

SECOND QUARTERLY REPORT 2011

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Benchmark of Excellence in premier banking

VISION

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



Corporate Information

Board of Directors

Munnawar Hamid, OBE	Chairman
Humayun Bashir	Director
Javed Hamid	Director
Sadeq Sayeed	Director
Arshad Ghafur	Director
Tariq Iqbal Khan, FCA	Director
Burhanuddin Khan	Director
M. A. Mannan	Director
Azmat Tarin	President & CEO

Company Secretary

Uzman Naveed Chaudhary

Chief Financial Officer

Muhammad Zahid Ahmed

Audit Committee:

Humayun Bashir	Chairman
Sadeq Sayeed	Member
Burhanuddin Khan	Member
Javed Hamid	Member

Risk Committee:

Tariq Iqbal Khan, FCA	Chairman
Arshad Ghafur	Member
M. A. Mannan	Member

HR Committee:

Munnawar Hamid, OBE	Chairman
Azmat Tarin	Member
Javed Hamid	Member

Registered Office

Silkbanks Limited
Silkbanks Building, I.I. Chundrigar Road, Karachi.
Telephone No: +92 21-111-00-7455 Ext. 413 & 414
Fax No. +92 21 32460464 & 32462902
Website: www.silkbanks.com.pk

Share Registrar

Noble Computer Services (Pvt.) Limited
Mezzanine Floor, House of Habib Building (Siddiqsons Tower)
3-Jinnah Cooperative Housing Society, Main Shahrah-e-Faisal
Karachi - 75350
Phone: + 92 21 34325482-87
Fax: + 92 21 34325442
E-mail: ncls@noble-computers.com
Website: www.noble-computers.com

Directors' Review Report June 30, 2011

Dear Shareholders,

We are pleased to present the un-audited financial statements of Silkbank Limited for the second quarter ended June 30, 2011. These financial statements have been subject to a limited review by the statutory auditors of the Bank as required under the Code of Corporate Governance and are accompanied by their independent limited review report.

Economic Review

Despite various economic and social challenges, the country's underlying macroeconomic environment has shown improvement in the period ending 30th June 2011. The average inflation rate for the full year 2011 is expected to be around 12% which is significantly lower than 20% in the previous year. Foreign Exchange reserves are at an all-time high of US \$ 18.24 billion, driven largely by remittances & exports. Remittances clocked the highest ever inflow in June of over US\$ 1.1 billion

The current account deficit has fallen significantly with foreign exchange reserves improving. Despite increased participation in Government papers by banks, private sector credit has lagged at PKR 36 billion. As a result, with business confidence slowly returning, the Karachi Stock Exchange index has traded above 10,000 level, the overseas workers' remittances have surpassed targets, and large scale industries, in particular the automobile sector, have shown good performance.

However, inflation is still high and the oil prices and electricity could adversely affect the current account deficit and inflation, which poses a risk to economic stability. The current law and order situation is also keeping the economy away from growth. The impact of power outages on the SME sector and its growth and consequently on production and employment is also significant. The tight fiscal situation has also put pressure on development spending, and there is an urgent need to accelerate savings and investments and effectively curtail current expenditures.

It is expected that as the Government economic team increases its focus on these critical matters the overall economic environment would show further stabilization, going forward.

Financial Performance

We are pleased to advise that the bank has recorded a profit before tax of Rs. 337 million which has resulted in a year to date post tax profit of Rs. 163 million.

Summarized financial position for the half year ended June 30th is as under:

	June 30, 2011 Rupees in Million
Profit Before Taxation	337
Taxation - Current	56
- Prior	-
- Deferred	118
	<hr/>
Profit After Taxation	174
	<hr/>
	163
	<hr/>
Gain per share - Basic and Diluted	0.06

During the period under review the Bank's deposit recorded growth of Rs. 7.852 billion as under:

	June 30, 2011 Rupees in Million	December 31, 2010 Rupees in Million	Net Increase Rupees in Million
Current Accounts	12,086	9,603	2,483
Saving Accounts	16,280	14,584	1,696
Term Deposits	30,174	27,470	2,704
FCY Accounts	5,018	4,049	969
Total	<hr/>	<hr/>	<hr/>
	63,558	55,706	7,852

On the other hand advances also increased by Rs. 2 billion to Rs. 55 billion, and the ratio of performing advances increased to 80%. Net Interest Income recorded a growth of 266% whilst major recoveries / reversals were recorded against classified loans amounted to Rs. 743 million as against provision of Rs. 36 million in the last corresponding period.

Directors' Review Report June 30, 2011

Minimum Capital Requirement (MCR)

The Bank had a shortfall of Rs. 2.183 billion as on December 31, 2010 in meeting the minimum capital requirement (MCR) of Rs. 7 billion (net of losses), as required by the State Bank of Pakistan under BSD Circular No. 7 of 2009. The Bank, had issued rights shares at a discount in 2010 to generate net capital of Rs. 7 billion. The rights issue had partly remained unsubscribed and at present the Bank has unpaid rights of Rs. 2.572 billion. The State Bank of Pakistan vide its letter No. BSD / BAI-3 / 608/10274/201 dated August 11, 2011 has granted extension till December 31, 2011 for meeting the shortfall in MCR and CAR. The Bank is actively following up with potential investors to ensure that the deadline set by SBP is met.

Silkbanks Products

M'Power product

- The M'Power product (mortgage running finance facility for SMEs) closed the half year at Rs 3.2 billion increasing from Rs. 2.4 billion as on 31st December, 2010.

Personal Loans

- Personal Loans closed the half year with an impressive booking of new loans resulting in total book size of Rs. 1.7 billion in the seventh month of its launch.

Business Value Account (BVA):

- Business Value Account is a business-centric current account focused primarily on the needs of businessmen, retailers & traders. It was launched in October 2010 and has managed to build a portfolio of over Rs. 797.85 million with 2,311 customers till June 30, 2011.

Salary Premium Account (SPA):

- To cater to the needs of salaried individuals, Silkbanks has recently launched a Salary Premium Account. As of June, four organizations had transferred their payroll to Salary Premium Account.

All-in-One Account (AIO):

- All-in-One Account is a unique current account focuses around the needs of individual customers offering benefits like coverage for automobiles, cash snatching, mobile snatching, vital documents snatching, house burglary and accidental death. This portfolio stands at Rs. 1,596.3 million with 5,717 accounts as of June 30, 2011.

Visa Debit Card & Loyalty Program:

- Visa Debit Card re-launched with an attractive & vibrant design, is acceptable at over 54,000 merchant outlets in Pakistan and millions globally and card holders can withdraw cash at over 1.6 million ATMs worldwide and over 4,000 ATMs nationwide.

Interbank Funds Transfer (IBFT):

- Interbank funds transfer facility for all Silkbanks customers was launched on March 1, 2011. Through this facility all customers holding the Bank's VISA Debit Cards can make real-time payments to any of the 17-other member banks on 1-LINK network. It provides a fast and safe method for transfer of funds and enables coverage across a wide network.

New Products

Munafa Rozana

- To serve the needs of customers seeking to optimize short-term cash flows, and based on research conducted on saving habits, a unique savings account by the name of Munafa Rozana was launched at the end of June. For the first time in Pakistan, Munafa Rozana offers profit payout in cash daily, with an attractive tier-based profit rate structure and all the benefits of a checking account.

Silk Fauree Transfer

- Silk Fauree Transfer was launched in the first quarter of 2011. The product is part of the Pakistan Remittance Initiative through which funds can be sent from any Silkbanks partner Exchange Company outside Pakistan, absolutely free.

Dedicated Middle Market Branches

In order to cater to the needs of customers who are neither small enough to be classified as SME nor Large enough to fit into the Corporate Banking franchise, the Bank has designated following four branches as Dedicated Middle Market Branches:

1. Jodia Bazar Branch, Karachi
2. Cloth Market Branch, Karachi
3. Circular Road Branch, Lahore
4. Badami Bagh Branch, Lahore

Directors' Review Report June 30, 2011

These branches are located in City Trade Centers with the largest concentration of middle tier customers. They shall focus on generating Assets with high volume collateral business and corresponding CASA, while providing specialized and personalized services to our middle tier target customers.

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. This rating however has been put under a rating watch as "Developing".

Future Outlook

The future outlook remains positive. The Board and the management will be conducting a detailed strategic review of the bank in December 2011 to ensure the achievement of the entity's goal to be a profitable institution and creating value for all shareholders. As we look to the future, the Board will also be mindful of Silkbank's Mission, Vision and Core Values and enhancing the efficiency of the governance structure.

Acknowledgement

We are grateful to our shareholders for their continued confidence in the Bank and the additional investment made by them through the rights issue.

We also 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 support going forward.

**For and on Behalf of the Board of
Silkbank Limited**

Karachi,
August 25, 2011



Munnawar Hamid, OBE
Chairman

Auditors' Report To The Members On Review Of Interim Financial Information

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Silkbank Limited ("the Bank") as at June 30, 2011, and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the accounts for the six months period then ended (the interim financial information). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for Interim Financial Reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for Interim Financial Reporting.

We draw attention to note 1.3, 14.1 and 14.2 to the interim financial information which highlights that the Bank has not been able to meet the minimum capital requirement of Rs. 7 billion at December 31, 2010 and that the capital adequacy ratio of the Bank was in short of requirement of 10% applicable to the Bank. The Bank has been allowed extension upto December 31, 2011 by State Bank of Pakistan to meet these requirements. Our conclusion is not modified in this respect.

We draw attention to note 10 to the interim financial information which states that the Bank will be able to recover the deferred tax asset carried at June 30, 2011 from future taxable profits as projected in the business plan as approved by the Board of Directors of the Bank. Our conclusion is not modified in this respect.

The figures for the quarter ended June 30, 2011, in the condensed interim profit and loss account have not been reviewed and we do not express a conclusion on them.

The financial statements of the Bank for the year ended December 31, 2010 and six months period ended June 30, 2010 were audited / reviewed by another firm of chartered accountants who have expressed unmodified opinions dated March 2, 2011 and August 25, 2010 respectively.

Karachi
August 25, 2011

KPMG Taseer Hadi & Co.
Chartered Accountants
Syed Iftikhar Anjum

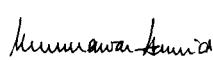
Condensed Interim Statement Of Financial Position As At June 30, 2011

	Note	Un-audited June 30, 2011	Audited December 31, 2010
		Rupees in '000	
ASSETS			
Cash and balances with treasury banks		4,293,159	3,414,524
Balances with other banks		116,479	89,355
Lendings to financial institutions		623,523	1,050,754
Investments	7	14,504,007	13,190,048
Advances	8	47,021,919	44,354,406
Operating fixed assets	9	2,353,057	2,443,805
Deferred tax assets	10	4,058,875	4,192,954
Other assets	11	6,216,642	3,933,247
		79,187,661	72,669,093
LIABILITIES			
Bills payable		957,973	836,931
Borrowings from financial institutions		8,294,309	9,871,141
Deposits and other accounts	12	63,557,702	55,706,188
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities	13	1,423,781	1,420,886
		74,233,765	67,835,146
		4,953,896	4,833,947
NET ASSETS			
REPRESENTED BY			
Paid-up capital	14	26,716,048	26,716,048
Reserves		32,503	-
Discount on issue of right shares		(13,284,674)	(13,284,674)
Accumulated loss		(8,482,416)	(8,614,289)
Surplus / (deficit) on revaluation of assets	15	4,981,461	4,817,085
		(27,565)	16,862
		4,953,896	4,833,947
CONTINGENCIES AND COMMITMENTS			
	16		

The annexed notes 1 to 23 form an integral part of these condensed interim financial statements.



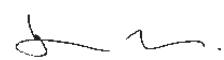
Azmat Tarin
President & CEO



Munnawar Hamid
Chairman



Tariq Iqbal Khan
Director



Humayun Bashir
Director

Condensed Interim Profit And Loss Account - Unaudited For The Half Year Ended June 30, 2011

Note	Quarter ended		Half year ended	
	April 01, 2011 to June 30, 2011	April 01, 2010 to June 30, 2010	January 01, 2011 to June 30, 2011	January 01, 2010 to June 30, 2010
	Rupees in '000			
Mark-up / return / interest earned	17	2,147,837	1,604,092	4,162,520
Mark-up / return / interest expensed	18	1,597,958	1,392,815	3,137,033
		549,879	211,277	1,025,487
(Reversal) / Provision against non-performing loans and advances - net		(473,175)	(6,926)	(743,363)
Provision / (reversal) against Consumer Financing		33,616	7,967	71,760
Impairment in the value of Investments		21,975	-	31,831
Bad debts written off directly		-	-	-
		(417,584)	1,041	(639,772)
Net Mark-up / Interest Income / (loss) after provisions		967,463	210,236	1,665,259
NON MARK-UP / INTEREST INCOME				
Fee, commission and brokerage income		90,210	74,426	191,214
Dividend Income		6,453	4,708	28,821
Income from dealing in foreign currencies		41,537	38,748	71,769
Gain on sale of securities - net		1,952	19,647	51,253
Unrealized loss on sale of investment held for trading		(57)	(42)	(183)
Other income		36,903	600,247	77,597
Total non-markup/interest Income		176,998	737,734	420,471
		1,144,461	947,970	2,085,730
NON MARK-UP / INTEREST EXPENSES				
Administrative expenses		957,809	672,094	1,817,518
Other (reversal) / provisions / write offs		6,872	(153,142)	(68,533)
Other charges		66	198	122
Total non-markup / interest expenses		964,747	519,150	1,749,107
		179,714	428,820	336,623
Extra ordinary / unusual items		-	-	-
PROFIT BEFORE TAXATION		179,714	428,820	336,623
		21,503	21,503	21,503
Income tax expense		27,274	1,129	55,655
Taxation – Current		-	-	-
– Prior		91,914	(190,000)	118,451
– Deferred		119,188	(188,871)	174,106
		60,526	617,691	162,517
PROFIT AFTER TAXATION		60,526	617,691	208,072
Earnings per share - Basic and Diluted		0.02	0.32	0.06
		Rupee		
		0.11		

The annexed notes 1 to 23 form an integral part of these condensed interim financial statements.

Azmat Tarin
President & CEO

Munnawar Hamid, OBE
Chairman

Tariq Iqbal Khan
Director

Humayun Bashir
Director

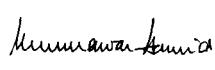
**Condensed Interim Statement
Of Comprehensive Income - Unaudited For The Half Year Ended June 30, 2011**

	Quarter ended		Half year ended	
	April 01, 2011 to June 30, 2011	April 01, 2010 to June 30, 2010	January 01, 2011 to June 30, 2011	January 01, 2010 to June 30, 2010
	Rupees in '000			
Profit for the period	60,526	617,691	162,517	208,072
Other comprehensive income				
Reversal of provision against upgraded rescheduled advances	-	1,370	-	1,370
Comprehensive income transferred to equity	60,526	619,061	162,517	209,442
Components of comprehensive income not reflected in equity				
Deficit on revaluation of investments	34,635	(42,016)	(26,940)	(31,061)
Related deferred tax	(9,403)	6,861	(16,286)	1,944
	25,232	(35,155)	(43,226)	(29,117)

The annexed notes 1 to 23 form an integral part of these condensed interim financial statements.



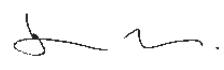
Azmat Tarin
President & CEO



Munnawar Hamid, OBE
Chairman



Tariq Iqbal Khan
Director



Humayun Bashir
Director

Condensed Interim Statement Of Cashflows - Unaudited For The Half Year Ended June 30, 2011

	Note	2011 Rupees in '000	2010
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		336,623	21,503
Dividend income		<u>(28,821)</u>	<u>(15,986)</u>
		<u>307,802</u>	<u>5,517</u>
Adjustments for non-cash items			
Depreciation		192,201	123,787
Amortization of Premium on investment		117,270	118,529
Amortization of intangible assets		42,712	8,308
(Reversal) / Provision against non-performing advances		(743,363)	35,780
(Reversal) / Provision against consumer finance		71,760	7,171
Provision for diminution in the value of Investments		31,831	-
Unrealized (loss) on revaluation of investments classified as Held for Trading		183	792
Provision for Gratuity		14,472	4,303
Other (reversal) / provisions written back		(68,533)	-
Gain on sale of fixed assets		(1,066)	(566,685)
Financial charges on leased assets		-	535
		<u>(342,533)</u>	<u>(267,480)</u>
		<u>(34,731)</u>	<u>(261,963)</u>
(Increase)/ Decrease in operating assets			
Lendings to financial institutions		223,731	(1,340,288)
Net investments in Held-for-Trading securities		14,149	1,760,905
Advances		(1,995,910)	(9,326,657)
Other assets		(2,211,941)	1,246,346
		<u>(3,969,971)</u>	<u>(7,659,694)</u>
Increase/ (Decrease) in operating liabilities			
Bills payable		121,042	74,188
Borrowings from financial institutions		(1,576,832)	(4,054,663)
Deposits		7,851,514	4,399,447
Other liabilities		(22,375)	(509,968)
		<u>6,373,349</u>	<u>(90,996)</u>
		<u>2,368,647</u>	<u>(8,012,653)</u>
		<u>(44,857)</u>	<u>8,814</u>
		<u>2,323,790</u>	<u>(8,003,839)</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Net investment in Available-for-Sale securities		(1,671,840)	1,873,344
Net investment in Held-to-Maturity securities		167,601	33,470
Dividend income		25,807	15,986
Sale proceeds of property and equipment disposed off		14,706	2,463,892
Investment in operating fixed assets		(157,805)	(679,885)
Net cash flow from investing activities		<u>(1,621,531)</u>	<u>3,706,807</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Issuance of right shares		-	4,413,474
Expenses on issuance of right shares		-	(183,576)
Payment of lease obligations		-	(2,114)
Net cash flow from financing activities		<u>-</u>	<u>4,227,784</u>
Increase/(Decrease) in cash and cash equivalents		<u>702,259</u>	<u>(69,248)</u>
Cash and cash equivalents at beginning of the half year		<u>4,073,879</u>	<u>4,021,948</u>
Cash and cash equivalents at the end of the half year	19	<u>4,776,138</u>	<u>3,952,700</u>

The annexed notes 1 to 23 form an integral part of these condensed interim financial statements.

Azmat Tarin
President & CEO

Munnawar Hamid, OBE
Chairman

Tariq Iqbal Khan
Director

Humayun Bashir
Director

Condensed Interim Statement Of Changes In Equity - Unaudited For The Half Year Ended June 30, 2011

	Share Capital	Discount on Issue of Shares	Share Deposit Money	*Statutory Reserves	Others	Accumulated Profit / (Loss)	Total Equity
Rupees in '000							
Balance as at January 01, 2010	9,003,150	-	-	218,556	6,093	(9,030,894)	196,905
Total comprehensive Income for the period							
Profit after tax for the half year ended June 30, 2010	-	-	-	-	-	208,072	208,072
Other comprehensive income - net of tax							
Reversal of provision against upgraded rescheduled advances	-	-	-	-	1,370		1,370
	-	-	-	-	1,370	208,072	209,442
Transactions with Owners, recorded directly in equity							
Share deposit money	-	-	4,413,474	-	-	-	4,413,474
Issuance of right shares	17,653,898	(13,240,424)	(4,413,474)	-	-	-	-
Expenses incurred on account of right issue	-	-	-	-	-	(183,576)	(183,576)
	17,653,898	(13,240,424)	-	-	-	(183,576)	4,229,898
Transfer from statutory reserve	-	-	-	(218,556)	-	218,556	-
Transfer from surplus on revaluation of fixed assets on account of disposal of asset - net of tax	-	-	-	-	-	1,502,591	1,502,591
Transfer from surplus on revaluation of fixed assets on account of incremental depreciation- net of tax	-	-	-	-	-	1,860	1,860
Balance as at June 30, 2010	26,657,048	(13,240,424)	-	-	7,463	(7,283,391)	6,140,696
Total comprehensive Income for the period							
Profit after tax for the half year ended December 31, 2010	-	-	-	-	-	(1,339,226)	(1,339,226)
Other comprehensive income - net of tax							
Reversal of provision against upgraded rescheduled advances	-	-	-	-	(7,463)	-	(7,463)
	-	-	-	-	(7,463)	(1,339,226)	(1,346,689)
Transactions with Owners, recorded directly in equity							
Share deposit money	-	-	14,750	-	-	-	14,750
Issuance of right shares	59,000	(44,250)	(14,750)	-	-	-	-
Expenses reversed on account of right issue	-	-	-	-	-	6,468	6,468
	59,000	(44,250)	-	-	-	6,468	21,218
Transfer from surplus on revaluation of fixed assets on account of incremental depreciation- net of tax	-	-	-	-	-	1,860	1,860
Balance as at December 31, 2010 (Audited)	26,716,048	(13,284,674)	-	-	-	(8,614,289)	4,817,085
Total comprehensive Income for the period							
Profit after tax for the half year ended June 30, 2011	-	-	-	-	-	162,517	162,517
	-	-	-	-	-	162,517	162,517
Transfer from surplus on revaluation of fixed assets on account of incremental depreciation - net of tax	-	-	-	-	-	1,859	1,859
Transfer to statutory reserve	-	-	-	32,503	-	(32,503)	-
Balance as at June 30, 2011	26,716,048	(13,284,674)	-	32,503	-	(8,482,416)	4,981,461

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

The annexed notes 1 to 23 form an integral part of these condensed interim financial statements.

Azmat Tarin
President & CEO

Munnawar Hamid, OBE
Chairman

Tariq Iqbal Khan
Director

Humayun Bashir
Director

Notes To The Condensed Interim Financial Statements - Unaudited For The Half Year Ended June 30, 2011

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. Its shares are quoted on all the Stock Exchanges in Pakistan. The Bank is engaged in banking services as described in the Banking Companies Ordinance, 1962. It operates through 85 branches (December 31, 2010: 85) in Pakistan with the registered office located at Silkbank Building, I. I. Chundrigar Road, Karachi. The short term and long term credit rating of the Bank rated by JCR-VIS Credit Rating Company Limited in August 2011 is 'A-2' and 'A-' respectively.
- 1.2** Majority shareholding 82.0348 % in the Bank as on June 30, 2011 is held by a consortium comprising of Bank Muscat S.A.O.G, Nomura European Investment Limited, International Finance Corporation (IFC) and executives of the Sinthos Capital Advisors Limited. As a result of rights issue which is in process of subscription, the majority shareholding in the Bank may change upon full subscription towards the rights.
- 1.3** The Bank had a short fall of Rs. 2.183 billion as on December 31, 2010 in meeting the minimum capital requirement (MCR) of Rs. 7 billion (net of losses), as required under BSD circular No. 7 of 2009. The Bank, had issued rights shares at a discount in 2010 to generate net capital of Rs. 7 billion. The rights issue had partly remained unsubscribed and at present the Bank has unpaid rights of Rs. 2.572 billion. The Bank is negotiating with various investors for subscription towards the unpaid rights and it is expected that the shares shall be subscribed by December 31, 2011. State Bank of Pakistan has granted extension to the Bank till December 31, 2011 in meeting the MCR and the Capital Adequacy Ratio (CAR) requirement. During the period the Bank may not incur any capital expenditure without approval of SBP and cannot enter into related party transactions. Securities and Exchange Commission of Pakistan have intimated that they would grant further period to complete subscription of unpaid rights similar to time granted by SBP.

2. BASIS OF MEASUREMENT

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

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

3. STATEMENT OF COMPLIANCE

This condensed interim financial information of the Bank for the half year ended June 30, 2011 has been prepared in accordance with the requirements of International Accounting Standard 34, 'Interim Financial Reporting', requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the provisions of and directives issued by the State Bank of Pakistan (SBP) and Securities and Exchange Commission of Pakistan (SECP). In case requirements differ, the provisions of Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or the requirement of said directives have been followed.

The disclosures made in these condensed interim financial statements have been limited based on the format prescribed by the SBP vide BSD circular letter No. 2 dated May 12, 2004 and International Accounting Standard (IAS) 34, 'Interim Financial Reporting' and do not include all the information required in the annual financial statements. Accordingly, these condensed interim financial statements should be read in conjunction with the annual financial statements of the bank for the year ended December 31, 2010.

The SBP vide BSD Circular No. 10 dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, Financial Instrument: Recognition and Measurement (IAS 39) and International "Accounting Standard-40, Investment Property (IAS 40) for banking companies till further instructions. Further, according to the notification of SECP dated April 28, 2008, the IFRS 7 - "Financial Instrument: Disclosures" has not been made applicable for banks. However, instruments have been valued in accordance with the requirements of various circulars issued by SBP.

Notes To The Condensed Interim Financial Statements - Unaudited For The Half Year Ended June 30, 2011

4. ACCOUNTING POLICIES

The accounting policies adopted for preparation of these condensed interim financial statements are same as those followed in the preparation of the annual financial statements of the bank for the year ended December 31, 2010 other than as disclosed in note 4.1 below.

4.1 New standards, interpretations and amendments thereof, adopted by the bank

During the period, following new / revised standards, amendments and interpretations to accounting standards became effective:

Standard or Interpretation	Effective date (annual periods beginning on or after)
IAS - 24 Related Party Transactions (Revised)	January 1, 2011
IAS - 32 Financial Instruments: Presentation (Amendment)	January 1, 2011
IFRIC - 14 Prepayments of a Minimum Funding Requirement (Amendment)	January 1, 2011

Adoption of the above standards, amendments and interpretations did not have any material effect on the condensed interim financial statements except for certain changes in disclosures.

4.2 Improvements to IFRSs

In addition to the above, amendments to various accounting standards have also been issued by the International Accounting Standard Board (IASB). Such improvements are generally effective for accounting periods beginning on or after January 01, 2011. The adoption of these improvements to IFRSs did not have any material impact on the bank's condensed interim financial statements in the period of initial application.

5. Critical Accounting Estimates & Judgements

The basis and the methods used for critical accounting estimates and judgments adopted in the condensed interim financial information are same as those applied in the preparation of the annual financial statements of the Bank for the year ended December 31, 2010.

6. Financial Risk Management

The Bank's Financial Risk Management objectives and policies are consistent with those disclosed in the annual financial statements for the year ended December 31, 2010.

7. INVESTMENTS

	Held by bank	Given as collateral	Total
Rupees in '000			
As at June 30, 2011 (Un-audited)	12,124,297	2,379,710	14,504,007
As at December 31, 2010 (Audited)	8,530,713	4,659,335	13,190,048

Notes To The Condensed Interim Financial Statements - Unaudited For The Half Year Ended June 30, 2011

	June 30, 2011-(Un-audited)			December 31, 2010-(Audited)		
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
Rupees In '000						
7.1 Investments by Types:						
Held for Trading Securities						
Listed Shares	6,386	-	6,386	20,535	-	20,535
Available-for-Sale Securities						
Market Treasury Bills	4,200,464	979,826	5,180,290	2,711,103	1,181,497	3,892,600
Pakistan Investment Bonds	737,060	1,399,884	2,136,944	2,135,838	-	2,135,838
Mutual Funds	-	-	-	8,388	-	8,388
Commercial Papers	67,014	-	67,014	67,014	-	67,014
Preference Shares - Listed	15,000	-	15,000	29,769	-	29,769
Term Finance Certificates						
Listed	250,913	-	250,913	146,732	-	146,732
Unlisted	1,795,804	-	1,795,804	1,709,125	-	1,709,125
Ordinary Shares						
Listed	423,226	-	423,226	343,117	-	343,117
Unlisted	37,026	-	37,026	39,900	-	39,900
Available-for-Sale Securities	7,526,507	2,379,710	9,906,217	7,190,986	1,181,497	8,372,483
Held to Maturity Securities						
Pakistan Investment Bonds	4,713,672	-	4,713,672	1,403,429	3,477,838	4,881,267
Term Finance Certificate - Listed	47,422	-	47,422	47,428	-	47,428
Shares Repo	74,910	-	74,910	74,910	-	74,910
Held to Maturity Securities	4,836,004	-	4,836,004	1,525,767	3,477,838	5,003,605
Investment in associate	35,354	-	35,354	46,350	-	46,350
Total Investment at Cost	12,404,251	2,379,710	14,783,961	8,783,638	4,659,335	13,442,973
Less : Provisions for diminution in value of investments	(83,578)	-	(83,578)	(83,578)	-	(83,578)
Total Investment - net of provision	12,320,673	2,379,710	14,700,383	8,700,060	4,659,335	13,359,395
(Deficit) / Gain on revaluation of Held-for-trading investments	(183)	-	(183)	(94)	-	(94)
Available- for-sale investments	(196,193)	-	(196,193)	(169,253)	-	(169,253)
Investments- net of provision	12,124,297	2,379,710	14,504,007	8,530,713	4,659,335	13,190,048

Notes To The Condensed Interim Financial Statements - Unaudited For The Half Year Ended June 30, 2011

		June 30, 2011 Unaudited Note	December 31, 2010 Audited Rupees in '000
7.2 Investments by segments			
Federal Government Securities			
Market treasury bills		5,180,290	3,892,600
Pakistan investment bonds		6,850,616	7,017,105
		12,030,906	10,909,705
Fully paid-up ordinary shares			
Listed companies		429,612	363,652
Unlisted companies		37,026	39,900
		466,638	403,552
Term Finance Certificate, debentures, bonds and participation term certificates			
Term Finance certificates	- Listed	298,335	194,160
	- Unlisted	1,795,804	1,709,125
		2,094,139	1,903,285
Other Investments			
Mutual fund units		-	8,388
Preference shares	- Listed	15,000	29,769
Investment in associates		35,354	46,350
Investment in commercial papers		67,014	67,014
Shares repo		74,910	74,910
		192,278	226,431
Total Investments at Cost		14,783,961	13,442,973
Provision for diminution in the value of investments		(83,578)	(83,578)
		14,700,383	13,359,395
Deficit on revaluation of held for trading investments		(183)	(94)
Deficit on revaluation of available for sale investments		(196,193)	(169,253)
		14,504,007	13,190,048
7.3 Particulars of provision			
Opening Balance		83,578	85,137
Charge for the year		-	-
Reversals		-	(1,559)
Write off		-	(1,559)
		83,578	83,578
8. ADVANCES			
Loans, cash credits, running finances, etc.		54,037,932	51,377,508
In Pakistan		-	-
Outside Pakistan		54,037,932	51,377,508
Bills discounted and purchased (excluding treasury bills)		181,543	551,643
Payable in Pakistan		607,073	995,361
Payable outside Pakistan		788,616	1,547,004
Advances - gross		54,826,548	52,924,512
Provision for non-performing advances - specific	8.1	(7,719,687)	(8,556,924)
Provision against consumer finance- general	8.2	(84,942)	(13,182)
Advances - net of provision		47,021,919	44,354,406

Notes To The Condensed Interim Financial Statements - Unaudited For The Half Year Ended June 30, 2011

8.1 Advances include Rs. 10,917 (2010: Rs. 12,360) million which have been placed under non-performing status as detailed below.

Category of classification - specific	June 30, 2011-(Un-audited)			December 31, 2010-(Audited)		
	Classified Advances	Provision Required (Domestic)	Provision held	Classified Advances	Provision Required (Domestic)	Provision held
Rupees In '000						
Substandard	350,978	45,930	45,930	666,550	82,358	82,358
Doubtful	1,017,076	310,235	310,235	1,074,123	298,309	298,309
Loss	9,549,434	7,363,522	7,363,522	10,619,231	8,176,257	8,176,257
	10,917,488	7,719,687	7,719,687	12,359,904	8,556,924	8,556,924

8.2 Particulars of provision against non-performing advances

	June 30, 2011-(Un-audited)			December 31, 2010-(Audited)		
	Specific	General	Total	Specific	General	Total
Rupees In '000						
Opening balance	8,556,924	13,182	8,570,106	8,490,158	4,446	8,494,604
Charge for the period	475,729	72,638	548,367	983,091	8,736	991,827
Reversals	(1,219,092)	(878)	(1,219,970)	(825,259)	-	(825,259)
Net charge / (reversals) for the period	(743,363)	71,760	(671,603)	157,832	8,736	166,568
Amounts written off	(93,874)	-	(93,874)	(91,066)	-	(91,066)
Closing Balance	7,719,687	84,942	7,804,629	8,556,924	13,182	8,570,106

8.3 The State Bank of Pakistan through its various circulars / letters has allowed relaxation to the Bank in maintaining provisioning against exposure of Dewan Group till Dec 2011. Had the relaxation not been provided, the provision against loans and advances would have been higher by Rs. 741.715 million, while the profit before taxation for the current period would have been lower by Rs. 741.715 million.

SBP vide its BSD Circular No.2 dated January 27, 2009, BSD Circular No.10 dated October 20, 2009 and BSD Circular 2 dated June 3, 2010 has amended Prudential Regulations in respect of provisioning against non-performing advances. These regulations have introduced the benefit of Forced Sale Value (FSV) for three years (for pledged stocks, mortgaged residential / commercial / industrial properties) and four years (for open plot or land where building is constructed, separate valuation is available).

The Bank has availed the benefit of FSV against the non performing loans. During the period, total FSV benefits resulted in increase in after tax profit of Rs. 106.901 million. As of June 30, 2011, the accumulated decrease in loss after tax of Rs. 1075.499 million shall not be available for payment of cash and stock dividends.

8.4 General provision against consumer finance loans represents provision made equal to 1.5% of the fully secured performing portfolio and 5% of the unsecured performing portfolio as required by the Prudential Regulations issued by the SBP for Consumer Financing

Notes To The Condensed Interim Financial Statements - Unaudited For The Half Year Ended June 30, 2011

9. OPERATING FIXED ASSETS

9.1 Following additions / disposals have been made to / from property and equipment

	June 30, 2011-(Un-audited)		June 30, 2010-(Un-audited)	
	Addition	Disposal	Addition	Disposal
Rupees In '000				
Land-Free Hold	-	-	144,830	535,735
Building-Free Hold	-	-	7,545	64,000
Land Lease Hold	-	-	-	1,196,568
Building Lease Hold	26,061	-	-	103,600
Furniture & Fixture	6,169	-	42,309	-
Other equipments	4,821	-	83,831	393
Computers	44,088	-	250,616	161
Vehicles	35,193	26,529	17,999	19,302
	116,332	26,529	547,130	1,919,759
9.2 Additions and disposals to intangible assets	17,031	-	351,943	-

9.3 Gain on disposal

	June 30, 2011-(Un-audited)			June 30, 2010-(Un-audited)		
	Sale Proceeds	Book Value	Gain / (Loss)	Sale Proceeds	Book Value	Gain / (Loss)
Rupees In '000						
Vehicle	14,706	13,640	1,066	13,716	9,033	4,683
Other Equipment	-	-	-	51	4	47
Computer Equipment	-	-	-	126	139	(13)
Land and building	-	-	-	2,450,000	1,888,032	561,968
	14,706	13,640	1,066	2,463,893	1,897,208	566,685

10. DEFERRED TAX ASSETS

As on June 30, 2011 the Bank has recorded net deferred tax liability of Rs. 134.079 (2010: deferred tax asset Rs. 216.805) million during the current year and as of the balance sheet date net deferred tax assets aggregated Rs. 4,058.875 (2010: Rs. 4,192.954) million.

The management has recorded deferred tax asset on the basis of business plan which shows that the Bank will have enough profits in the coming years against which the deferred tax asset will be utilized. The plan is based on assumptions which inter-alia includes percentage of growth in advances, deposits, net revenue from funds and cost of funds.

11. OTHER ASSETS	Note	June 30, 2011 Un-audited	December 31, 2010 Audited
		Rupees in '000	
Accrued Mark-up in local currency		2,058,777	1,746,955
Accrued Mark-up in foreign currency		8,158	8,768
Advances, deposits, advance rent and other prepayments		402,438	473,159
Non-banking Assets acquired in satisfaction of claims	11.1	3,338,232	1,679,624
Non-banking Assets acquired in satisfaction of claims with buy back option with customer		439,028	59,570
Unrealized gain on forward foreign exchange contracts		44,501	65,685
Branch adjustment account		-	51,407
Others		71,213	62,775
Less : Provision held against other assets		(145,705)	(214,696)
		6,216,642	3,933,247

Notes To The Condensed Interim Financial Statements - Unaudited For The Half Year Ended June 30, 2011

11.1 This includes properties acquired by the Bank in satisfaction of claims amounting to Rs. 457 million, the title of which have not been transferred in Bank's name at period end.

	June 30, 2011 Un-audited	December 31, 2010 Audited
Rupees in '000		

12. DEPOSITS & OTHER ACCOUNTS

Customers

Fixed deposits	30,914,871	26,430,555
Savings deposits	16,972,735	15,937,905
Current accounts - non-remunerative	12,944,686	10,637,559
Margin accounts - non-remunerative	654,524	542,090
Others	318,797	134,310
	61,805,613	53,682,419

Financial institutions

Remunerative deposits	1,626,037	1,961,573
Non-remunerative deposits	126,052	62,196
	1,752,089	2,023,769
	63,557,702	55,706,188

13. OTHER LIABILITIES

Mark-up/ Return/ Interest payable in local currency	693,056	711,382
Mark-up/ Return/ Interest payable in foreign currency	5,701	2,642
Un-earned commission	45,538	40,136
Accrued expenses	128,348	219,889
Unrealized loss on forward foreign exchange contracts	37,062	95,721
Provision for taxation - net of Advance tax	56,156	45,358
Branch Adjustment	23,672	-
Provision for Gratuity	14,472	-
Others	419,776	305,758
	1,423,781	1,420,886

14. SHARE CAPITAL

Authorized capital

June 30, 2011 Unaudited	December 31, 2010 Audited	June 30, 2011 Unaudited	December 31, 2010 Audited
No. of shares in '000			Rupees in '000
4,000,000	4,000,000	Ordinary shares of Rs.10 each	40,000,000
			40,000,000

Issued, subscribed and paid up share capital

June 30, 2011 Unaudited	December 31, 2010 Audited	June 30, 2011 Unaudited	December 31, 2010 Audited
No. of shares in '000			Rupees in '000
800,315	800,315	Ordinary shares of Rs. 10 each fully paid in cash	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
1,771,290	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
2,671,605	2,671,605		26,716,048

Notes To The Condensed Interim Financial Statements - Unaudited For The Half Year Ended June 30, 2011

14.1 The State Bank of Pakistan (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 by the year ending December 31, 2013. The raise is to be achieved in phased manner requiring Rs. 7 billion paid up capital (net of losses) by the end of the financial year 2010 and Rs. 8 billion by end of financial year 2011 and (b) maintain a ratio of total regulatory capital to the risk-weighted asset (the "Basel ratio") at or above the internationally agreed minimum of 10%.

The Bank has approved issuance of rights shares @311.00226% on December 2, 2009 at a discount of Rs. 7.5 per share on the 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 has remained unsubscribed and the bank is in negotiations with various investors for share subscription towards the unpaid rights.

14.2 CAPITAL ADEQUACY

	June 30, 2011 Un-audited	December 31, 2010 Audited
Total Capital Adequacy Ratio	6.51%	5.24%

Subsequent to period end, the Bank is in the process of acquiring the Central Office Karachi Property at a price to be negotiated from M/s Arif Habib Equity (Private) Limited. The said property was sold to Arif Habib Equity (Private) Limited for Rs. 2 billion through an agreement to sell dated 29 June 2010. The transaction was necessitated due to long term needs of the Bank for such property and plans of Arif Habib Equity (Private) Limited for the said Property.

In view of the repurchase of the property, State Bank of Pakistan while recognizing the sale as a sale, vide their letter dated August 24, 2011, have advised the Bank to reclassify 50% of the gain realized 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. Accordingly, an amount of Rs. 877.937 million has been transferred from Accumulated loss to Revaluation reserve (eligible upto 45%) as Tier II Capital for Capital adequacy calculations. Total Capital Adequacy Ratio at 31 December 2010 has been adjusted accordingly.

	Note	June 30, 2011 Un-audited	December 31, 2010 Audited
		Rupees in '000	
15. SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS			
(Deficit) on revaluation of securities	15.1	(156,452)	(113,226)
Surplus on revaluation of property and equipments	15.2	128,887	130,088
		<hr/>	<hr/>
		(27,565)	16,862
15.1 (Deficit) on revaluation of securities			
Federal Government securities		(113,545)	(160,078)
Quoted Securities		(82,648)	(9,175)
		<hr/>	<hr/>
Deferred tax asset recognized		(196,193)	(169,253)
		39,741	56,027
		<hr/>	<hr/>
		(156,452)	(113,226)
15.2 Surplus on revaluation of property and equipments			
Surplus on revaluation of properties	15.3	159,018	160,877
Deferred tax (liability) recognised		(30,131)	(30,789)
		<hr/>	<hr/>
		128,887	130,088
15.3 Reconciliation of surplus on revaluation of property			
At beginning of the year		160,877	1,667,188
Surplus realized on disposal of property and equipment		-	(1,502,591)
Surplus realized on account of incremental depreciation (net of tax)		(1,859)	(3,720)
		<hr/>	<hr/>
		159,018	160,877

**Notes To The Condensed
Interim Financial Statements - Unaudited For The Half Year Ended June 30, 2011**

	June 30, 2011	December 31, 2010
	Un-audited	Audited
	Rupees in '000	
16. CONTINGENCIES AND COMMITMENTS		
16.1 Direct Credit substitutes	-	-
16.2 Transaction-related contingent liabilities		
Guarantees favouring		
Government	7,868,143	7,628,737
Banking companies and other financial institutions	677,373	761,829
Others	<u>693,242</u>	<u>572,196</u>
16.3 Trade-related contingent liabilities		
Letters of Credit & Acceptances	<u>3,295,230</u>	<u>3,041,251</u>
16.4 Claims against the bank not acknowledged as debt	<u>351,852</u>	<u>207,607</u>
16.4.1 The Bank had purchased a property of Rs. 68.882 million in Lahore in year 2006 for its own use. Although the builder has released the clearance letter in favor of the Bank but due to dispute between Military Estate Officer and builder in respect of area allotted for parking, the title documents of the property has not been transferred in Bank's name. The said property has therefore been classified as capital work in progress.		
16.5 Commitments in respect of		
Forward Exchange contracts with State Bank of Pakistan, banks and other institutions	<u>2,841,135</u>	<u>2,729,569</u>
Sale	<u>5,873,797</u>	<u>3,475,039</u>
16.6 Commitments in respect of		
Property, civil work & equipment	<u>15,999</u>	<u>34,550</u>
Purchase of software	<u>89,946</u>	<u>9,758</u>
	<u>105,945</u>	<u>44,308</u>
	June 30, 2011	June 30, 2010
	Un-audited	Un-audited
	Rupees in '000	
17. MARK-UP / RETURN / INTEREST EARNED		
On loans and advances to:		
Customers	3,403,981	2,332,459
On investments in:		
Held-for-trading securities	-	22,742
Available-for-sale securities	420,566	518,783
Held-to-maturity securities	246,602	248,990
	<u>667,168</u>	<u>790,515</u>
On deposits with financial institutions	226	97
On call money lendings	49,102	22,712
On securities purchased under resale agreements	<u>42,043</u>	<u>48,181</u>
	<u>4,162,520</u>	<u>3,193,964</u>
18. MARK-UP / RETURN / INTEREST EXPENDED		
Deposits	2,350,667	2,100,618
Securities sold under repurchase agreements	291,904	474,295
Call borrowings	195,306	217,833
Borrowing from State Bank of Pakistan under export refinance scheme	181,517	119,659
Others	117,639	1,350
	<u>3,137,033</u>	<u>2,913,755</u>
19. CASH AND CASH EQUIVALENTS		
Cash and balance with treasury banks	4,293,159	3,189,914
Balance with other banks	116,479	332,786
Call money lendings	<u>366,500</u>	<u>430,000</u>
	<u>4,776,138</u>	<u>3,952,700</u>

Notes To The Condensed Interim Financial Statements - Unaudited For The Half Year Ended June 30, 2011

20. TAXATION

The income tax returns of the Bank have been submitted upto tax year 2010. As regard to tax year 2008, the Bank was selected for tax audit and the Taxation Officer (TO) made a demand for Rs 1,068 million. The Bank has filed an appeal to Appellate Tribunal Inland Revenue (ATIR) against the demand. The hearing before ATIR has been completed and favourable outcome is awaited. The Bank has filed appeals before ATIR against certain disallowances amounting to Rs. 10,740.21 million made by TO for assessment / tax year(s) 1999-2000, 2000-2001, 2001-2002, 2002-2003, 2004 and 2008. The disallowances amounting to Rs. 706.92 million in respect of tax year 2003 and 2006 are pending at CIR (A). The management is confident that the outcome of these appeals would be in favor of the Bank.

The Bank's return in respect of AJK operations have been submitted up to and including tax year 2010. Certain appeals were filed before the various appellate forums which are pending for adjudication. The management is confident that the outcome of these appeals would be in favor of the Bank.

21. RELATED PARTY TRANSACTIONS

Related parties comprise of 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, key employees and entities that have key management personnel in common.

Transactions with the related parties are executed substantially on the same terms, including mark-up rates and collaterals as those prevailing at the time for comparable transaction with the unrelated parties and do not involve more than a normal risk (i.e. under the Comparable Uncontrolled Price Method).

Other than those transactions which are made under the terms of employment, the majority of the transactions with related parties comprise of loans and advance, deposits, issuance of letter of credits and guarantees.

Advances for the house building, conveyance and for personal use have also been provided to the staff and executives at the reduced rates in accordance with the employment and pay policy. Facility of group life insurance and hospitalization insurance is also provided to staff and executives. In addition to this, executives of the Bank have been provided with Bank maintained cars.

Notes To The Condensed Interim Financial Statements - Unaudited For The Half Year Ended June 30, 2011

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

	June 30, 2011 (Un-audited)			December 31, 2010 (Audited)		
	Directors	Key Management Personnel	Associated Companies & Common Directorship	Directors	Key Management Personnel	Associated Companies & Common Directorship
Rupees In '000						
Balances						
Loans						
Loans at the beginning of the period	-	-	-	-	1,153	-
Loans given during the period	-	20,329	-	-	2,766	-
Loans repaid during the period	-	(2,542)	-	-	(3,919)	-
Loans outstanding at the end of the period	-	17,787	-	-	-	-
Deposits						
Deposits at the beginning of the period	12,085	101,976	55,482	2,469	57,861	36,830
Deposits received during the period	52,374	596,975	360,823	2,286,139	712,552	964,015
Deposits repaid during the period	(63,584)	(629,207)	(348,079)	(2,276,523)	(668,437)	(945,363)
Deposits at the end of the period	875	69,744	68,226	12,085	101,976	55,482
Investment in shares	-	-	3,900	-	-	-
Investment in Term Finance Certificates	-	-	-	-	-	20,800
	June 30, 2011 (Unaudited)			June 30, 2010 (Un-audited)		
Transactions						
Short term employees benefits	-	254,025	-	-	151,059	-
Termination benefits	-	14,699	-	-	11,905	-
Mark-up and commission earned	-	645	-	-	49	-
Mark-up and commission paid	81	1,955	6,571	30	418	1,192
Services rendered / goods supplied	-	-	22,892	-	-	37,955
Software procured	-	-	8,181	-	-	3,056

22. DATE OF AUTHORISATION FOR ISSUE

The financial statements were authorised for issuance on August 25, 2011 by the Board of Directors of the Bank

23. GENERAL

Figures have been rounded off to the nearest thousand rupees.

Azmat Tarin
President & CEO

Munnawar Hamid, OBE
Chairman

Tariq Iqbal Khan
Director

Humayun Bashir
Director

Branch Network



(1) Middle Market Region

Farooq Nasim
Head Middle Market
SILKBANK House,
14 - Egerton Road, Lahore.
Tel: (042) 36369246
Fax: (042) 36316367

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

Iqbal Musarat Siddiqui
Manager
Badami Bagh Branch, Lahore
66, Grain Market Badami Bagh, Lahore.
Tel: (042) 37731353
Fax: (042) 37731355

Mutahir Ali Naqvi
Manager
Jodia Bazar Branch, Karachi
6/16, Virjee Street, Jodia Bazar, Karachi.
Tel: (021) 32436915
Fax: (021) 32441049

Muhammad Aamir Khatri
Operation Manager
Cloth Market Branch, Karachi
Khandwala Building Fakhre Matri Road, Cloth
Market, Kharadar, Karachi.
Tel: (021) 32201908
Fax: (021) 32201860

(2) KARACHI REGION A

Omer Bin Javaid
Regional General Manager
SILKBANK Building, I.I. Chundrigar Road
Karachi.
Tel: (021) 3246 0045, 111-00-7455
Ext. 334
Fax: (021) 3246 0419

Aman Gul
Manager
Karachi Main Branch
SILKBANK Building
I.I. Chundrigar Road, Karachi.
Tel: (021) 3246 0436, 111-00-7455
Ext. 141
Fax: (021) 3246 0419

Mehboob Afridi
Manager
Defence Branch, Karachi
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

Asher Saeem Farooqui
Manager
Korangi Road Branch, Karachi
Plot # 119, Arcadia Shopping Mall
DHA, Phase-I, Main Korangi Road
Karachi.
Tel: (021) 35388021, 35388018-20
Fax: (021) 35804342

Syed Naveed Ali
Manager
Korangi Industrial Area Branch
Plot No. 25/1, Sector 23, Korangi Industrial
Area, Near Suzuki South, Karachi.
Tel: (021) 35067201, (021) 35067215,
(021) 35067205, (021) 35067275
Fax: (021) 35067201

Ahsen Ali Khan
Manager
Shahrah-e-Faisal Branch
27-A Business Arcade PECHS Block-6,
Shahrah-e-Faisal Karachi.
Tel: (021) 34533106-9, (021) 34523099
(021) 34521766
Fax: (021) 34533110

Saeed Ahmad Khan
Manager
Quetta Branch
Firdousi Building, Jinnah Road, Quetta.
Tel: (081) 2821773
Fax: (081) 282 4061

Sardar Sher Ali
Manager
26th Street DHA
Plot No 23-C Street-37, Tauheed Commercial
Area, Phase-V, Karachi.
Tel: (021) 35871492, (021) 35871524
Fax: (021) 35871540

Ali Salman
Manager
Zamzama Branch
9th E-8, Zamzama Commercial Lane,
Zamzama Clifton Karachi.
Tel: (021) 35301912, (021) 35301905
(021) 35301909
Fax: (021) 3530192

Majid Khan
Manager
Clifton Branch
Show room # 1 Plot # D-69 Block -7
Clifton, Karachi.
Tel: (021) 35371840-42
Fax: (021) 35371839

Fareed ullah Shah
Manager
100 C - 11th Commercial Street
Main Khayaban-e-Itehad
DHA Phase II Ext. Karachi.
Tel: (021) 35312045
Fax: (021) 35312046

Mehwish Ahmed
Manager
91-E - 9th Commercial Street
DHA Phase IV, Karachi.
Tel: (021) 35313011
Fax: (021) 35313018

(3) KARACHI REGION B

Mirza Muhammad Asim Baig
Regional General Manager
Shop No. 1,2,3 & 4, Plot No. 151-A
Khalid Bin Waleed Road / Allama Iqbal Road
Block-2, PECHS Karachi
Tel: (021) 34306526, (021) 34306521-23
Ext:207 Fax: 021-34306524

Tanveer Hussain Khan
Manager
Hyderabad Branch
F-17, Badri Manzi, opposite Old Cafe George
Risala Road, Hyderabad
Tel: (022) 2728370
Fax: (022) 2781192

Syed Latafat Hussain Naqvi
Area/ Branch Manager
Gulshan-Iqbal, Branch.
Block 10/A, Salma Classic, Main Rashid
Minhas Road, Gulshan-e-Iqbal, Karachi
Tel: (021) 34991139 - 34989652-3
Fax: (021) 34989654

Syed Fasih Haider Burney
Manager
Bahadurabad Branch, Karachi
Ground Floor, ZN Tower
Plot No. 106, Bahadur Yar Jung Co-Operative
Housing Society, Block-3, KCHS Union
Limited, Bahadurabad, Karachi.
Tel: (021) 34933262 - 34123418-19
Fax: (021) 34145182

Mahmood Ahmed
Manager
S.I.T.E. Branch, Karachi
Address: Plot No. B/9, C-1, Unit No. 2,
Sind Industrial Trading Estate, Karachi
Tel: (021) 32586673 - 4
Fax: (021) 32550279

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

Rashid Munir
Manager
Hyderi Branch, Karachi
D-11, Block-H
Khayaban Shershah Suri
North Nazimabad, Karachi
Tel: (021) 36643280, (021) 36643275-76
Fax: (021) 36643263

Junaid A. Bachani
Area/ Branch Manager
M.A. Jinnah Road Branch, Karachi
Plot No. 21 Survey Sheet No. WO-7
Wadhamul Odharam Quarters
Opp. City Court, M.A. Jinnah Road, Karachi
Tel: (021) 32745626, (021) 32745624-27
Fax: (021) 32745628

Raziuddin Khan
Manager
Sohrab Goth, Branch
Al-Asif Square, Sohrab Goth, Karachi.
Tel: (021) 36345827, (021) 36340984
Fax: (021) 36343704

Muhammad Faraz Zahid
Branch Manager
Saddar Branch
Shop No. 1, 283-A, Snow White Center,
Abdullah Haroon Road, Near Hotel Jabees,
Saddar, Karachi.
Tel: (021) 35223053
Fax: (021) 35223050

Branch Network

Mohammad Hassan Riaz
Branch Manager
Adamjee Nagar Branch
 Plot # 419/F, Sana Complex, C.P. Berar
 Society Ameer Khusroo Road, Karachi.
 Tel: (021) 34302501, (021) 34302500-02
 Fax: (021) 34302503

Ayaz Soomro
Branch Operations Manager
 Kahil Bin Waleed Road Branch
 Shop No. 1, 2, 3 & 4, Plot No. 151-A, Khalid Bin Waleed Road/Allama Iqbal Road,
 Block-2, PECHS, Karachi.
 Tel: (021) 34306525, (021) 34306521-23
 Fax: (021) 021-34306524

Nabeel Alam Siddiqui
Manager
F.B Area Branch
 Plot No. C-31/A, Ground Floor, Block - 6,
 F.B. Area, KDA Scheme 16, Karachi.
 Tel: (021) 36342995, (021) 36342901-2
 Fax: (021) 36342904

(4) ISLAMABAD REGION

Imran Aslam
Regional General Manager
 13-L, F-7 Markaz, Islamabad.
 Tel: (051) 2608025, (051) 2608028
 Fax: (051) 2608027

Muhammad Farooq Sarwar
Manager
 Islamabad Main Branch
 93-Razia Sharif Plaza, Blue Area, Islamabad.
 Tel: (051) 2276101, (051) 2802061-3,
 (051) 2272921-23
 Fax: (051) 2829935

Munawar-ud-Din Durani
Area Manager/Branch Manager
 Rawalpindi Main Branch
 Aslam Plaza, Saddar, 60 Main Adamjee
 Road, Rawalpindi Cantt.
 Tel: (051) 5794165, (051) 5512104-6
 Fax: (051) 5524560

Asad Sajjad
Area Manager / Branch Manager
 Peshawar Main Branch
 Lamsy Arcade, 1-C Fakhar-e-Alam Road
 Peshawar Cantt.
 Tel: (091) 5276290, (091) 5278122,
 (091) 5276938
 Fax: (091) 5276414

Ishtiaq Ahmed Qazi
Manager
 Mirpur (Azad Kashmir) Branch
 82-D, Allama Iqbal Road, Sector B-4
 Mirpur (Azad Kashmir),
 Tel: (0527) 446415, (0527) 446414,
 (0527) 446559
 Fax: (0527) 445145

Abdul Haseeb Jan
Manager
 Khyber Bazar Branch, Peshawar
 Haji Khan Building, Suikarno Square,
 Khyber Bazar, Peshawar.
 Tel: (091) 9213883, (091) 2552832
 Fax: (091) 2552481

Khuram Hanif
Area Manager/Branch Manager
 I-8 Markaz Branch, Islamabad
 Plot No. 6, Larab Plaza, Sector I-8, Markaz,
 Islamabad.
 Tel: (051) 4861302, (051) 4102163, (051)
 4861303-04
 Fax: (051) 4861300

Bakhtiar Ali Khan
Manager
 F-11 Markaz Branch
 Plot # 25-D, F-11 Markaz, Islamabad.
 Tel: (051) 2102305, (051) 2210586 (051)
 2228005-06
 Fax: (051) 2210587

Mariam Khalid Yasser
Manager
 G-9 Markaz Branch, Islamabad
 4-B Karachi Company, G-9 Markaz,
 Islamabad.
 Tel: (051) 2855826, (051) 2855824-5
 Fax: (051) 2855827

Sajid Hassan Khan
Manager
 Rawalpindi Satellite Town Branch
 D-321, Fifth Road, Satellite Town,
 Rawalpindi.
 Tel: (051) 4850676, (051) 4850677-8
 Fax: (051) 4850674

Ahmed Afzal Ullah
Manager
 Attock Branch
 B-2, Pleader Lane, Attock City, Tehsil &
 District Attock.
 Tel: (057) 2702201, (057) 2613646,
 (057) 2702202
 Fax: (057) 2613486

Fakhar Uddin Siddiqui
Manager
 Gujranwala Branch
 Ward No.5, Main G.T. Road Gujranwala.
 Tel: (0513) 510026, (0513) 512866-71
 Fax: (0513) 512872

Weasem Ul Haq
Manager (Acting)
 Chaklala Branch
 Plot No. 46, Commercial Area,
 Chaklala Scheme-II, Rawalpindi.
 Tel: (051) 57661547, (051) 5766151-52
 Fax: (051) 5766150

Muhammad Ali
Manager
 Dina Branch
 Chaudhry Street, Mangla Road, Dina.
 Tel: (0544) 635011, (0544) 635013-16
 Fax: (0544) 636987

Mohammad Talal Akbar Khan Bangash
Manager
 Wah Cantt. Branch
 Plot No 1, A/37, Civic Centre, Aslam Market
 Wah Cantt.

Prince Salman Ali Khan
Manager
 F-7 Markaz Branch
 Building No. 13-A, F-7 Markaz, Islamabad.
 Tel: (051) 2608016, (051) 2608075,
 (051) 2608077-79
 Fax: (051) 2653987

Sonia Usman
Manager
 F-8 Markaz Branch
 Plot # 18-C, Kaghan Road, Islamabad.
 Tel: (051) 2287450, (051) 2287455-57
 Fax: (051) 2287454

Maryam Rashid
Manager
 E-11 Markaz Branch
 Plot # 3, E-11/3 Markaz, Islamabad.
 Tel: (051) 2228750, (051) 2228746-48
 Fax: (051) 2228749

Muhammad Faisal
Branch Operations Manager
 Dadayal Branch
 Plot # 315, Rajput Plaza, Main Rawalpindi
 Road Opp. Old Tehsil Headquarter Hospital
 Dadyal (AJK).
 Tel: (0527) 465741, (05827) 465736-8
 Fax: (05827) 465739

Farrukh Kiani
Manager
 Jhelum Branch
 Plot # 8, Paswal Plaza, G.T.S. Square,
 Jhelum City - Jhelum.
 Tel: (0544) 624971, (0544) 623973-75
 Fax: (0544) 623976

Kibria Sana
Manager
 Westridge Branch
 Plot # 488-491, Westridge Bazar Road,
 Westridge-1 Rawalpindi.
 Tel: (051) 5491544, (051) 5491540-42
 Fax: (051) 5491543

Asif Siddique Butt
Manager (Acting)
 Bahria Town Branch
 Plot # 91, Civic Centre, Bahria Town
 Rawalpindi.
 Tel: (051) 5731705, (051) 5731702-3
 Fax: (051) 5731704

Syed Hafeez Ur Rehman Banoori
Manager (Acting)
 Hazro Branch
 Plot #. BIII-382A, Allah Wala Chowk
 Circular Road, Mohallah Abdul, Hazro.
 Tel: (057) 2313296, (057) 2313292-94
 Fax: (057) 2313295

(5) LAHORE EAST

Izhar-ul-Haq
Regional General Manager
 Silbank House,
 14 - Egerton Road, Lahore
 Tel: (042) 36302317
 Fax: (042) 36279272

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

Najam Faiz
Area / Branch Manager
 PECO Road Branch, Lahore
 896-D, Faisalabad Town, Peco Road, Lahore.
 Tel: (042) 35177414
 Fax: (042) 35177413

Ramie H. Farooqui
Manager
 Allama Iqbal Town Branch, Lahore
 6-Hunza Block, Allama Iqbal Town, Lahore.
 Tel: (042) 35433094, (042) 35433680-81
 Fax: (042) 35433682

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

Azeemuddin Ahmed
Manager
 Shahdaman Town Lahore
 119-A, Colony No.1 Shahdaman Town, Lahore.
 Tel: (042) 37576442, (042) 37576397
 Fax: (042) 37576559

Muhammad Ghufran
Area / Branch Manager
 Kotwalli Road Branch, Faisalabad
 Kotwalli Road, Faisalabad.
 Tel: (041) 2619973, (041) 2643604
 Fax: (041) 2619984

Anjum Rafiq
Manager
 Madina Town Branch, Faisalabad
 6C-Z-101, Susan Road, Madina Town,
 Faisalabad.
 Tel: (041) 85034111-13, (041) 8503414
 Fax: (041) 8503416

Muhammad Azam Saroya
Manager
 Sheikhpura Branch
 Shairf Plaza, Main Lahore Sargodha Road.
 Sheikhpura.
 Tel: (056) 3813529, (056) 3812665
 Fax: (056) 3810059

Khalil Ikramullah
Manager
 Sargodha Branch
 Khayam Chowk, Gulberg Park, Sargodha.
 Tel: (048) 3768101, (048) 3768102
 Fax: (048) 3768103

M. Asad Ali Shaikh
Manager
 Johar Town Branch
 Plot No. 15, Block-M, M.A. Johar Town,
 Lahore.
 Tel: (042) 35314895, (042) 35314890-92
 Fax: (042) 35314893

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

Sajjad A. Malik
Manager
 Raiwind Branch
 Railway Road, Adjacent Red Chilli
 Restaurant, Raiwind.
 Tel: (042) 35393815, (042) 35393811-13
 Fax: (042) 35393814

Liaquat Ali
Manager
 Pull-111, Sargodha
 Pull - 111, Sargodha - Faisalabad Road,
 Sargodha.
 Tel: (048) 371980-82
 Fax: (048) 371983

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

(6) LAHORE WEST

Sardar Kamran Nakai
Regional General Manager
 R.G.M. Office, 6-Q Gulberg II Lahore.
 Tel: 0333 4211383
 PABX: (042) 35751536-7, (042) 35761088
 Fax: (042) 35764076

Nawazish Ali Hashmi
Branch Manager
 Gujranwala Branch
 B-13/75-147, Shaukat Centre, G.T. Road,
 Gujranwala.
 Tel: (055) 3250214, (055) 3731269,
 (055) 3856268-70
 Fax: 055 3856271

Tahir Jamil Qureshi
Branch Manager
 Sialkot Branch
 70, Paris Road, Sialkot.
 Tel: (052) 4266778, (052) 4597489,
 (052) 4597491
 Fax: (052) 4589002

Muhammad Ayub
Branch Manager
 Gujrat Branch
 B-17/1553-R, Near Eidgah Musjid,
 G.I.Road, Gujrat.
 Tel: (053) 3531466, (053) 3531544,
 (053) 3531472
 Fax: (053) 3531732

Irfan Azam Zafar
Area / Branch Manager
 Gulberg Branch, Lahore
 Gulberg Branch, 97-A/D-I, P.E.C. Building,
 Liberty Roundabout.
 Gulberg III, Lahore.
 Tel: (042) 35878010-11, (042) 35878351
 Fax: (042) 35878012

Tafir Hameed
Area / Branch Manager
 Garden Town Lahore
 Flat 1-4, Usman Block, New Garden Town,
 Lahore.
 Tel: (042) 35940306-9, (042) 35940300
 Fax: (042) 35940301

Muhammad Nadeem Faisal
Area / Branch Manager
 Defence Branch, Lahore
 320-Z Block Commercial area,Phase III,
 Lahore.
 Tel: (042) 35693080, (042) 35692930-33
 Fax: (042) 35693010

Ayesha Hameed
Branch Manager
 T- Block DHA
 88 Sector CCA, Phase 2C DHA Lahore
 Tel: (042) 3812655-6, (042) 35748850
 Fax: (042) 35707637

Shahryar Alam
Branch Manager
 Gulberg Mini Market Q Block
 6-Q Gulberg II, Lahore.
 Tel: (042) 35751536-7, (042) 35752855
 Fax: (042) 35764076

M. Taqi Raza
Branch Manager
 Model Town Branch
 16, Bank Square Market, Model Town,
 Lahore.
 Tel: (042) 35915580-1, (042) 35915587
 Fax: (042) 35915583

Asif Saeed
Branch Operation Manager
 Mandi Bahauddin
 Qader Trade Center, Ghallat Mandi, Mandi
 Bahaudd-in.
 Tel: (054) 6507060, (054) 6507056-58
 Fax: (054) 6507059

Raza Ali
Area Manager
 Fortress Stadium Branch
 Shop No. 3, Silver Star, Fortress Stadium
 Lahore.
 Tel: (042) 36623140-2, (042) 36623144
 Fax: (042) 36623143

Muhammad Omar Farooqi
Branch Manager
 L- Block Gulberg Branch
 52 - L Gulberg III, Kalma Chowk
 Lahore.
 Tel: (042) 35857131-3, (042) 35857245
 Fax: (042) 35857262

M. Fahd Munawar Khan
Branch Manager
 Cavalry Ground Branch
 20-Commercial Area,Cavalry Ground
 Lahore.
 Tel: (042) 36610273-6, (042) 36610280
 Fax: (042) 36610277

Haroon Siddique
Branch Manager
 Batapur Branch
 Lahore.
 Tel: (042) 36580385-7
 Fax: (042) 36580384

(7) MULTAN REGION

Mr. Syed Qasim Rizvi
Regional General Manager
 10-A Bosan Road, Gulgasht
 Multan.
 Tel: (061) 6750260
 Fax: (061) 6750253

Mr. Mohammad Shabbir Tabassum
Manager
 Bahawalpur Branch
 Near Fawara Chowk, off Ahmedpur East
 Road, Bahawalpur.
 Tel: (062) 2876184, (062) 2877520-21
 Fax: (062) 2877531

Mr. Tahir Mahmood
Acting Manager
 Dera Ghazi Khan, Branch
 Hotel Shalmir, Faridi Bazar,
 Dera Ghazi Khan.
 Tel: (064) 2466682
 Fax: (064) 2466683

Mr. Rouf Jamal
Area Manager
 Multan Branch
 Gulberg Branch, Lahore
 Gulberg Branch, 97-A/D-I, P.E.C. Building,
 Liberty Roundabout.
 Gulberg III, Lahore.
 Tel: (042) 35878010-11, (042) 35878351
 Fax: (061) 6750256

Mr. Muhammad Ikramullah
Manager
 Sahiwal Branch
 Khasra No. 4998, Khawat No. 07, Kharooni
 No. 07, Jail Road, Civil Lines, Sahiwal.
 Tel: (040) 4224182, (040) 4224184
 Fax: (040) 4222915

Mr. Mehmood Hussain
Manager
 Rahimy Khan, Branch
 26-Shahi Road Branch, Rahim Yar Khan.
 Tel: (068) 5884345, (068) 5881302
 Fax: (068) 5879408

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

Mr. Mustafa Haider
Manager
 S.P Chowk, Multan.
 Tel: (061) 4587711
 Fax: (061) 4586880

Foreign Correspondents

Afghanistan
Habib Bank Ltd.

Argentina
HSBC Bank U.S.A.
Royal Bank of Scotland

Australia
HSBC Bank Australia Limited
JP Morgan
Westpac Banking Corp

Austria
Royal Bank of Scotland
Raiffeisen Zentralbank Oesterreich
Unicredit Bank Austria

Bahrain
Arab Investment Bank
Al Baraka Islamic Bank
Habib Bank Ltd.
United Bank Ltd.
National Bank of Pakistan
Standard Chartered Bank

Bangladesh
HSBC Bank U.S.A.
Habib Bank Ltd.
Standard Chartered Bank

Belgium
Habib Bank Ltd.
Commerzbank AG
KBC Bank N.V.
Fortis Bank S.A. / N.V. Brussels
Royal Bank of Scotland

Brazil
HSBC Bank

Bulgaria
Citibank Bulgaria
United Bulgarian Bank

Canada
HSBC Bank
Habib Canadian Bank
Royal Bank of Scotland

China
HSBC Bank
Standard Chartered Bank
Agricultural Bank of China
Commerzbank AG
Mashreqbank
Royal Bank of Scotland
Bank of China
China Construction Bank Corporation
China Ever Bright Bank
Industrial and Commercial Bank of China
Laihang Bank Co. Ltd.
JP Morgan
Shenzhen Development Bank
Bank of New York Mellon
Wachovia Bank
West LB AG

Cyprus
Marfin Popular Bank Public Co.

Czech Republic
Commerzbank AG
Royal Bank of Scotland
LBBW Bank CZ A.S

Denmark
Danske Bank A/S
Nordea Bank Denmark A/S

Egypt
HSBC Bank
Mashreqbank Psc

Finland
Nordea Bank Finland Plc
Skandinaviska Enskilda Banken

France
HSBC Bank

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

Germany
HSBC Trinkaus und Burkhardt AG
Commerzbank AG
Danske Bank
Deutsche Bank AG
National Bank of Pakistan
SEB AG
Landesbank Baden
Standard Chartered Bank
Suedwestbank AG
Unicredit

Greece
Habib Bank Ltd.

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

Hong Kong
BNP Paribas
DBS Bank
Citibank, NA
Habib Finance Int'l Ltd.
HBZ Finance Ltd.
Intesa Sanpaolo
National Bank of Pakistan
Mashreqbank Psc
JP Morgan
Standard Chartered
HSBC
Royal Bank of Scotland
UBAF
West LB AG

India
Standard Chartered
Mashreqbank
Royal Bank of Scotland
HSBC
JP Morgan

Indonesia
HSBC Bank
Standard Chartered Bank
Royal Bank of Scotland
JP Morgan

Iran
Bank Mellat Iran
Bank Sedarat Iran

Ireland
National Irish Bank

Italy
HSBC Bank
Commerzbank AG
Royal Bank of Scotland
Banca Di Roma S.P.A.
Banco Di Napoli S.P.A.
Banco Popolare SOC
Banco Popolare Di Novara S.P.A.
Banco Popolare Di Verona SGSP
Banca Monte Parma
Banca Carige S.P.A.
Banca UBAE
Icrea Banca
Intesa Sanpaolo
Mizuho Corporate Bank Ltd.
Unicredit Banca S.P.A.
Unicredit Corporate Banking S.P.A.
Union Di Banche Italiane SCPA
Cassa di Risparmio in Bologna

Japan
HSBC Bank
National Bank of Pakistan
The Bank of New York

Mizuho Corporate Bank Ltd.
Sumitomo Mitsui Banking Corp
UBAF
Royal Bank of Scotland
Wells Fargo Bank

Jordan
Standard Chartered Bank

Kazakhstan
BTA Bank JSC

Kenya
Standard Chartered Bank

Kuwait
Gulf Bank, K.S.C.
Alahli Bank of Kuwait, K.S.C.
National Bank of Kuwait
Citibank, NA

Korea
Korea Exchange Bank
Korea Development Bank
Kookmin Bank
National Bank of Pakistan
Standard Chartered First Bank
Shinhan Bank
Suhyup Bank
HSBC Bank U.S.A.
UBAF
Royal Bank of Scotland
Pusan Bank
Wells Fargo Bank
Woori Bank

Kosovo
Reffieisen Bank

Luxembourg
HSBC Private Bank

Lebanon
Habib Bank Ltd.

Malaysia
HSBC Bank
Standard Chartered Bank
Citibank, NA
The Royal Bank of Scotland
JP Morgan

Mauritius
HSBC Bank
Habib Bank Ltd.
Mauritius Commercial Bank Ltd.

Morocco
Attijariwafa Bank

Mexico
HSBC

Monaco
HSBC Private Bank

Nepal
Himalayan Bank Ltd.

Netherlands
Commerzbank
Royal Bank of Scotland
Deutsche Bank AG
Habib Bank Ltd.
Hollandsche Bank Unie N.V.
Fortis Bank Nederland N.V.

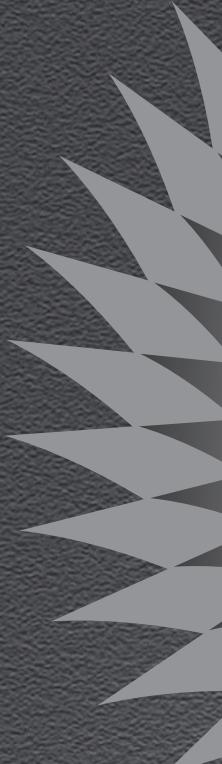
New Zealand
HSBC Bank

Norway
Nordea Bank Norge ASA
DNB Nor Bank ASA

Oman
Habib Bank Ltd.
Oman International Bank
Standard Chartered Bank
Bank Muscat Oman

Foreign Correspondents

Poland	Taiwan	US Bank Minneapolis
Nordea Bank Poliska, S.A. Royal Bank of Scotland	HSBC Bank The Bank of New York Bank of America Royal Bank of Scotland Standard Chartered Bank JP Morgan Wells Fargo	Union Bank NA United Bank Ltd. Wachovia Bank, NA Woori Bank Valley National Bank Wells Fargo Bank
Panama	Thailand	Vietnam
HSBC Bank	HSBC Bank Bank of Ayudha Public Company Ltd. Export Import Bank of Thailand Standard Chartered Bank Royal Bank of Scotland Citibank, NA JP Morgan	HSBC Bank Royal Bank of Scotland JP Morgan
Philippines	Turkey	
Royal Bank of Scotland HSBC Bank Mizuho Corporate Bank	HSBC Bank Royal Bank of Scotland Habib Bank Ltd. Turkiye Vakiflar Bankasi T.A.O Turkiye Garanti Bankasi AS Fortis Bank	
Portugal	U.A.E.	
Banco BPI SA	Citibank, NA Dubai Islamic Bank Emirates NBD Bank Emirates Islamic Bank HSBC Bank Middle East Standard Chartered Bank United Bank Ltd. Habib Bank Ltd. Mashreq Bank Psc Royal Bank of Scotland National Bank of Fujairah Habib Bank AG Zurich National Bank of Dubai Noor Islamic Bank	
Qatar	U.K.	
United Bank Ltd. Doha Bank	ABC International Bank Plc Bank Luemi Bank of America Clydesdale Bank Deutsche Bank HSBC Bank Fortis Bank Habib Bank AG Zurich Standard Chartered Bank Commerzbank Mashreq Bank Psc Northern Bank JP Morgan Merrill Lynch Int'l Bank Ltd. Nordea Bank Finland National Westminster Bank Royal Bank of Scotland Habibsons Bank Ltd. Citibank, NA United National Bank	
Republic of Serbia	Spain	
Raiffeisen Bank Kosovo Unicredit Bank Serbia	HSBC Bank Commerzbank Fortis Bank, S.A. Banco Popular Espanol, S.A. Bankinter, S.A. Caja de Ahorres del Mediterraneo Caja Espana de Inversiones Caja D'estalvis I Pensions de Barcelona	
Romania	Sri Lanka	
Piraeus Bank Romania	Standard Chartered Bank Muslim Commercial Bank Ltd. Habib Bank Ltd.	
Saudi Arabia	Sweden	
National Commercial Bank Saudi Hollandi Bank Bank Muscat Riyadh National Bank of Pakistan Saudi British Bank	Nordea Bank Skandinaviska Enskilda Banken Svenska Handelsbanken Royal Bank of Scotland Danske Bank	
Singapore	Switzerland	
Royal Bank of Scotland Bank of America Citibank, NA Fortis Bank HSBC Bank Habib Bank Ltd. JP Morgan Chase Bank Mizuho Corporate Bank National Bank of Kuwait Sumitomo Mitsui Banking Corporation Ltd. Standard Chartered Bank West LB AG UBAF	Banque Cantonale Voudoise Habib Bank Ag Zurich BNP Paribans (Suisse) Credit Agricole (Suisse) Habibsons Bank Credit Suisse Royal Bank of Scotland United Bank AG Citibank, NA	
South Africa	U.S.A.	
Royal Bank of Scotland Habib Overseas Bank Ltd. HBZ Bank Ltd. HSBC	Royal Bank of Scotland Bank of America The Bank of New York Mellon Bank of the West Citibank, NA Commerzbank Deutsche Bank AG Doha Bank Fortis Bank Habib American Bank Habib Bank Ltd. HSBC Bank U.S.A. International Finance Corporation Intesa Sanpaolo SPA JP Morgan Mashreqbank Psc Mizuho Corporate Bank Ltd. M&I Bank National Bank of Pakistan Standard Chartered Bank Sumitomo Mitsui Banking Corporation Ltd. TD Bank NA Union Bank of California Valley National Bank	



Silkbank Building
I.I. Chundrigar Road, Karachi
www.silkbank.com.pk
111-007-455