CNIC: 35201-7075357-5	Shadi Khan	-	2,799	-	2,799	-	2,799	-	2,799
31-Dec-15	Canton House	Canton House 120- Temple Road, Lahore	Haseeb Ur Rehman CNIC: 35200-1448223-7	Sh. Fazal ur Rehman	-	7,923	-	7,923	-	7,923	-	7,923
31-Dec-15	Cyber Communication	Cyber Communication 6-Abid Majeed Road, Lahore Cantt	Muhammad Nazir CNIC: 34601-8882782-5	Muhammad Nazir	-	4,817	-	4,817	-	4,817	-	4,817
31-Dec-15	FR Communication	FR Communication 6- Abid Majeed Road, Lahore	Mr. Adnan Shahid CNIC: 35202-0772862-3 Ms. Sumbal Afzal	Ch. Mohammad Hanif Adnan Shaukat	-	6,195	-	6,195	-	6,195	-	6,195
31-Dec-15	Hanzo Electronics	Hanzo Electronics 120- Temple Road, Lahore	Safdar Rehman CNIC: 35202-1915162-3	Sh. Fazal Rehman	-	7,927	-	7,927	-	7,927	-	7,927
31-Dec-15	Maziz Enterprises	Maziz Enterprises 6- Abid Majeed Road, Lahore	Mr. Adnan Sharif CNIC: 35202-0772862-3 Ms. Sumbal Afzal	Ch. Mohammad Hanif Adnan Sharif	-	6,158	-	6,158	-	6,158	-	6,158
31-Dec-15	Mustafa Enterprises	Mustafa Enterprises 11- KM Multan Road, Lahore	Safdar Rehman CNIC: 35201-1915162-3 Ms. Rabia Rehman CNIC: 35201-2467142-4	Sh. Fazal ur Rehman Safdar Rehman	-	6,310	-	6,310	-	6,310	-	6,310
31-Dec-15	Raza Traders	Raza Traders Basement, Javed Plaza, Alameen Iqbal Town, Lahore	Muhammad Shaukat CNIC: 35201-1225069-1	Muhammad Latif	-	2,489	-	2,489	-	2,489	-	2,489
31-Dec-15	Sheikh Shahzad Traders	Sheikh Shahzad Traders 325- G.T. Road, S.A. Rehman Stg. Dargahwala, Lahore	Sheikh Muhammad Shahzad CNIC: 35201-5966005-1 Ms. Rukhsana Begum CNIC: 35201-1247234-6	Sheikh Muhammad Muneeb Sheikh Muhammad Shahzad	-	1,316	-	1,316	-	1,316	-	1,316
31-Dec-15	Al Hammed Enterprises	Al Hammed Enterprises 2-A, Al Bara Centre, Main Road Shah Alem Market, Lahore	Safdar Abbas CNIC: 35201-3780091-3 Mrs. Saima Safdar	Rehmatullah Safdar Abbas	-	5,525	-	5,525	-	5,525	-	5,525
31-Dec-15	Lucky Textile	Lucky Textile Regal Rd, Village Kamerman Lahore Cantt	Raja Muhammad Hussain CNIC: 285-48-090636 Abdul Hameed Khan CNIC: 275-44-119611	Raja Hussain Muhammad Akbar Ali Khan	-	7,924	-	7,924	-	7,924	-	7,924
31-Dec-15	Sapphire Knitwear	Sapphire Knitwear	Afz Khan CNIC: 275-84-394652 Zafar Anwar CNIC: 272-51-276661	Abdul Hameed Khan	-	1,702	-	1,702	-	1,702	-	1,702
31-Dec-15	R A International	R A International Regal Rd, Village Kamerman Lahore Cantt	Abdul Jabbar CNIC: 304-88-369360 Muhammad Zamani CNIC: 272-45-180270	Abdul Rehman Niaz Muhammad	-	752	-	752	-	752	-	752
31-Dec-15	Uzma Enterprises	Uzma Enterprises Regal Rd, Village Kamerman Lahore Cantt	Imran Dili CNIC: 272-58-559753 Shah Muhammad CNIC: 285-39-244034	Uz Dili Hussain Bukshi	-	3,806	-	3,806	-	3,806	-	3,806

3,505,712 1,010,043 364 4,516,118 142,572 1,006,129 81 3,148,782

Emaan Islamic Banking Business

for the year ended December 31, 2015

Islamic Banking Business 

Annexure - II

The Bank is operating 10 Islamic Banking branches at the end of 2015 (2014 : 10)

	Note	2015	2014
		Rupees in '000	
A) STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2015			
ASSETS			
Cash and balances with treasury banks		533,473	471,030
Balances with other banks		17,765	4,036
Due from financial institutions		-	510,194
Investments	A-2.1	1,123,150	800,202
Islamic financing and related assets		4,647,752	5,745,328
Operating fixed assets		98,639	109,688
Other assets		2,018,398	2,233,585
Total Assets		8,439,177	9,874,063
LIABILITIES			
Bills payable		632,237	104,464
Due to financial institutions		-	26,888
Deposits and other accounts			
- Current accounts		1,233,157	1,839,729
- Saving accounts		1,448,097	1,410,190
- Term deposits		1,836,938	2,313,292
- Others		40,531	35,000
- Deposit from financial institutions - remunerative		2,046,009	1,041,647
- Deposits from financial institutions - non-remunerative		60	204
Due to Head Office		-	2,507,147
Other liabilities		50,395	56,901
Total Liabilities		7,287,424	9,335,462
NET ASSETS		1,151,753	538,601
REPRESENTED BY			
Islamic Banking Fund		1,325,000	425,000
Reserves		-	-
Accumulated (loss) / profit		(178,897)	114,821
Surplus on revaluation of assets		1,146,103	539,821
		5,650	(1,220)
Contingencies and commitments	A-2.2	1,151,753	538,601
A-2.1 Islamic Financing and Related Assets			
Financings / Investment Receivables			
Murahaba		3,280,752	2,095,181
Musharaka		-	3,450,147
Diminishing Musharaka		424,000	200,000
Musawammah		943,000	-
		4,647,752	5,745,328
A-2.2 Contingencies and commitments			
Guarantees favoring			
- Government		-	-
- Banking companies and other financial institutions		-	-
- Others		1,349,223	350,000
Commitments in respect of forward exchange contracts			
Forward exchange contracts with State Bank of Pakistan, banks and other institutions		-	-
- Sale		-	-
- Purchase		471,961	251,297

Emaan Islamic Banking Business

for the year ended December 31, 2015

Annexure - II

	Note	2015	2014
		Rupees in '000	
B) REMUNERATION TO SHARIA ADVISOR / BOARD		4,536	2,623
C) During the year no charity was credited to Charity Fund Account nor any payment made out of it.			
D) PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2015			
Profit / return earned on financings, investments and placements		306,389	708,063
Return on deposits and others dues expensed		(326,480)	(316,425)
Net spread earned		(20,091)	391,638
Other Income			
Fees, commission and brokerage income		9,932	13,439
(Loss) / income from dealing in foreign currencies		3,739	1,593
Gain on sale of securities		10	11,965
Other income		3,124	1,285
Total other income		16,805	28,282
		(3,286)	419,920
Other Expenses			
Administrative expenses		(290,432)	(242,541)
Other charges	31	-	(33)
(Loss) / profit before taxation		(290,432)	(242,574)
		(293,718)	177,346
E) DISCLOSURES			

The number and nature of pools maintained by the IBD along with their key features and risk and reward characteristics are as follows:

Emaan Islamic Banking, the Islamic Banking Division (IBD) of Silkbank Limited, has a well-defined profit and loss distribution and pool management framework for creation of one or more pools of assets to be financed by different types of deposits. Currently, the IBD has the policy of maintaining a single Mudaraba Pool. All funds obtained through Islamic Banking operations are being invested in this Common Mudaraba Pool. The key features and risk / reward features of the same are given below:

Key Features

The Account Holder, in his capacity as the fund provider (called Rabbul Mal in Fiqh terminology) authorises the IBD acting as the Investment manager (called Mudarib in Fiqh terminology) to invest the Account Holder's funds on the basis of an unrestricted Mudaraba agreement in line with rules and principles of Shari'a.

Under the unrestricted Mudaraba agreement, the IBD in its capacity as the fund manager invests the funds accepted from Account Holders in Shari'a compliant financing and investments. The IBD receives a pre-agreed percentage (Mudarib Share) of the profit generated from these activities.

In line with the principles of commingling Modaraba, where the Mudarib is permitted to commingle its own funds with the funds received on the basis of the Modaraba, and to comply with the regulations of the SBP on creation of an Islamic Banking

Emaan Islamic Banking Business

for the year ended December 31, 2015

Fund (the "IBF"), Silkbanks has created an Islamic Banking Fund of Rs. 1,325 million and deposited the same in its common Modaraba pool.

Risk and Reward Characteristics

The profit is shared between the Rabbul Mal and the Mudarib as per the agreed ratio, while the loss, if any, is borne by the Rabbul Mal in proportion to his invested amount unless the Mudarib is found to be negligent or in breach of the terms and conditions of the Mudaraba Agreement.

In case of commingling of the Mudarib's own funds with the funds of the Account Holders, the Mudarib shall get the full profit of its own funds and bear the entire loss thereof.

Profit (or loss) for the Account Holder is calculated on the basis of a weightage system which takes into consideration the size of funds, its period and profit payment frequency (details of the weightages are available in all the branches and Silkbanks website). The bigger the size of the fund and the longer the tenor, the higher would be the weightage allocated to the fund for profit distribution.

Avenues / sectors of economy / business where Modaraba based deposits have been deployed.

Madaraba based funds have been deployed to diversified sectors and avenues of the economy / business mainly to Government, Financial Institutions, Construction, Telecommunication, Manufacturing and Services sectors.

Parameters used for allocation of profit, charging expenses and provisions etc. along with a brief description of their major components

The profit of deposit pool is calculated on the earning assets booked by utilising the funds from the pool. No general or administrative nature of expense is charged to the pool. The profit of the pool is shared among the members of the pool on pre-defined mechanism based on the weightages announced before the profit calculation period.

Profit and Loss distribution in Common Mudaraba Pool

2015

General Depositors Pool	Madarib Share - net of Hiba and including the Mudarib Fee (000)	Madarib Share - net of Hiba and including the Mudarib Fee (%)	Amount of Mudarib share transferred to depositors through Hiba (000)	Net Madarib Share transferred to depositors through Hiba (%)	Profit Rate and Weightages announcement period	Madarib share transferred to depositors through Hiba (%)	Profit Rate earned (%)	Profit Rate distributed (%)
Common Mudaraba Pool	256,961	45.84%	17,589	6.85%	Monthly	6.41%	10.03%	6.32%

2014

General Depositors Pool	Madarib Share - net of Hiba and including the Mudarib Fee (000)	Madarib Share - net of Hiba and including the Mudarib Fee (%)	Amount of Mudarib share transferred to depositors through Hiba (000)	Net Madarib Share transferred to depositors through Hiba (%)	Profit Rate and Weightages announcement period	Madarib share transferred to depositors through Hiba (%)	Profit Rate earned (%)	Profit Rate distributed (%)
Common Mudaraba Pool	150,556	32.24%	35,834	23.80%	Monthly	19.23%	11.64%	8.18%

Highlights & Achievements

For the year ended
December 31, 2015





SILKBANK
Yes we can

Milestones and Achievements



Business Growth

- The Bank was successful in raising Rs. 10 billion in 2015 through the Rights Issue to become MCR and CAR compliant
- In order to manage the cost of funds, the Bank continued to consolidate the position by decreasing expensive deposits and replacing them with low cost deposits. Emaan banking also contributed towards the growth of a deposit base with a favorable CASA mix ratio and so support spreads



Consumer Banking

- The momentum in Personal Loans & Running Finance facility was maintained with a combined year end 2015 ENR of Rs. 8.56 billion vs. Rs. 6.9 billion in 2014
- Margin at Rs. 844 million vs. budget target of Rs. 718 million
- Non-Funded Income at Rs. 160 million against budget of Rs. 116 million

Credit Cards

- In 2015 Ending Net Receivable (ENR) registered a growth of 31% with ENR of Rs. 2.46 billion against Rs. 1.88 billion at the end of 2014
- Strong and aggressive growth in new cards acquisition. The total Cards in Force (CIF) stood at 65,575 as of December 31, 2015
- Discounts at key merchant outlets enhanced card presence, boosting Retail spend and building brand Image

Emaan Islamic Banking

- Deposit portfolio stands at Rs. 6.60 billion
- Deposit mix showed a positive improvement with CASA ratio increasing to 72%
- Financing portfolio stands at Rs. 4.6 billion
- LC and LG products launched and generated volume of Rs. 0.295 billion and Rs. 0.991 billion respectively





Alternate Delivery Channels

- Increase of VDC customer-base by **7,270** for the year 2015
- VDC Debit Card Retail Spending increased by **22.10%** to **Rs. 1.14 billion** in 2015
- ATM Transactions Volume increased by **12.69%** from **Rs. 13.37 billion** in 2014 to **Rs. 15.07 billion** in 2015
- ADC Services Enrollments for the Year:
 - SMS Enrollments: **15,867**
 - E-Statement Enrollments: **9,195**
 - Internet Banking Enrollments: **7,419**
 - Mobile Banking Enrollments: **9,114**



Investment Banking Group

- IBG spent most of 2015 working on internal corporate finance initiatives which culminated in the **Rs. 10 billion** Rights Issue
- At the same time it built a steady pipeline of debt and equity transactions to be concluded post capital issuance.
 - Already, one of those transactions has concluded, with more set to close in Q1 2016

Special Assets Management

- Total support to P&L account during period under review is **Rs. 1,968 million** and NPL reduction is **Rs. 2,166 million** against the budgeted amount of **Rs. 1,755 million** and **Rs. 1,537 million** for the year 2015 respectively
- SAM Team recovered a written off loan of **Rs. 4 million**
- The Real Estate Assets Management has also successfully sold various properties during the year 2015 worth **Rs. 819 million**

People Management

- Dedicated approximately **34,000 hours** to training
- Initiated programs through Computer Based Testing (CBT) and introduced e-Learning through a Digital Library
- Launched SilkClub for its employees, aimed at developing informal relationship to foster greater camaraderie and teamwork amongst staff
- Automated the hiring process to reduce the turnaround time and cost



Customer Service & Quality

The Mystery Shopping Programme score, a nationwide independent survey of customer frontline experience in top banks of Pakistan, stands at **92%**

Productivity

- Rent rationalization contributed towards a **7% save** against the budget
- Process re-engineering led to head count saves in Bank operations
- Utility expense saves through energy efficiency, solar initiatives and ongoing monitoring

Operations and Technology

- Enhancements in SilkMobile App
- Verified by Visa for Credit Cards
- Data Center Establishment and Transition to Centrepoint
- Biometric Verification System for account opening
- Training Management System
- Contractual Staff Management System



Fulfilling our Responsibility



Responsibility

Silkbank remains committed to its social responsibility towards the society it operates in. We continued to participate in community activities specially in the areas of health and education.

Pakistan Navy & Engineering College (NUST)

Recently Silkbank supported the "GREEN BUILDING COMPETITION" at NUST. The initiative was aimed at inviting students from across the country to bring their unique and versatile ideas in the field of renewable energy, as well as towards building energy efficient and environmentally friendly solutions. The event was well attended and provided the necessary exposure to a new wave of thinkers and innovators.



Karachi Women's Swimming Association

Silkbank in its quest to support and promote sports across the country, sponsored the Karachi Women's Swimming Championship held at Karachi Gymkhana in 2015.



The Distinguished Secretaries' Society of Pakistan (DSSP)

The Distinguished Secretaries' Society of Pakistan (DSSP) was established in 1971 for Lady Secretaries serving at senior positions in private, corporate and multinational companies. Silkbank supported and honored the recent 44th Anniversary Gala of the DSSP, recognizing the society and its members.



HR Metrics

Silkbank believes that development of human resource is integral to the sustainable growth of corporates, providing better opportunities for success. In this regard, Silkbank supported a conference on "Strengthening Human Governance for Sustainable Ease of Doing Business Index in Pakistan" in 2015.



The Patients Aid Foundation

The Patient Aid Foundation aims at providing funding for medical tests, scans and medicines free of cost to the under-privileged patients. Silkbank supported the Patient Aid Foundation charity event aimed at fund raising for the cause of the poor patients.



Lahore Garrison Golf & Country Club

Silkbank participated in the All Pakistan Garrison Open Golf Tournament at the Lahore Garrison Golf & Country Club, which credited to be a huge success.



IBA Alumni Homecoming Dinner

The Institute of Business Administration is a prominent Business School in Karachi. Established in 1955 in collaboration with the Wharton School, it was the first business school in Asia set up on the US-MBA model. Silkbank supported this educational institution by supporting the IBA Alumni Homecoming dinner which served as an opportunity to foster networking between the Alumni and the corporate sector.



The Defining Decades - Fashion Show

Greenwich University has a long established tradition of providing students with challenges and opportunities. This festival was one of the series of events that students organize from the university platform. Silkbank contributed to this cause which was a display of different cultures & countries brought under one roof.



Pakistan National Model United Nations'15



Silkbank enthusiastically supports education and the extracurricular activities associated with it. Silkbank recently participated in the Model United Nations Conference which aimed at educating participants about current events and topics in international relations, diplomacy and the United Nations agenda in 2015.

Silkbank All Sindh Youth & Junior Boxing Tournament

Silkbank contributed towards the promotion of boxing by sponsoring the All Sindh Youth & Junior Boxing Tournament in Lyari. The tournament invited young boxers from all over Sindh. Silkbank provided these boxers a platform to demonstrate their talent.



Basant & Spring Gala

Defence Authority Country & Golf Club organized a Basant & Spring Gala 2015. To welcome the colors of spring, Silkbank sponsored the event which was a great success and was attended by more than 5000 people from the city.



Shareholding Information

For the year ended
December 31, 2015





Additional Shareholders' Information

as at December 31, 2015

COMBINED PATTERN OF CDC & PHYSICAL SHAREHOLDINGS AS AT DECEMBER 31, 2015

No.	Categories/Sub-Categories of Shareholders	Number of Shares Held	Category-Wise No. of Folios/ CDC	Category-Wise Shares Held	Percentage
01	DIRECTORS AND THEIR SPOUSE(S) AND MINOR CHILDREN		8	123,061,705	1.58%
	Mr. Munnawar Hamid, QBE	12,574			
	Mr. Adnan Afzidi	1,000			
	Mr. Khalid Aziz Mirza	500			
	Mr. Sadeq Sayeed	102,817,019			
	Mr. Tariq Iqbal Khan	16,997			
	Mr. Shamsul Hasan	500			
	Mr. Azmat Tarin	20,013,115			
	Farah Naz Tarin w/o Mr. Azmat Tarin	200,000			
02	ASSOCIATED COMPANIES, UNDERTAKING AND RELATED PARTIES		7	6,336,329,270	81.24%
	Arif Habib Corporation Limited	2,563,901,924			32.87%
	International Finance Corporation	702,689,067			9.01%
	Nomura European Investment Limited	356,676,342			4.57%
	Bank Muscat S.A.O.G	315,776,969			4.05%
	Mr. Zulqarnain Nawaz Chattha	678,126,000			8.69%
	Mr. Zubair Nawaz Chattha	415,626,000			5.33%
	* Mr. Shaukat Tarin	1,303,532,968			16.71%
03	EXECUTIVES		33	50,196,091	0.64
04	PUBLIC SECTOR COMPANIES AND CORPORATIONS		6	25,070,152	0.32
05	BANKS, DEVELOPMENT FINANCE INSTITUTIONS, NON-BANKING FINANCE COMPANIES, INSURANCE COMPANIES, TAKAFUL, MODARABAS AND PENSION FUNDS		10	1,821,778	0.02
06	MUTUAL FUNDS		2	25,130,417	0.32
07	FOREIGN COMPANIES		3	23,266,676	0.30
08	GENERAL PUBLIC - Foreign		8	5,021,054	0.06
09	GENERAL PUBLIC - Local		7,601	616,513,248	7.90
10	OTHERS		102	593,399,564	7.61
	TOTAL		7,780	7,799,809,955	100
	SHAREHOLDERS HOLDING TEN PERCENT OR MORE VOTING INTEREST IN THE LISTED COMPANY				
	TOTAL PAID-UP CAPITAL OF THE BANK	7,799,809,955 shares			
	10% OF THE PAID-UP CAPITAL OF THE BANK	779,980,995.50 shares			
	NAME(S) OF SHAREHOLDER(S)		NO. OF SHARES HELD	PERCENTAGE	
	Arif Habib Corporation Limited	2,563,901,924		32.87%	
	International Finance Corporation	702,689,067		9.01%	
	Nomura European Investment Limited	356,676,342		4.57%	
	Bank Muscat S.A.O.G	315,776,969		4.05%	
	Mr. Zulqarnain Nawaz Chattha	678,126,000		8.69%	
	Mr. Zubair Nawaz Chattha	415,626,000		5.33%	
	* Mr. Shaukat Tarin	1,303,532,968		16.71%	

*In terms of Board Resolution dated December 10, 2015, Mr. Shaukat Tarin has further transferred 299,441,176 shares of the Bank to individuals, not falling within the category of sponsors of the Bank. The current shareholding of Mr. Shaukat Tarin in the Bank is 1,106,091,792 shares. These shares include one hundred and two million (102,000,000) shares of Mr. Shaukat Tarin placed with Pearl Securities Limited.

Pattern of Shareholding

as at December 31, 2015

No. of Shareholders	Shareholdings' Slab	Total Shares Held
502	1 to 100	14,178
685	101 to 500	269,598
637	501 to 1000	590,496
1788	1001 to 5000	5,596,695
970	5001 to 10000	8,051,115
384	10001 to 15000	4,947,620
403	15001 to 20000	7,426,369
287	20001 to 25000	6,724,998
163	25001 to 30000	4,638,433
148	30001 to 35000	4,943,433
104	35001 to 40000	3,995,739
67	40001 to 45000	2,872,718
207	45001 to 50000	10,259,884
59	50001 to 55000	3,074,693
54	55001 to 60000	3,145,883
42	60001 to 65000	2,668,248
64	65001 to 70000	4,396,999
41	70001 to 75000	3,046,118
22	75001 to 80000	1,724,648
45	80001 to 85000	3,771,219
16	85001 to 90000	1,417,944
12	90001 to 95000	1,123,060
186	95001 to 100000	18,567,722
36	100001 to 105000	3,676,155
17	105001 to 110000	1,839,333
21	110001 to 115000	2,366,277
27	115001 to 120000	3,221,777
21	120001 to 125000	2,596,991
16	125001 to 130000	2,050,990
12	130001 to 135000	1,598,146
27	135001 to 140000	3,721,093
2	140001 to 145000	289,000
33	145001 to 150000	4,930,866
10	150001 to 155000	1,529,607
8	155001 to 160000	1,267,050
4	160001 to 165000	659,000
28	165001 to 170000	4,738,381
9	170001 to 175000	1,571,644
14	175001 to 180000	2,488,051
5	180001 to 185000	913,442
5	185001 to 190000	946,653
7	190001 to 195000	1,344,674
56	195001 to 200000	11,192,000
18	200001 to 205000	3,648,508
9	205001 to 210000	1,870,348
7	210001 to 215000	1,492,490

No. of Shareholders	Shareholdings' Slab	Total Shares Held
11	215001 to 220000	2,399,188
7	220001 to 225000	1,573,778
6	225001 to 230000	1,371,306
3	230001 to 235000	703,490
9	235001 to 240000	2,150,718
3	240001 to 245000	731,925
17	245001 to 250000	4,242,900
3	250001 to 255000	760,010
5	255001 to 260000	1,285,545
3	260001 to 265000	794,000
5	265001 to 270000	1,341,589
5	270001 to 275000	1,371,601
8	275001 to 280000	2,227,982
3	280001 to 285000	843,950
6	285001 to 290000	1,730,586
5	290001 to 295000	1,461,860
26	295001 to 300000	7,791,480
1	300001 to 305000	302,321
4	305001 to 310000	1,232,509
1	310001 to 315000	312,891
2	315001 to 320000	640,000
2	320001 to 325000	648,919
3	325001 to 330000	982,389
1	330001 to 335000	334,000
19	335001 to 340000	6,456,286
3	340001 to 345000	1,030,469
11	345001 to 350000	3,840,230
4	350001 to 355000	1,410,215
2	355001 to 360000	717,595
1	365001 to 370000	366,013
1	380001 to 385000	382,928
1	385001 to 390000	390,000
11	395001 to 400000	4,400,000
2	400001 to 405000	805,696
1	405001 to 410000	405,500
1	415001 to 420000	417,500
3	420001 to 425000	1,271,382
2	425001 to 430000	858,279
1	430001 to 435000	435,000
3	445001 to 450000	1,350,000
3	450001 to 455000	1,360,231
3	455001 to 460000	1,373,357
1	460001 to 465000	462,377
1	465001 to 470000	470,000
2	470001 to 475000	947,517
1	475001 to 480000	480,000

Pattern of Shareholding

as at December 31, 2015

No. of Shareholders	Shareholdings' Slab		Total Shares Held
3	485001 to	490000	1,461,650
3	490001 to	495000	1,480,773
33	495001 to	500000	16,489,984
2	500001 to	505000	1,007,811
9	505001 to	510000	4,585,971
3	515001 to	520000	1,552,282
4	520001 to	525000	2,100,000
1	525001 to	530000	530,000
2	545001 to	550000	1,096,000
2	550001 to	555000	1,103,108
2	555001 to	560000	1,117,125
1	560001 to	565000	563,000
2	565001 to	570000	1,137,136
2	570001 to	575000	1,145,992
2	575001 to	580000	1,153,982
2	585001 to	590000	1,177,110
9	595001 to	600000	5,396,445
1	600001 to	605000	604,102
1	630001 to	635000	633,000
2	640001 to	645000	1,282,080
4	645001 to	650000	2,595,886
1	650001 to	655000	653,823
1	655001 to	660000	658,233
1	670001 to	675000	670,005
10	675001 to	680000	6,798,920
1	685001 to	690000	689,000
1	690001 to	695000	693,233
5	695001 to	700000	3,500,000
1	700001 to	705000	702,500
1	705001 to	710000	710,000
1	730001 to	735000	730,871
1	765001 to	770000	765,744
1	770001 to	775000	774,980
1	785001 to	790000	790,000
1	790001 to	795000	795,000
2	795001 to	800000	1,600,000
1	825001 to	830000	826,000
1	835001 to	840000	840,000
1	840001 to	845000	843,051
1	850001 to	855000	850,829
1	870001 to	875000	873,500
1	875001 to	880000	879,881
3	895001 to	900000	2,700,000
2	900001 to	905000	1,805,201
1	905001 to	910000	905,232
1	920001 to	925000	924,229

No. of Shareholders	Shareholdings' Slab		Total Shares Held
1	930001 to	935000	934,835
1	935001 to	940000	939,000
1	955001 to	960000	956,699
1	965001 to	970000	969,000
1	970001 to	975000	974,717
1	980001 to	985000	980,866
8	995001 to	1000000	7,997,781
1	1000001 to	1005000	1,001,500
3	1015001 to	1020000	3,059,640
2	1020001 to	1025000	2,050,000
1	1025001 to	1030000	1,030,000
1	1050001 to	1055000	1,055,000
1	1060001 to	1065000	1,063,759
2	1095001 to	1100000	2,200,000
1	1110001 to	1115000	1,111,041
1	1170001 to	1175000	1,173,481
1	1195001 to	1200000	1,200,000
2	1200001 to	1205000	2,405,276
1	1245001 to	1250000	1,250,000
1	1255001 to	1260000	1,257,445
1	1320001 to	1325000	1,325,000
2	1345001 to	1350000	2,696,905
2	1355001 to	1360000	2,719,525
1	1375001 to	1380000	1,380,000
2	1395001 to	1400000	2,797,161
2	1435001 to	1440000	2,879,581
1	1460001 to	1465000	1,461,743
3	1495001 to	1500000	4,500,000
1	1500001 to	1505000	1,500,100
1	1515001 to	1520000	1,516,727
1	1520001 to	1525000	1,525,000
1	1540001 to	1545000	1,543,529
1	1545001 to	1550000	1,550,000
1	1550001 to	1555000	1,552,921
1	1570001 to	1575000	1,572,920
1	1595001 to	1600000	1,600,000
1	1615001 to	1620000	1,619,970
2	1645001 to	1650000	3,300,000
1	1650001 to	1655000	1,650,691
3	1695001 to	1700000	5,099,701
1	1700001 to	1705000	1,700,022
1	1730001 to	1735000	1,733,663
1	1740001 to	1745000	1,740,492
2	1745001 to	1750000	3,497,116
1	1810001 to	1815000	1,810,788
1	1865001 to	1870000	1,869,671

No. of Shareholders	Shareholdings' Slab		Total Shares Held
1	1950001	to 1955000	1,954,656
1	1955001	to 1960000	1,957,402
1	1965001	to 1970000	1,965,500
4	1995001	to 2000000	8,000,000
1	2005001	to 2010000	2,010,000
1	2010001	to 2015000	2,015,000
1	2020001	to 2025000	2,025,000
1	2075001	to 2080000	2,077,599
2	2100001	to 2105000	4,208,000
1	2280001	to 2285000	2,282,046
1	2345001	to 2350000	2,345,056
1	2395001	to 2400000	2,399,402
2	2400001	to 2405000	4,800,023
1	2410001	to 2415000	2,410,176
1	2545001	to 2550000	2,549,552
1	2645001	to 2650000	2,650,000
1	2725001	to 2730000	2,726,500
1	2770001	to 2775000	2,770,500
1	2860001	to 2865000	2,863,153
1	2990001	to 2995000	2,991,000
1	3125001	to 3130000	3,127,002
1	3295001	to 3300000	3,300,000
1	3395001	to 3400000	3,399,603
1	3560001	to 3565000	3,565,000
1	3580001	to 3585000	3,581,000
1	3750001	to 3755000	3,751,334
1	3835001	to 3840000	3,836,147
1	3880001	to 3885000	3,881,000
1	3995001	to 4000000	4,000,000
1	4065001	to 4070000	4,065,500
1	4245001	to 4250000	4,250,000
1	4280001	to 4285000	4,280,918
4	4995001	to 5000000	20,000,000
1	5010001	to 5015000	5,012,419
1	5155001	to 5160000	5,157,638
1	5235001	to 5240000	5,235,500
1	5315001	to 5320000	5,320,000
1	5555001	to 5560000	5,558,000
1	5620001	to 5625000	5,621,089
1	6175001	to 6180000	6,176,082
1	6215001	to 6220000	6,217,507
1	6280001	to 6285000	6,283,209
1	6440001	to 6445000	6,442,945
2	6595001	to 6600000	13,196,715
1	6710001	to 6715000	6,713,173
1	6835001	to 6840000	6,838,154

No. of Shareholders	Shareholdings' Slab		Total Shares Held
1	6960001	to 6965000	6,963,676
1	6995001	to 7000000	7,000,000
1	7260001	to 7265000	7,261,124
1	7365001	to 7370000	7,366,000
1	7720001	to 7725000	7,722,950
1	8185001	to 8190000	8,188,500
1	9170001	to 9175000	9,174,000
1	10020001	to 10025000	10,025,000
1	10285001	to 10290000	10,288,500
1	11780001	to 11785000	11,782,500
1	12540001	to 12545000	12,543,796
1	12925001	to 12930000	12,927,719
1	13170001	to 13175000	13,174,061
1	16465001	to 16470000	16,467,577
1	16870001	to 16875000	16,870,500
1	19995001	to 20000000	20,000,000
1	20880001	to 20885000	20,880,417
1	21590001	to 21595000	21,591,795
1	22185001	to 22190000	22,187,000
1	23195001	to 23200000	23,200,000
1	23795001	to 23800000	23,797,288
1	30780001	to 30785000	30,781,500
1	34290001	to 34295000	34,294,029
1	36225001	to 36230000	36,228,668
1	53020001	to 53025000	53,020,288
1	77335001	to 77340000	77,335,346
1	86345001	to 86350000	86,349,442
1	101995001	to 102000000	102,000,000
1	108635001	to 108640000	108,637,307
1	135110001	to 135115000	135,110,634
1	252060001	to 252065000	252,061,010
1	253995001	to 254000000	254,000,000
1	315775001	to 315780000	315,776,969
1	319995001	to 320000000	320,000,000
1	356675001	to 356680000	356,676,342
1	381935001	to 381940000	381,939,793
1	415625001	to 415630000	415,626,000
1	678125001	to 678130000	678,126,000
1	702685001	to 702690000	702,689,067
1	2563900001	to 2563905000	2,563,901,924
7,780			7,799,809,955

Branch Network

PRIORITY BANKING

Shahbaz Khan
Head of Priority Banking
 Sibbank Limited Building No. GPC
 10, Block 5, Clifton, Near BBO
 Tonight, Karachi
 Tel: (021) 35148235
 Fax: (021) 35301923

Tahir Mirza
Area/Branch Manager
 Bahadurabad Branch, Ground Floor,
 ZN Tower, Plot No. 106, Bahadur
 Yar Jung Co-operative Housing
 Society, Block-3, K.C.H.S., Union
 Limited, Bahadurabad, Karachi.
 Tel: (021) 34893377
 (021) 34123416-20
 Fax: (021) 34145182

Asghar Ali
Branch Manager
 Building No: GPC 10, Block 5, Clifton,
 Near BBO Tonight, Karachi
 Tel: (021) 35301912
 (021) 35301905
 (021) 35301909
 Fax: (021) 35301923

Sana Butt
Area/Branch Manager
 Defence Branch, Property No. 39/C,
 Shahbaz Commercial Area,
 Khayaban-e-Shahbaz Phase-VI,
 D-H.A., Karachi.
 Tel: (021) 35844001
 (021) 35341145-47
 Fax: (021) 35844002

Syed Ahtisham Tirmizi
Branch Manager
 26th Street Branch,
 Plot No. 23-C, Street 37,
 Taubid Commercial Area,
 Phase-V, D.H.A., Karachi.
 Tel: (021) 35871492
 (021) 35871524
 Fax: (021) 35871540

Ch. Zafar Iqbal
Branch Manager
 Khalid Bin Waleed Plaza Branch
 Shop No. 1, 2, 3 & 4,
 Plot No. 15/A, Khalid Bin Waleed
 Road/Allama Iqbal Road,
 Block 2, P.E.C.H.S., Karachi.
 Tel: (021) 34065265
 (021) 34065521-23
 Fax: (021) 34065324

Muhammad Khalid Choudhry
Branch Manager
 M. A. Jinnah Road Branch.
 Plot No. 40, Sheet No. 7,
 Situated on Serial Quarters,
 Off, M. A. Jinnah Road, Karachi.
 Tel: (021) 32601308-08
 Fax: (021) 32601310

Muhammad Ali Chughtai
Area/Branch Manager
 Defence Branch
 320, Block-Z, Commercial Area,
 Phase-III, Lahore.
 Tel: (042) 35693080
 (042) 35693830-33
 Fax: (042) 35693010

Kibria Sana
Branch Manager
 F-7 Merkaz Branch, Building
 No. 13-L, F-7 Merkaz, Islamabad.
 Tel: (051) 2608116
 (051) 2608075
 (051) 2608077-79
 Fax: (051) 2653987

Sajid Hassan Khan
Area/Branch Manager
 Rawalpindi Main Branch,
 Aslam Plaza, 60 Main Adamjee
 Road, Saddar, Rawalpindi Cantt.
 Tel: (051) 5794165
 (051) 5512104-6
 Fax: (051) 5524560

ISLAMIC BANKING

Sohail Rana Janjus
Branch Manager
 Shahrah-e-Faisal Branch,
 47-A, Dar-ul-Aman Housing Society,
 P.E.C.H.S., Block 7/B,
 Shahrah-e-Faisal, Karachi.
 Mobile: 0332-2432004
 Tel: (021) 34533106-8
 (021) 34523099
 (021) 34521766
 Fax: (021) 34533110

Abdul Basit Siddiqui
Branch Manager
 Clifton Branch, Show Room No. 1,
 Plot No. D-69, Block 7, Clifton,
 Karachi.
 Mobile: 0333-2136900
 Tel: (021) 35371841-42
 Fax: (021) 35371839

Anjum Rafiq
Branch Manager
 Madina Town Branch,
 8C-Z-101, Susan Road,
 Madina Town, Faisalabad
 Mobile: 0300-8668591
 Tel: (041) 8553411-13
 (041) 8503416
 Fax: (041) 8503416

Muhammad Keleem Sabir
Area Manager
 T-Block, D.H.A. 88 Sector CCA,
 Block T, Phase-II C.D.H.A.,
 Lahore.
 Mobile: 0332-4#(2020)
 Tel: (042) 35748849
 (042) 35748850
 (042) 35707636
 Fax: (042) 35707637

Khawaja Mansoor
Branch Manager
 Gulberg Mini Market, Q Block
 6-Q Block, Gulberg-II, Lahore.
 Mobile: 0321-8463963
 Tel: (042) 35751536-7
 (042) 35752855
 Fax: (042) 35764078

Sonia Usman
Branch Manager
 F-8 Merkaz Branch, Plot No. 18-C,
 Kaghan Road, Islamabad.
 Mobile: D302-5001500
 Tel: (051) 2287450
 (051) 2287455-57
 Fax: (051) 2287454

Mohsin Ali
Branch Manager
 Chaklala Scheme 3 Branch,
 Plot No. 48, Commercial Area
 Chaklala Scheme-III, Rawalpindi.

Mobile: 0331-5049497
 Tel: (051) 5766147
 (051) 5766151-52
 (051) 5153953
 Fax: (051) 5766150

Kamran Mehbboob
Branch Manager
 Quetta Branch, M. A. Jinnah Road,
 Quetta.
 Mobile: 0333-7842350
 Tel: (081) 2866201-03
 Fax: (081) 2866204

Gao Basharat ul-Haq
Branch Manager
 Abbottabad Branch,
 Plot No. 7B3, Opp. Daeewon
 Terminal, Mandan, Manshera Road,
 Abbottabad, KPK.
 Mobile: 0345-9553384
 Dir.: (0992) 385975,
 PABX: (0992) 385978-79
 Fax: (0992) 385976

Ataeb Hamid
Branch Manager
 Mardan Branch,
 Silksbank Building, Mall Road,
 Sadar Bazaar, Mardan.
 Mobile: 0334-1818111
 Tel: (0937) 867555
 (0937) 867554
 (0937) 867485
 Dir.: (0937) 867557
 Fax: (0937) 867556

KARACHI REGION

Asad Humayun
Regional General Manager
 100-C, 11th Commercial Street,
 Main Khayaban-e-Itehad,
 Phase-II Ext. D.H.A., Karachi.
 Tel: (021) 35312131
 (021) 35312044 (Ext. 215)

Muhammad Akmal Nasirin
Area Manager
 Karachi Main Branch, Samia Tower,
 I.I. Chundrigar Road, Karachi.
 Tel: (021) 32275243,
 11-00-7455 (Ext. 102)
 Fax: (021) 32275245

Syed Faithi Haider Burney
Area Manager
 Korangi Road Branch, Plot No. 6-C
 A-Commercial Market, D.H.A.,
 Phase-II, Main Korangi Road,
 Karachi.
 Tel: (021) 35388021
 (021) 35388018-20
 Fax: (021) 35004342

Shoukat Ali
Branch Manager
 Korangi Industrial Area Branch,
 Plot No. 25/I, Sector 23, Korangi
 Industrial Area, Near Suzuki South,
 Karachi.
 Tel: (021) 35067201
 (021) 35067215
 (021) 35067205
 (021) 35067275
 Fax: (021) 35067201

Shahzad A. Durrami
Branch Manager
 Quetta Branch, Pindora Building,
 Jinnah Road, Quetta
 Tel: (081) 2824061
 (081) 2221773

Mehboob Afridi
Area Manager
 Khayaban-e-Itehad Branch
 100-C, 11th Commercial Street,
 Main Khayaban-e-Itehad,
 Phase-II Ext. D.H.A., Karachi.
 Tel: (021) 35312144
 (021) 35312044 (Ext. 207)

Vajihah Ahsan Nagi
Branch Manager
 D.H.A. Phase-IV Branch
 93-E, 9th Commercial Street,
 Phase-IV, D.H.A., Karachi.
 Tel: (021) 35313012
 Fax: (021) 35301114

Muhammad Abid
Branch Manager
 Hyderabad Branch, F-17, Badri
 Manzil, Opp. Old Cafe George,
 Rissa Road, Hyderabad
 Tel: (022) 2728570
 Fax: (022) 271192

Abu Tehseen
Branch Manager
 Gulshan-e-Iqbal Branch,
 Block 10/A, Saima Classic,
 Main Raftid Minhas Road,
 Gulshan-e-Iqbal, Karachi.
 Tel: (021) 34991139
 (021) 3499852-3
 Fax: (021) 3499854

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

Nadeem A. Khanzada
Branch Operation Manager
 University Road Branch,
 Plot No. B-9/10, Block 16,
 Main University Road, Karachi.
 Tel: (021) 34829500
 (021) 34829591
 Fax: (021) 34829583

Khurram Ali Malik
Area/Branch Manager
 Mirpur (Azad Kashmir) Branch,
 82-D, Allama Iqbal Road,
 Sector B-4, Mirpur, Azad Kashmir.
 Tel: (05827) 446415
 (05827) 446414
 (05827) 446559
 Fax: (05827) 445145

Saleem Ahmed Siddiqui
Branch Manager
 North Nazimabad Branch, Ajwa
 Residency, Showroom No. G-5/5,
 Ground Floor, Plot No. B-1, Block-L,
 North Nazimabad (Near Five Star
 Roundabout), Karachi.
 Tel: (021) 36643280
 (021) 36643275-76
 Fax: (021) 36643263

Sabirzada Muhammad Asif Afridi
Branch Manager
 Sohrab Goth Branch, Al-Aziz
 Square, Sohrab Goth, Karachi.
 Tel: (021) 36340974
 (021) 36342889
 (021) 36345827
 Fax: (021) 36343704

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

Zahid Hussain
Branch Manager
 Port Qasim Branch, Plot No. CP
 2/6/1, Commercial Area, Port
 Operation Zone, Port Qasim, Karachi.
 Tel: (021) 34750242
 (021) 34750240

Pervaiz Khan
Branch Manager
 F-8 Area Branch, Plot No. C-31/A,
 Ground Floor, Block 6, F-8 Area,
 K.D.A. Scheme 16, Karachi.
 Tel: (021) 36342895
 (021) 36342905-6
 Fax: (021) 36342804

Mahmood Ahmed
Branch Manager
 Jidda Bazar Branch, 6/1B Vinay
 Street, Jidda Bazar, Karachi.
 Tel: (021) 32436915
 (021) 32446386
 Fax: (021) 32441049

Muhammad Asmir Kabir
Acting Branch Manager
 Cloth Market Branch, Khawlsia
 Building, Fakhre Mai Road,
 Cloth Market, Kharadar, Karachi.
 Tel: (021) 32201908
 (021) 32201042
 Fax: (021) 32201860

ISLAMABAD REGION

Syed Qasim Rizvi
Regional General Manager
 13-L, F-7 Merkaz, Islamabad
 Tel: (051) 27202102
 (057) 2613546
 Fax: (057) 2613486

Muhammad Farooq Sarwar
Area/Branch Manager
 Islamabad Main Branch, 83-Bazaz
 Sharif Plaza, Blue Areas, Islamabad.
 Tel: (051) 3244663
 (051) 3244662
 (051) 2802081-05
 Fax: (051) 3244854

Asad Sajjad
Area/Branch Manager
 Peshawar Main Branch, Lumsy
 Arcade, 1-C, Pakhane-e-Alam Road,
 Peshawar Cantt.
 Tel: (091) 5278290
 (091) 5278122
 (091) 5278938
 Fax: (091) 527614

Khurram Ali Malik
Area/Branch Manager
 Mirpur (Azad Kashmir) Branch,
 82-D, Allama Iqbal Road,
 Sector B-4, Mirpur, Azad Kashmir.
 Tel: (05827) 446415
 (05827) 446414
 (05827) 446559
 Fax: (05827) 445145

Muhammad Bilal Zahoor
Branch Manager
 Jhang Branch, Plot No. B, Pzswl
 Plaza, G.T. Square,
 Jhang City, Jhang.
 Tel: (0544) 624971
 (0544) 623973-75
 Fax: (0544) 623976

Abdul Haseeb Jan
Branch Manager
 Khayber Bazar Branch, Haji Khan
 Building, Sultamo Square,
 Khayber Bazar, Peshawar.
 Tel: (091) 9213883
 (091) 2552102
 Fax: (091) 2552481

Khurram Hanif
Area/Branch Manager
 I-8 Merkaz Branch, Plot No. 6,
 Junaid Plaza, Sector 18 Merkaz,
 Islamabad.
 Tel: (051) 4861302-4
 (051) 4102163
 Fax: (051) 4861300

Fakhar Uddin Siddiqui
Branch Manager
 F-11 Merkaz Branch, Plot No. 25-D,
 F-11 Merkaz, Islamabad.
 Tel: (051) 2228170
 (051) 2228169
 (051) 2228005-06
 Fax: (051) 2210587

Tahir Ayub Khan
Branch Manager
 G-9 Merkaz Branch, 4-B Karachi
 Company, G-9 Merkaz, Islamabad.
 Tel: (051) 2855826
 (051) 2855824-5
 Fax: (051) 2855827

Naveed Ajmal
Branch Manager
 Rawalpindi Satellite Town Branch,
 D-321, Fifth Road, Satellite Town,
 Rawalpindi.
 Tel: (051) 4850876
 (051) 4850679
 (061) 4850677
 Fax: (051) 4850674

Irfan Anwar
Branch Manager
 Attock Branch, B-2, Pleader Lane,
 Attock City, Tariq & District Attock.
 Tel: (057) 27202102
 (057) 2613546
 Fax: (057) 2613486

Zaheer Anwar Iqbal
Branch Manager
 Gujar Khan Branch, Ward No. 5,
 Main G.T. Road, Gujar Khan.
 Tel: (0513) 510026
 (0513) 512866-71
 Fax: (0613) 512872

Nafees Imtiaz
Branch Manager
 Dina Branch, Chaudhary Street,
 Manga Road, Dina.
 Tel: (0544) 635011
 (0544) 635013-16
 Fax: (0544) 636987

Muhammad Umer Sana
Branch Manager
 Raji Bazar Branch, C-235-36,
 Chemist Chowk, Bohar Bazar,
 Rawalpindi.
 Tel: (051) 5777600
 (051) 5777601
 Fax: (051) 5777608

Zainab Khan
Branch Manager
 E-11 Merkaz Branch, Plot No. 3,
 E-11 Merkaz, Islamabad.
 Tel: (051) 2228750
 (051) 2228745-48
 Fax: (051) 2228749

Atif Kamal
Branch Manager
 Dadyal Branch, Plot No. 315, Rajput
 Plaza, Main Rawalpindi Road, Off
 Old Tehsil Headquarter Hospital,
 Dadyal (AJK).
 Tel: (05827) 405741
 (05827) 465736-8
 Fax: (05827) 465739

Muhammad Bilal Zahoor
Branch Manager
 Jhang Branch, Plot No. B, Pzswl
 Plaza, G.T. Square,
 Jhang City, Jhang.
 Tel: (0544) 624971
 (0544) 623973-75
 Fax: (0544) 623976

Ammar Ahmed
Branch Manager
Westbridge Branch, Plot No. 488-491, Westridge Bazar Road, Westridge-1, Rawalpindi.
Tel: (051) 5491544
(051) 5491540-2
Fax: (051) 5491543

Asif Siddique Butt
Area/Branch Manager
Bahria Town Branch, Plot No. 81, Civic Centre, Bahria Town, Rawalpindi.
Tel: (051) 5731705
(051) 5731702-3
Fax: (051) 5731704

Naveed Qaiser
Branch Manager
Hazro Branch, Plot No. B-III, 382/A, Alah Wala Chowk, Circular Road, Mohallah Abdul Hazro.
Tel: (057) 2313286
(057) 2313292-94
Fax: (057) 2313295

LAHORE EAST

Muhammad Ahmad Khan Malik
Regional General Manager
Silbank House, 14-Egerton Road, Lahore.
Tel: (042) 36302317
Fax: (042) 36279272

Muhammad Naeem Dar
Area/Chief Manager
Main Branch, Silbank House, 14-Egerton Road, Lahore.
Tel: (042) 36309055
Fax: (042) 36279272

Sheikh Moeen Rafiq
Branch Manager
Peco Road Branch, 57-1, B/1 Township, Peco Road, Lahore.
Tel: (042) 35125404-6
(042) 35125400
(042) 35125401
Fax: (042) 35125403

Muhammad Azeem Akhtar
Branch Manager
Allama Iqbal Town Branch, 6-Hunza Block, Allama Iqbal Town, Lahore.
Tel: (042) 37809309
(042) 37809014-18
Fax: (042) 37805866

Ghulam Rasool
Branch Manager
Thokar Niaz Baig Branch, 7-B, Judicial Colony, Rawind Road, Thokar Niaz Baig, Lahore.
Tel: (042) 35314045-46
(042) 35314049
Fax: (042) 35314048

Muhammad Ahmed Khan Malik
Area/Branch Manager
Shadman Town Branch, 119-A, Colony No. 1, Shadman Town, Lahore.
Tel: (042) 37420045-47
(042) 37420095
Fax: (042) 37420048

Muhammad Ghulran
Area/Branch Manager
Kotwal Road Branch, Kotwal Road, Faisalabad.
Tel: (041) 2619973
(041) 2643604
Fax: (041) 2819984

Nadeem Alfai
Branch Manager
Sheikhupura Branch, Shan Plaza, Main Lahore -Sargodha Road, Sheikhupura.
Tel: (056) 3813529
(056) 3812665
Fax: (056) 3810059

Saeed Ahmed Khan Niazi
Branch Manager
Sargodha Branch, Khayyam Chowk, Gulberg Park, Sargodha.
Tel: (048) 3768101-2
Fax: (048) 3768103

Waseem Ahmed Khan
Branch Manager
Johar Town Branch, Block 15, M. M. A. Johar Town, Lahore.
Tel: (042) 35240990-92
Fax: (042) 35240993

Umer Khan
Branch Manager
Shahalam Market Branch, 15-B, Shahalam Market, Lahore.
Tel: (042) 37376186
(042) 37376780-82
Fax: (042) 37376183

Mahmood A. Khan
Branch Manager (A)
Railwind Branch, Railway Road, Adjacent Red Chilli Restaurant, Railwind.
Tel: (042) 35393815
(042) 35393811-13
Fax: (042) 35393814

Liaquat Ali
Branch Manager
Pull-111 Branch (Sargodha), Pull-111, Sargodha/Faisalabad Road, Sargodha.
Tel: (048) 3791980-82
Fax: (048) 3791983

Mahmood A. Sheikh
Branch Manager
WAPDA Town Branch, 11-G, PIA Housing Society, (WAPDA Town Roundabout), Lahore.
Tel: (042) 35188525
(042) 35188520
Fax: (042) 35188527

Sheikh Ahmed Mumtaz
Branch Manager
Badami Bagh Branch, 203 Grain Market, Badami Bagh, Lahore.
Tel: (042) 37731353
Fax: (042) 37731355

Wasif Khalid Malik
Branch Manager
Circular Road Branch, 73, Circular Road, Lahore.
Tel: (042) 37658564
Fax: (042) 37673831

LAHORE WEST

Sardar Kamran Nakai
Regional General Manager
R. G. M. Office, 97-AID-1, PEC Building, Liberty Market, Gulberg, Lahore.
Mob: 0333-4211383
Tel: (042) 35878010-11
(042) 35784402
Fax: (042) 35878012

Nawazish Ali Hashmi
Branch Manager
Gujranwala Branch, Plot No 100 & 102, Mohallah Bhata Nagar, Near PSO Petrol Pump, G.T. Road, Gujranwala.
Tel: (055) 3250214
(055) 3731269
(055) 3856268-70
Fax: (055) 38562711

Nadeem Khawaja
Area/Branch Manager
Sialkot Branch, 70, Paris Road, Sialkot.
Tel: (052) 4266778
(052) 4597489
(052) 4597491
Fax: (052) 4589002

Shahzad Afzal
Branch Operation Manager
Gujrat Branch, B-17/1553-R-R, Near Eidgah Masjid, G. T. Road, Gujarat.
Tel: (053) 3531466
(053) 3536262
(053) 3535144
(053) 3531472
Fax: (053) 3531732

Ayesha Hameed
Branch Manager
Gulberg Branch, 97-AID-1, P. E. C. Building, Liberty Roundabout, Gulberg III, Lahore.
Tel: (042) 35878011-11
(042) 35878351
Fax: (042) 35878012

Tafurul Hamid
Area/Branch Manager
Garden Town Branch, Flat 1-4, Usman Block, New Garden Town, Lahore.
Tel: (042) 35940306-8
(042) 35940300
Fax: (042) 35940301

M. Taqi Raza
Branch Manager
Model Town Branch, 16, Bank Square Market, Model Town, Lahore.
Tel: (042) 35915580-81
(042) 35915587
Fax: (042) 35915583

Majid Aziz
Branch Manager
Mandi Bahauddin Branch, 7/40, Sultan Plaza, Chowk Bab-e-Faroog, Mandi Bahauddin.
Tel: (0546) 507060
(0546) 507054-55
Fax: (0546) 507059

All Bokhary
Branch Manager
Fortress Stadium Branch, 13, Bridge Shop, Fortress Stadium, Lahore Cantt, Lahore.
Tel: (042) 36623384-86
(042) 36623380
Fax: (042) 36623143

Ramiz Hassan Farooqui
Branch Manager
L-Block Gulberg Branch, 52-L, Gulberg-III, Kalma Chowk, Lahore.
Tel: (042) 35857131-33
(042) 35857245
Fax: (042) 35857262

Asif Kamal
Area/Branch Manager
Cavalry Ground Branch, 20-Commercial Area, Cavalry Ground, Lahore.
Tel: (042) 36610273-6
(042) 36610280
Fax: (042) 36610279

Imran Ejaz
Branch Manager
Batapur Branch, Main G.T. Road, Batapur Lahore Lines.
Tel: (042) 36580381-83
Dir: (042) 36580387
Fax: (042) 36580384

MULTAN REGION

Muhammad Raza Ali
Regional General Manager
10-A, Bosan Road, Gulgasht, Multan.
Tel: (061) 6750260
Fax: (061) 6750253

Amjad Altaf
Branch Manager
Bahawalpur Branch, Near Fawwara Chowk, Off: Ahmedpur East Road, Bahawalpur.
Tel: (062) 2876184
(062) 2877520-21
Fax: (062) 2877531

Afshan Noreen
Branch Manager
Dera Ghazi Khan Branch, Block 13, Hospital Chowk, Opp. DHO Hospital, Railway Road, Dera Ghazi Khan.
Tel: (064) 2466682
Fax: (064) 2466683

Rouf Jamal
Area Manager
Multan Branch, 10-A, Bosan Road, Gulgasht, Multan.
Tel: (061) 6750251
(061) 6750255
(061) 6750256
Fax: (061) 6750253

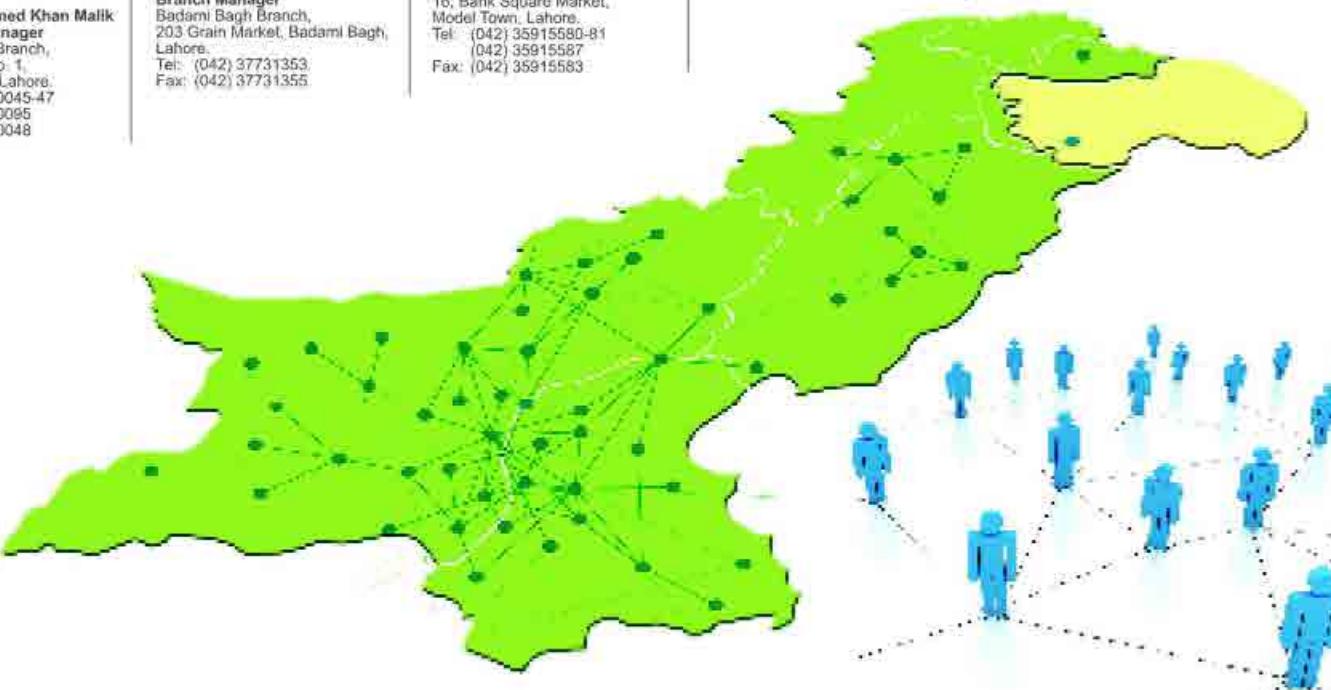
Zulfikar Ali Nasir
Branch Manager
Sahiwal Branch, Khasra No. 4998, Khawat No.07, Kharooni No. 07, Jail Road, Civil Lines, Sahiwal.
Tel: (040) 4222642
(040) 4224184
Fax: (040) 4222915

Adil Jatoi
Branch Manager
Sukkur Branch, Hussaini Road, Sukkur.
Tel: (071) 5619141-43
Fax: (071) 5619151

Muhammad Arif Irfan
Area Manager
Larkana Branch, Pakistan Chowk, Larkana.
Tel: (074) 4059499
Fax: (074) 4059599

Mustafa Haider
Branch Manager
Qasim Branch (Multan), 76, Qasim Road, S. P. Chowk, Multan.
Tel: (061) 4587711
Fax: (061) 4586880

Muhammad Akmal Abbasi
Branch Manager
Rahim Yar Khan Branch, 26-Shahi Road, Rahim Yar Khan.
Tel: (068) 5884345, 5881302
Fax: (068) 5879408



Foreign Correspondents

Afghanistan	Egypt	Deutsche Bank AG	Deutsche Bank AG
Habib Bank Ltd.	Mashreqbank PSC	Intesa Sanpaolo	Habib Bank Ltd.
Argentina	Al Baraka Bank Egypt	Mizuho Corporate Bank Ltd.	Royal Bank of Scotland
Royal Bank of Scotland		UniCredit Banca S.P.A.	BNP Paribas Fortis Netherland NV
Deutsche Bank AG		UniCredit Corporate Banking S.P.A.	
Australia		UBI Banca	
JP Morgan		Cassa di Risparmio in Bologna	Norway
Westpac Banking Corp.		Veneto Banca SCPA	Nordea Bank Norge ASA
Austria			DNB Nor Bank ASA
Royal Bank of Scotland			New Zealand
Raiffeisen Bank International AG			Westpac Banking Corporation
UniCredit Bank Austria			Oman
Deutsche Bank AG			Habib Bank Ltd.
Bahrain			Oman International Bank
Arab Investment Bank			Bank Muscat
Al Baraka Islamic Bank			Poland
BMI Bank B.S.C.			Nordea Bank Polska SA
Habib Bank Ltd.			Royal Bank of Scotland
United Bank Ltd			Deutsche Bank AG
National Bank of Pakistan			Philippines
Bangladesh			JP Morgan
Habib Bank Ltd.			Mizuho Corporate Bank
Bank Al Falah			Portugal
Belgium			Banco BPI SA
Habib Bank Ltd.			Deutsche Bank AG
Commerzbank AG			Qatar
KBC Bank N.V.			United Bank Limited
Fortis Bank S.A/N.V			Doha Bank
Royal Bank of Scotland			BNP Paribas Fortis Bank
Deutsche Bank AG			Mashreqbank PSC
Brazil			Romania
Deutsche Bank AG			Piraeus Bank
Bulgaria			Russia
Citibank N.A.			Citibank N.A.
United Bulgarian Bank			Commerzbank AG
Canada			Saudi Arabia
Habib Canadian Bank			JP Morgan
Royal Bank of Scotland			National Commercial Bank
China			Saudi Hollandi Bank
Agricultural Bank of China			Deutsche Bank AG
Commerzbank AG			Bank Muscat
Bank of Jiangsu Co Ltd.			National Bank of Pakistan
Bank of Communication			The Saudi British Bank
Royal Bank of Scotland			Singapore
Bank of China			Royal Bank of Scotland
China Construction Bank			Bank of America
China Everbright Bank			DBS Bank
Deutsche Bank AG			Commerzbank AG
Industrial and Comm'l Bank of China			Citibank N.A.
Leishang Bank Co. Ltd.			Habib Bank Ltd.
JP Morgan			J P Morgan
Sherzhen Development Bank Co. Ltd.			Mizuho Corporate Bank
Bank of New York Mellon			National Bank of Kuwait
Wells Fargo Bank N.A.			Rabo Bank
WestLB AG			Sumitomo Mitsui Banking Corporation
Czech Republic			Ltd.
Commerzbank AG			WestLB AG
Royal Bank of Scotland			UBAF
Denmark			South Africa
Danske Bank A/S			Habib Overseas Bank Ltd.
			HBZ Bank Ltd.
			FirstRand Bank

Serbia
UniCredit Bank AG

Slovakia
Commerzbank AG

Spain
Commerzbank
Fondi Bank S.A.
Banco Popular Espanol, S.A.
Bankinter SA
Caja Mediterraneo
Caja Espana de Inversiones
Caxia D'estalvis

Sri Lanka
Muslim Commercial Bank Ltd.
Deutsche Bank
Habib Bank Ltd.
Hatton National Bank

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

Switzerland
Banque Cantonale Vaudoise
Habib Bank AG Zurich

BNP Paribas
Credit Agricole (Suisse) SA
Habibsons Bank
Royal Bank of Scotland
United Bank AG
Citibank N.A.
Commerzbank AG
Deutsche Bank AG

Taiwan
Bank of New York
Bank of America
Deutsche Bank AG
Royal Bank of Scotland
JP Morgan
Wells Fargo Bank N.A.

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

Turkey
Royal Bank of Scotland
Habib Bank Ltd
Deutsche Bank AG
Turkiye Vakiflar Bankasi T.A.O
Turkiye Garanti Bankasi AS
Turk Ekonomi Bankasi AS

U.A.E.
Citibank N.A.
Dubai Islamic Bank
Deutsche Bank AG
Emirates NBD Bank
Emirates Islamic Bank
United Bank Ltd.
Habib Bank Ltd.
Mashreq Bank PSC
Royal Bank of Scotland
National Bank of Fujairah
Habib Bank AG Zurich
Noor Islamic Bank
Commerzbank AG

U.K.
ABC International Bank PLC
Bank of America
Clydesdale Bank
Deutsche Bank
Habib Bank AG Zurich
Habib UK
Commerzbank AG
Mashreq Bank PSC
Northern Bank
JP Morgan
Royal Bank of Scotland
Citibank N.A.
United National Bank

U.S.A.
Royal Bank of Scotland
Bank of America

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

Vietnam
JP Morgan
Deutsche Bank AG



Notes

Notes

Notes

The logo for Silkbank, featuring the word "SILKBANK" in a bold, black, sans-serif font with a small orange arrow pointing upwards and to the right attached to the letter "K".

Affix
Correct
Postage

Form of Proxy
Annual General Meeting

SILKBANK 

I/We _____
of _____
being member(s) of **Silkbank Limited** holding _____
ordinary shares hereby appoint _____
of _____ or failing him/her _____
of _____ as my/our proxy in my/our absence to attend and vote for me/us and on my/our behalf at Annual General
Meeting of the Bank to be held on Monday, March 28, 2016 and/or adjournment thereof.

As witness my/our hand(s) seal this on the _____ day of _____ 2016.

Signed by the said _____

In presence of 1. _____

2. _____

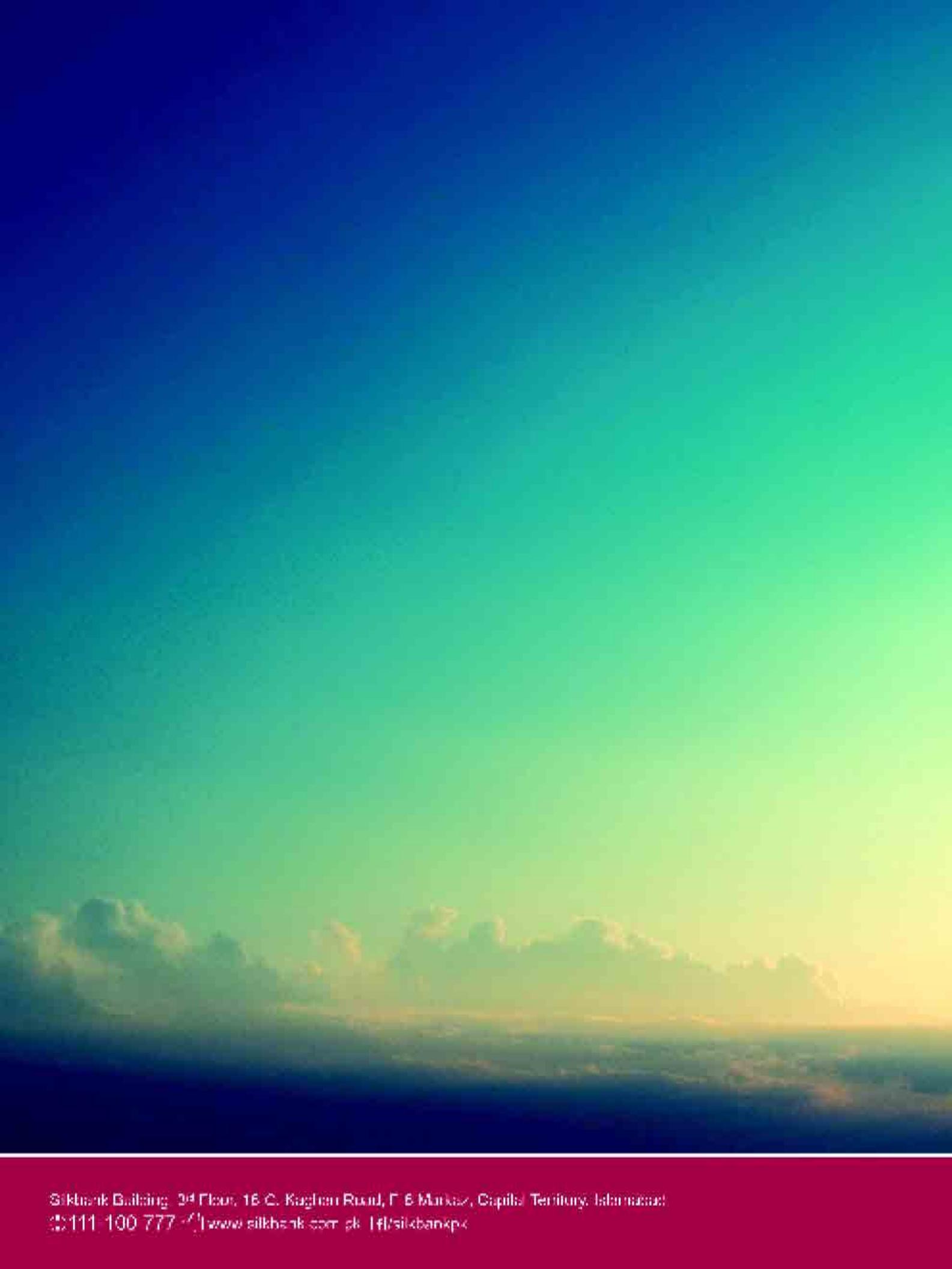
Folio No. CDC Account No.

Signature on
Revenue Stamp
of Appropriate Value

The signature should agree with the
specimen registered with the Bank.

Important:

1. The Proxy Form, duly completed and signed, must be received at the Company's Shares Registrar Office not less than 48 hours before the time of holding the meeting.
2. No person shall act as proxy unless he/she himself/herself is a member of the Company, except that a corporate entity may appoint any person who is not a member.
3. If a member appoints more than one proxy and more than one instrument of proxy are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.
4. In case of proxy for an individual CDC shareholder, attested copies of CNIC or the passport, account and participant's ID number of the beneficial owner along with the proxy is required to be furnished with the Proxy Form.
5. In case of corporate entity, the Board of Directors' resolution/power of attorney with the specimen signature shall be submitted (unless it has been provided earlier) along with the Proxy Form of the Company.



Silkbank Building, 2nd Floor, 16-C, Kargil Road, F-6 Markaz, Capital Territory, Islamabad
0111-100-777 | www.silkbank.com.pk | [@silkbankpk](https://silkbankpk)