

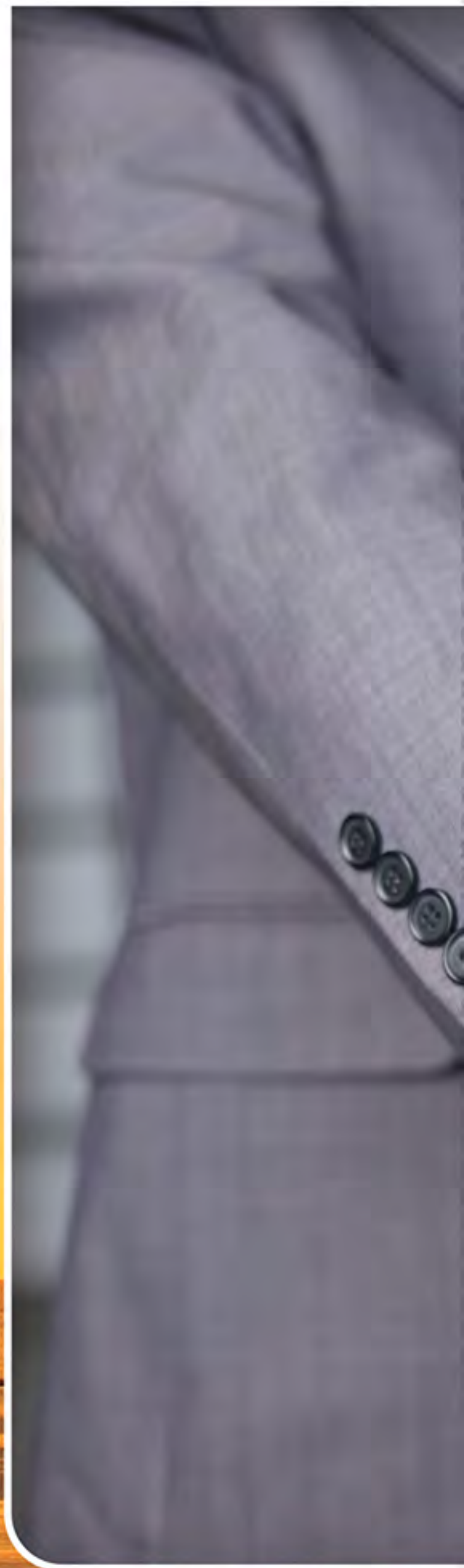
# Delivering Excellence





# Delivering Excellence

Silkbankers are confident in how to assure customers their financial wellbeing. With the ever-changing market dynamics, we are more than committed to cater to customers from all walks of life by staying one step ahead in giving them exactly what they want. Whether it is personal or corporate, our aim is to help our clients achieve financial freedom. We believe in customer delightment, which is why we continuously work towards remaining your choice for a superior banking experience. Silkbank is “your bank” and together we guarantee a trust for safeguarding our partnership.









# Branch Banking

At Silkbank, we believe in giving the best to our customers by offering them a complete suite of diverse financial solutions. We realize that your financial needs and priorities change as you go through life. We have a world of banking products and services to cater to your requirements which include Current, Savings, Term Deposits and Bancassurance products. Our accounts are tailored to help you achieve your financial goals, that provide a perfect blend of exceptional service, expert solutions and unique benefits, to enable you to watch your money grow and build a secure future with us.









# ADC - Alternate Delivery Channels

Silkbank is constantly making efforts to bring innovation in the world of banking. One that is convenient, personal and most of all recognizes your financial needs. Enjoy a head start to a more rewarding banking relationship with our Internet Banking, Phone Banking, Silkbank Visa Debit Card and Utility Bill Payment Services available to you around the clock.









# Corporate and Investment Banking

As one of Pakistan's upcoming progressive banks, we are well positioned to help you manage your corporate needs and plan for the future with our comprehensive range of advisory services. We bring our corporate clients, local expertise with global insights in today's fastest growing markets. Take the first step to smart banking today with our capital management, debt and equity advisory, mergers and acquisitions guidance, along with trade services for corporate and middle market customers.









# Consumer Banking

At Silkbank, we lay the foundations for a highly successful long-term partnership with you by understanding your unique financial circumstances, goals and preferences. Supported by an unwavering commitment to you and your financial goals, we help you make the most of life's opportunities and experiences, with our Personal Loan and Ready Line products. With unique features like 0% mark-up on Balance Transfer, special cardholder privileges and attractive rewards programme, we have Pakistan's most innovative Credit Cards to suit you and your lifestyle.









# Small and Medium Enterprises

We understand that your business is unique and therefore we offer you exclusive business solutions that address all your business needs. From managing your working capital, growing your business, to protecting it and increasing your yield, we help you capitalize new opportunities. Our M'Power and SME Cash Ease products serve as your perfect business solutions.









# Emaan Islamic Banking

Our customer values, culture and beliefs are things we cherish and hold dear. Our comprehensive range of Shariah-compliant services and products are tailored to meet life's different needs and recognize what is important to you. Emaan Islamic banking products and services are not only Riba-free and Halal but are designed in accordance with Shariah rules to give you complete peace of mind.









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## 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.



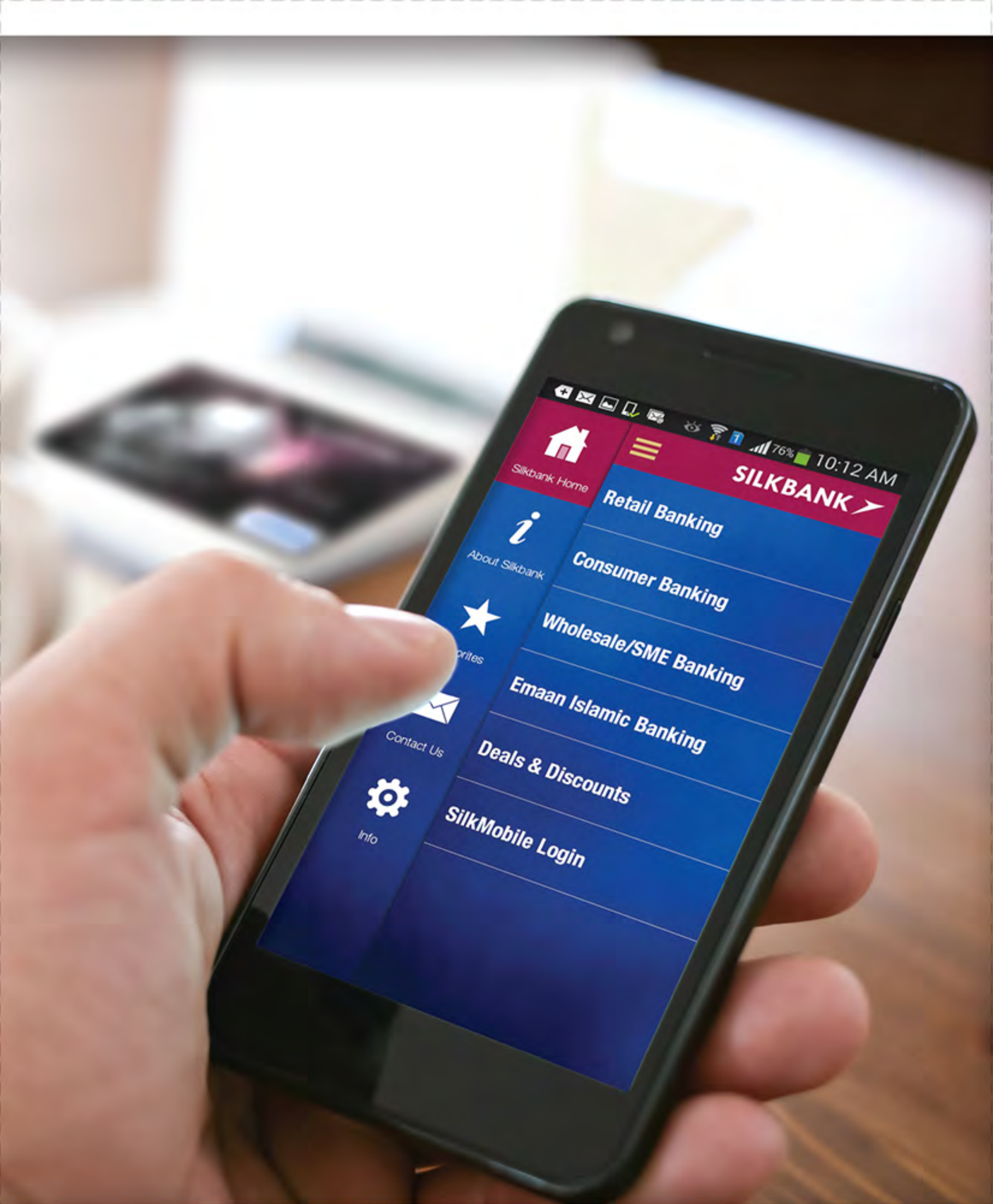




# Products and Services







SILKBANK

- Retail Banking
- Consumer Banking
- Wholesale/SME Banking
- Emaan Islamic Banking
- Deals & Discounts
- SilkMobile Login

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# Products and Services

## Branch Banking

### Silkbank Current Accounts

Caters to the 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.

### Silkbank Savings Accounts

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

- **MUNAFI 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 the customer 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 MUNAFI 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 MUNAFI 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 its 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 the customer's 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 & outlets, nation wide.





### Utility Bills Payment Service

Customers can now use their Silkbank VISA Debit Card at any Silkbank 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 customer's 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

Silkbank has an experience 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", Silkbank 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

Silkbank 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 Silkbank Personal Loan, you can live up your dreams and enjoy life to the fullest. It is fast, convenient, flexible and affordable.

### Silkbank 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.

### Silkbank Credit Cards

The most innovative cards of the country, Silkbank Credit Cards provide customers with 0% markup for an entire year upon transfer with Card Design Personalization and Customization. Silkbank 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

Silkbank's 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 the customers, including current accounts, savings accounts, term deposits, takaful and saving plans.





# Chairman's Message

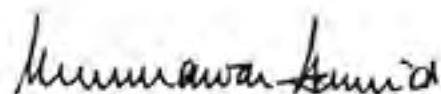
Dear Shareholders,

In spite of some recovery in spreads during the first half of the year 2014, the entire year turned out to be another subdued year for banking spreads due to downward movement in interest rates during the second half. Together with this, the troubled socio-political scenario prevailing in the country and the adverse law and order conditions, presented various challenges, but the Bank came out stronger than before, by posting profits, quarter after quarter, and the year end results are reflective of the management's effort in meeting your expectations.

In line with the strategic direction of the Board, the Silkbank team enhanced its revenue in 2014, both on the asset and the liability side of the business, rationalized expenses, re-engineered processes and used existing resources to achieve growth. The management continued to achieve high standards of service a greater automation and controls and improve efficiency, productivity and regulatory compliance.

In order to meet the Minimum Capital Requirement of the State Bank of Pakistan, the Board in its meeting held on August 27, 2014, approved the issuance of fresh right shares of Rs. 10 billion (6,410,256,410 Right Shares at Rs. 1.56 per share, a discount of Rs. 8.44 per share), under the provisions of Section 86 of the Companies Ordinance, 1984, subject to the approval of the shareholders and regulatory authorities. The Bank has already received Rs. 2.0 billion as advance against these shares and expects to close the issue shortly, as a result of which the capital base of the Bank will increase to Rs. 16 billion. Going forward, the Board has therefore set significant goals to improve profit margin and earnings in 2015.

I wish all the success to the management in making the year 2015, a better year for the Bank.



Munnawar Hamid, OBE  
Chairman







# President's Review

Dear Shareholders,

The year 2014 was a challenging year for Pakistan both on the political as well as the economic front. The security situation worsened during 2014 with increasing terrorist attacks. The continuing energy crisis further dampened the business environment.

Pakistan's macroeconomic landscape has been witnessing a gradual turnaround over the last two years. The key contributor was the steep decline in international crude oil prices, which bodes well for the external account going forward.

The SBP's foreign exchange reserves crossed the USD 15 billion mark. As a result, the Pak rupee strengthened and stabilized versus the USD with around a 5% appreciation in 2014. Consumer Price Index (CPI) reduced dramatically in 2014 leading to a 50 bps cut in the discount rates in Nov-14 and another 100 bps in Jan-15, bringing it down to 8.5%.

In 2014, we continued to work on Silkbank's Vision, to be the "Benchmark of Excellence in Premier Banking" and remained steadfast in the Bank's 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".

The year 2014 was challenging for all of us. The economic, regulatory and security situation was demanding, yet as a team, through dedication and hard work, we overcame the challenges to close 2014, stronger than ever before by posting a year-end operating profit of Rs. 499 million and a profit before tax of Rs. 131 million.

Silkbank's road to profitability also included a strong recovery of non-performing advances. The Special Assets Management Group (SAMG) of the Bank once again exceeded expectations and contributed a net amount of Rs. 1.631 billion to the P&L Account. With a total NPL reduction and mark-up recovery of Rs. 2.531 billion, the SAMG team was able to reduce NPL by Rs. 1.650 billion.

Additionally, with improvement in Yield on earning assets, the spread rose from 2.24% in 2013 to 3.42% in 2014.

Your Bank also maintained a resolute focus on customer service during the year. Surveys were conducted to measure service quality through both in-house resources as well as external research agencies. Independent "Mystery Shopping Results" conducted by a leading market research consultancy has reaffirmed a continued improvement in the service quality standards, with a YTD score of 91%. Your Bank's endeavor will be to continue the Service Leadership in the banking industry and maintain a steadfast commitment towards continuous improvement and people development. Your Bank will also consistently invest in technology to ensure availability of innovative products and delivery of unmatched service to our customers.







# President's Review

The Bank's strategy focused on reducing cost of funds by replacing high-cost deposits with low-cost CASA. Silkbank deposit-mix in 2014 showed a positive improvement with CASA deposits increasing to 57.4% from 54.9% in the previous year.

Another 2014 strategic initiative was a continued focus on booking high-yielding consumer assets. Credit Cards registered a growth in Ending Net Receivable (ENR) of 89% vs. 2013, driven by a strong and consistent growth in new cards acquisition. The Bank's total Cards in Force (CIF) stood at 34,986 as of December 31, 2014 with an ENR of Rs. 1.88 billion against Rs. 993 million at the end of 2013. The momentum in Personal Loans & Running Finance facility was maintained with a combined year end 2014 ENR of Rs. 6.9 billion vs. Rs. 5.0 billion in 2013. The strategy followed in Personal 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. This strategy helped in strengthening ties with customers by entering into a long-term relationship and simultaneously, helped manage portfolio attrition prudently. Silkbank Ready Line, a running finance facility, has earned a name for itself within a short span of its launch in 2011. It is, ostensibly, the most sought-after loan product in the market. Your Bank's strong portfolio of alliances with popular merchants across Pakistan has been vital in the increase of our VDC customer base by 16,509 during the year 2014. Silkbank Visa Debit Cards reflected a growth of 45.33% over last year with a spend volume of Rs. 931.83 million. The Bank's high ATM availability and the upscale look and feel of the ATM vestibules have contributed significantly to the enhanced usage of Silkbank ATMs, with an impressive average cash dispensed of over Rs. 1.12 billion a month.

The Alternative Delivery Channels (ADC) business continues to be an important tool in cost reduction, customer loyalty and the Bank's innovative positioning. Your Bank now provides SMS alerts to 53,384 customers. Internet Banking is now being used by over 18,085 customers while E-Statements are being sent to 30,292 account holders, ensuring timely delivery and reduction in courier costs. Silkbank is now working towards enhancement of Mobile Banking Service, with the launch of SilkMobile. This will allow the Bank's customers to pay their bills, transfer funds, request cheque books, besides avail many other services. These ongoing developments aim at further strengthening your Bank's innovative positioning. ADC segment recorded an income of Rs. 77.56 million during 2014.

Your Bank has continued to be a major player in the Bancassurance business offering simultaneous investment & health insurance with an annual revenue of Rs. 44.38 million in 2014.

During the year, a strong focus was maintained to build non-funded trade business from the Middle Market branches along with emphasis on low-cost deposit generation. The Corporate Banking Group formed a dedicated liability team to target corporate deposits and spearhead cash management to generate funds.

In just two years since inception, Emaan Islamic Banking has efficiently managed to replace the big ticket accounts to reduce the cost of funds and increase spreads. As a result, Emaan Deposits stand at Rs. 6.6 billion as of December 31, 2014 compared to Rs. 4.0 billion on December 31, 2013, reflecting a healthy growth of 68% mainly in the current and saving accounts. The Financing position stands at Rs. 5.7 billion on December 31, 2014 compared to Rs. 3.6 billion as of December 31, 2013.



Your Bank manages its liquidity with stringent risk management and prudent liquidity management techniques. Silkbank's Treasury department continued its exceptional performance in contributing towards profitability. The Bank's total FX Income earned in 2014 was Rs. 199 million, FX Corporate Desk posting a profit of Rs. 139 million and the Money Market Desk realizing capital gains of Rs. 260 million on GOP securities during the year.

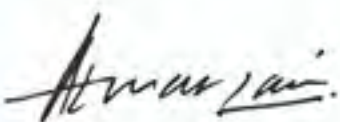
Your Bank continued to enhance its risk management capability in the Corporate, Middle Market, SME and Consumer businesses. Assessment of the Risk Acceptance Criteria (RACs) is an ongoing exercise, which enables the Bank to keep its risk appetite at acceptable levels. The Internal Control and Compliance Teams continued vigilance of the branches and other support functions, which included sharing of guidelines to educate and guide staff to ensure better control standards. Another critical initiative to steer the Bank towards profitability was to rationalize expenses. In 2014, the Bank's expense rationalization initiatives covered staff, premises and other operating costs. Synergies were created across the organization through position mergers, consolidation of units, and review of each unit's organizational structure. On the premises side, your Bank continued to renegotiate rentals and undertook relocation of premises where required, to reduce costs. Major utility saves were realized through adoption of energy-efficient practices as well as stringent monitoring. As part of the Bank's energy saving initiatives, 40 branches were converted to solar power. Other operating cost saves included telecom and hardware optimization and a constant review of major expense lines.

The Silkbank team has always been the institution's most prized asset. The Bank dedicated more than 22,000 hours to training staff, while revamping its Learning and Development curriculum to introduce need-based programs focusing on personal and professional development.

In the coming years, your Bank will build on its strengths and reflect strong revenue growth momentum. Silkbank will continue to optimize expenses through greater synergies and re-engineering of processes for greater efficiency and productivity. The Bank's forthcoming initiatives will aim to augment the revenue momentum to ensure that the next year closes on even stronger footings.

It is my great privilege to continue to lead the dynamic Silkbank team. I would thank every member of the organization for their dedication, commitment and hard work during the year. I would also thank our Stakeholders, 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, 2014









# Corporate Information

## Board of Directors

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

## Company Secretary

Uzman Naveed Chaudhary

## Chief Financial Officer - Acting

Khurram Khan

## Audit Committee

Tariq Iqbal Khan, FCA	Chairman
Adnan Afridi	Member
Faisal Anis Sherwani	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
Azmat Tarin	Member
Romana Khokhar	Secretary

### Auditors

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

### Legal Advisor

Ghani Law Associates

### Registered Office

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

### Share Registrar

Central Depository Company of Pakistan Limited (CDCPL)  
Share Registrar Department  
CDC House, 99-B, Block 'B',  
S.M.C.H.S., Main Shakra-e-Faisal  
Karachi-74400.  
Tel. No.: Customer Support Services (Tol- Free) 0800-CDCPL (23275)  
Fax: +92-21-34326053  
Email: [info@cdcpak.com](mailto:info@cdcpak.com)  
Website: [www.cdcpakistan.com](http://www.cdcpakistan.com)



# Board of Directors

**Tariq Iqbal Khan**  
Director

**Shaukat Tarin**  
Advisor to the Chairman

**Khalid Aziz Mirza**  
Director

**Azmat Tarin**  
President & CEO





**Munnawar Hamid, OBE**  
Chairman

**Faisal Anis Sherwani**  
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 a 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. He is also the Chairman of the HR Committee of the Board. 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 Agha Khan University, Karachi	Member Board of Trustee
■ The Agha Khan University - Gratuity Fund	Trustee
■ The Agha 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 at 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:

■ Gillette Pakistan Ltd.	Director
■ International Steels Ltd.	Director
■ Packages Ltd.	Director
■ Lucky Cement Ltd.	Director
■ National Refinery Ltd.	Director
■ FFC Energy Ltd.	Director (Government Nominee)
■ Pakistan Oil Fields	Director (Government Nominee)

## 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 Europe in 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 2010, 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 a visiting 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 Ltd.	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 join Tethyan Group, he has 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 had also International work experience in USA, EU (UK, Italy, Turkey, France) and UAE.

### **Mr. Faisal Anis Sherwani - Director**

Mr. Faisal Anis Sherwani is a nominee Director of M/s. Nomura International Plc. He was re-elected as a Non-Executive Director by the shareholders of the Bank in August 2014 and has held this position since then. He is also Member of the Audit Committee of the Board.

Mr. Faisal is a Masters in Business Administration (MBA) with a major in Finance from the Institute of Business Administration (IBA),

Karachi, Pakistan. He is an experienced professional with a proven track record established over last 10 years within the institutional client base in the Gulf.

Mr. Faisal is currently working as an Executive Director in Nomura International Plc. based in Dubai International Financial Center.

Prior to joining Nomura, Mr. Faisal was working with Lehman Brothers Europe International, Dubai Branch, as Director - Middle East Capital Markets. At Lehman Brothers, he established Credit Sales and Securities Financing business in the Gulf Region.

Mr. Faisal also worked for Standard Chartered Bank for a decade in the Middle East and Pakistan. During his stay at Standard Chartered he has performed various roles in Institutional Sales, Trading and Asset Liability Management.

### **Mr. Khalid Aziz Mirza - Director**

Mr. Khalid Aziz Mirza was elected as an Independent Director on the Board in August 2014. He is also member of the HR Committee of the Board.

Mr. Mirza is a Masters of Commerce (M.Com) 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). Beside this, he also served as Chairman - Securities & Exchange Commission of Pakistan (SECP); The World Bank - Washington DC, USA; Chairman and Chief Executive - Monopoly Control Authority, GoP; Chairman and Chief Executive - Competition Commission of Pakistan and Member - Competition Appellate Tribunal. Mr. Mirza is currently working in Lahore University of Management Sciences (LUMS), Pakistan. Mr. Mirza is also Independent Director/Chairman on the Board of Primus Investment Management.

### **Mr. Azmat Tarin - President & CEO**

Mr. Tarin is the President & CEO of Silkbank since October 2008. Prior to which, 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, Romana P. Khokhar





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, Azmat Tarin, Kasim Feroze Khan, Muhammad Saqib Pal



# The Management

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



# Corporate Profile

## Background:

Silkbank 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 Ltd. and Sinthos Capital Advisors (led by Mr. Shaukat Tarin and Mr. Sadeq Sayeed) acquired a majority stake in Saudi Pak Commercial Bank Ltd, which was subsequently rebranded as Silkbank Limited on June 01, 2009.

The Consortium holds over 82% equity stake in Silkbank and has an enviable track record of creating shareholders value by implementing proven business models and forming strategic business alliances around the world.

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.*

## NOMURA

*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 and Statements to the Members

For the year ended December 31, 2014







...allows to estimate to the full a  
...company, and in its divisions sepa-  
...ct more precisely immediate pros-  
...the company at the account of pres-  
...omics of growth.  
...investigation of period to do next: raise a  
...increase incomes of direct sales, reduce  
...tation, strengthen sale divisions, carry out

...we are looking for a new kind of revolution, which...  
...way. This means we are not only in search for a...  
...strategy, we are also looking for a new kind of...  
...evolution is a process, not an event. We also accept that...  
...These basic yet profound notions are the foundation for...  
...We are visionaries and theorists while at the same...  
...daily trials as activists. We tend to lose more than we...  
...struggle itself manages to fuel us. If we have been...  
...some way for our activism to sustain us, for...  
...we've been able to muster to perse...  
...organizational theory alone...  
...uninterrupted, for...  
...that accom...  
...deni...  
...the spoils of appar...  
...long. Somehow, we have...  
...of revolt," as the slogans suggest...  
...that culture and spirit are derived from some...  
...that there is something outside us as individu...  
...That motion is, in fact, a social movement. Th...  
...they are, it's more likely to be by the media...  
...slogan or image, and place it before us, ab...  
...they are made up of icons -- or so it would...  
...But social movements by definition co...  
...those people acknowledge the existence...  
...us.  
...When we talk about revolutionary...  
...implement common ideals in the pro...  
...talking about finally acknowledging th...  
...against, as fully and wholly as possi...  
...we relate to it as an adversary. It...  
...manifests and promotes our...



# Director's Report

For the year ended  
December 31, 2014

Dear Shareholders,

The Directors are pleased to present the 21st Annual Report and the audited financial statements for the year ended December 31, 2014.

## Economic Review

Pakistan's macroeconomic landscape has been witnessing a gradual turnaround for the last two years, with fiscal consolidation and entry into IMF's Extended Fund Facility being the key factors in the year 2013. The biggest factor in the 2014 was the steep decline in international crude oil prices, which with a more than 50% dip during 2nd Half of Calendar Year 2014 bodes well for the external account going forward. The SBP's foreign exchange reserves have witnessed a remarkable turnaround in the year 2014, rising from USD 3.5 bn in Dec-13 to USD 10.5 bn in Dec-14, taking the total foreign exchange reserves to over the USD 15 bn mark, a level last witnessed more than two years ago. As a result, the Pak rupee has strengthened and stabilized versus USD with around a 5% appreciation in 2014. Also the Consumer Price Index (CPI) reduced from 8.470% in first half of 2014 to 6.170% in the second half with the monthly CPI as low as 3.96% in Nov-14, leading a 50 bps cut in the discount rates in Nov-14, and another 100 bps in Jan-15, bringing it down to 8.5%.

However, despite improvement in the external account and lower inflation economic growth continues to remain below target due to the ongoing energy crises, and a low tax to GDP ratio of around 10%, almost 5% below the average of peer countries. Although, fiscal deficit has been brought under control in the year due to one-off inflows, control over PSDP, and a reduction in power sector related subsidies, more tangible structural reforms are needed improve economic growth.



## The Banking Sector

After a rather challenging previous year, during which the SBP imposed regulations adversely affecting deposit rates, the current year 2014

saw some relief for the industry. A shift in Government policy seeking to lower its rollover risk and to lock in a fixed rate on its mounting debt resulted in an unprecedented issue of longer term PIBs. All banks participated aggressively in this issue, to shield themselves, and consequently PIBs emerged as the leading investment avenue for the banking industry with investment rising from Rs. 744 billion at the end of 2013 to PKR 2,659 billion at the end of 2014. As a result, the additional yield on PIBs which is around 200 bps above the prevailing T-Bill yields, is expected to help industry protect its interest margins despite weakening spreads.

On the lending front, improvement in advances remained impressive and increased by Rs. 257 billion during the year with higher lending to the agri sector, food producers, and the transport and communication sectors. Credit costs, remained subdued in the Industry due to improving asset quality and a measured lending stance.



## Silkbank's Performance During 2014 and Future Strategy

### Overall Financial Performance

In the beginning of the year, the Board approved the following areas for focus by the Bank as a part of a strategic Plan to achieve profitability. Performances during the year in each were as follows:

#### ■ CAPITAL INFLOW

The Bank successfully raised Rs. 2.2 billion through issuance of Privately Placed, Non-cumulative and Convertible Preference Shares ("PNCPS") to Institutions and private investors and its proceeds





contributed to the Tier-I Capital of the Bank. The Bank has also announced Rights issue of 6,410,256,410 shares at Rs. 1.56 per share (at a discount of Rs. 8.44 per share), subject to the approval of the Securities and Exchange Commission of Pakistan and the shareholders of the Company, against which Rs. 2 billion have already been received in the subscription account as advance. The Bank expects to successfully complete this issue by March 31, 2015 thereby increasing the capital base of the Bank to Rs. 16 billion.

#### ■ MAINTAIN LOW COST OF FUNDS

Focus on increasing core current and saving accounts, decreasing expensive deposits and replacing them with low cost deposits in general as well as the low cost Emaan Islamic Banking Deposits, has resulted in significant reduction in cost of funds.

#### ■ FOCUS ON BOOKING HIGH MARGIN CONSUMER ASSETS

Achieving a good Non Performing Loan history in the consumer portfolio, an effective collection system enabled higher Consumer Financing and a strong momentum to booking of cards and consequently a higher income for the Bank. The Bank also focused on expanding the rest of the high yielding products such as running finance and personal loans. New corporate assets were however booked very selectively so that the CAR could be managed successfully.

#### ■ NON PERFORMING LOANS (NPLS) REGULARIZATION

As per strategy, the Bank has reduced the NPL portfolio by Rs. 1.650 billion in 2014.

#### ■ EXPENSE RATIONALIZATION SAVINGS

The Bank's productivity team achieved direct cost reduction as well as rationalization of the organization during the year.



In addition to the above, it is noteworthy that the Bank is considered a pioneer of the 0% APR Credit Card, the daily profit payout savings account - Munafa Rozana, and the mark-up waiver offer on Personal Loans. The Bank's running finance facility, Ready Line, is also ostensibly the most sought after unsecured retail loan product in the market, and

the Bank as a result of the expansion of Emaan Islamic banking across the country now offers both conventional and Islamic banking products.

The economic, regulatory and security situation was demanding, but the Bank overcame the challenges to close 2014, profitably. However though the current year 2014 has been a turnaround year for the Bank, witnessing consistent growth in businesses and achieving profits not only on the margin but also on the bottom line, unfortunately the adverse socio-political conditions prevailing in the country coupled with the sharp reduction of spreads has prevented adequate profitability to declare a dividend for the year.

The comparative financial performance between 2013 and 2014 is given below:

Financial Performance 2014	Rs. In million	
	2014	2013
Net mark-up income	3,460.117	2,159.756
(Provisions) / Reversal, impairment and others	(367.613)	(633.475)
Non mark-up income	1,720.363	1,324.580
Non mark-up expense	(4,681.452)	(4,378.939)
Profit before Tax	131.415	(1,528.078)
Tax / (Reversal) of tax	(44.555)	371.516
Profit after Tax	86.860	(1,156.562)
	Rupee	
(Loss) / Earning per share	0.03	(0.43)

### Future Strategy

Building on the progress during the year 2014, the Bank shall continue to pursue its goals to be the top service provider in the Banking industry as well as improve profitability with a more robust capital base. The Bank also plans to expand its footprint across Pakistan with new branch openings both in conventional as well as Islamic Banking.

I, on behalf of the Board, take pride in our Team who are well on track to achieve our Vision and Mission to be, "The Benchmark of Excellence in Premier Banking", on the strong base built during past few years.

### Wholesale Banking Group

#### Corporate Banking & Middle Market

During the current year 2014, Corporate Banking emphasized on the generation of low cost deposits and trade financing, controlling costs and maximizing utilization of resources, and will continue to do so to improve profitability as well as reciprocal business in current year. Staff training will also be improved to enhance the effective utilization of human resource.

#### Investment Banking Group (IBG)

The IBG worked on a number of debt and equity transactions during 2014. It successfully closed a syndicated facility for a major hospitality business for Rs. 1.5 billion, worked closely with the Bank's Special Asset Management Group ("SAMG") to sell an OREO property, and was able to build a healthy pipeline of other transactions which it hopes to conclude during the first half of 2015. It also received the "Transaction of the Year" award from the prestigious CFA Society, Pakistan, for successfully managing a first of a kind Preference Share issue.



# Director's Report

For the year ended December 31, 2014

## Treasury & Financial Institution

The Treasury continued with its exceptional performance and realized a total capital gain of Rs. 405 million in fixed income as well as from equity markets. It also took full advantage of the arbitrage opportunity available in the market and was an active player in the foreign exchange market where it earned an income of Rs. 199 million. Fixed income sales of GOP securities to new and existing client remained good, and the Financial Institutions Department played a vital role in providing seamless trade and payments business flows to their Corporate, SME, and branch banking customers through their wide range of international and local correspondents.



## Retail Banking Group

### Branch Banking

Branch Banking remains one of the most critical businesses for the Bank, accounting for over 111,002 customers and approximately 73% of the Bank's total deposit base. Strategy during the year 2014 continued to focus on reducing cost of funds, by replacing high cost deposits with low cost CASA deposits, and favorably modifying its deposit mix. The Bank's unique products such as All-in-One, Business Value Account & Munafa Rozana achieved a high level of customer loyalty and satisfaction duly validated by mystery shopping and the internal service measures.

## Silkbank Consumer Banking Products

The Bank's Consumer Product offerings have proved to be good generator of stable margins for the bank over last couple of years and well devised strategies are in place for each of its products going forward.

### Unsecured Portfolio

Unsecured Consumer loans which includes Personal Installment Loan, Ready Line and Credit Cards, have performed exceptionally well during



the year, and the Bank was successful in growing the book size to Rs. 8.8 billion at the end of 2014 from Rs. 6.0 billion at the end of 2013.

### Personal Loan

Silkbank Personal loan, a monthly installment based loan, launched in November 2010 now has 15,873 active customers with a total receivable of Rs. 3,898 million. The Bank increased its focus during the year on Top-ups to existing customers, who have spent a considerable time with the Bank and an immaculate credit history. This has increased product yield, a buildup of the portfolio at a lower acquisition cost, and retention of good customers for longer time period, thus managing portfolio attrition on proactive basis. In 2015, this will become an integral part of the business strategy for this product.

### Ready Line

Silkbank Ready Line, an unsecured running finance facility is the most sought after loan facility in the market with a rapidly growing market share. It was launched in July 2011 and in a short span of time has grown tremendously, as a result of which the current outstanding balance stands at Rs. 3,014 million with 24,823 active borrowers. During the year, two successful "Spend & Win" campaigns were launched to attract more customers and multiple promos were run to enroll customers for e-billing.

### Credit Cards

During the year, the second full year of the Silkbank of credit card, the total card base crossed 33,000 customers and receivables jumped by almost a billion rupee to close at Rs. 1,900 million. This has been one of the best performances in the credit card market which has been struggling to increase receivables in recent years. The offer of 0% APR, the "Surprisingly Silkbank" retail alliances and year round offers of the installment plan enabling customers to buy household goods, has created a distinct positioning for the Silkbank Credit Card.





## Secured Portfolio

Silkbank M'Power, a product secured against residential and commercial property, has a total of 622 active borrowers with receivables of Rs. 3,950 million. In view of increasing delinquency trends in small and medium size businesses, fresh lending on this product was put on hold in 2014. With improved stability in 2015, the Bank will strive to achieve a major market share.

## Home Remittance

Silkbank has managed to build a credible business in Home Remittance of around Rs. 19.53 billion disbursed to customers during 2014, recording a growth of 77.5% compared to the previous year. Further expansion is planned through partnerships with more Exchange Companies.

## ADC Business

The Silkbank VISA Debit Card ("VDC") continued to show strong growth, and the card base increased by 21% to 94,690. Card usage over Point of Sales and ATMs showed an increase of 45.33% and 19.49%, respectively as compared to 2013, and SMS Alerts, E-statements & Silkbank Direct Internet Banking also added significant value to the Silkbank product line.

Mobile Banking was successfully launched for staff members and a general customer launch is targeted for the 1st quarter of 2015 with Mobile App features.



## Emaan Islamic Banking

By the Grace of Almighty Allah, Emaan has successfully completed its second year of operation in 2014 and despite challenging economic and business environment, has performed well during the year 2014, in line with its deposit, financing and margin targets, and the team has efficiently managed replace the big ticket accounts to reduce the cost of funds and increase spreads. As a result, Emaan Deposits stand at Rs 6.6 billion as at December 31, 2014 compared to Rs 4.0 billion as at December 31, 2013, a healthy growth of 68% mainly in the current and saving accounts. During the year the Bank also acted as a lead arranger of an Islamic syndication facility of Rs 1.2 billion, provided a Diminishing Musharaka facility of Rs 200 million and arranged a funded facility of Rs. 400 million to clients, for participation in the 3G and 4G License auction. The Financing position stands at Rs 5.7 billion as at December 31, 2014 compared to Rs. 3.6 billion as at December 31, 2013.

As a result of the above, Emaan Banking has made significant turnaround at the margin level and made a profit of Rs 177 million as at December 31, 2014.

To be aligned with changing market dynamics and cater for SBP regulation on Hiba, two new liability products were launched covering both time and demand products, and two new financing products i.e. Diminishing Musharaka and Musawamah we also introduced.

Service indicators depict that Emaan is truly focused on customer services, and achieved "Very Good" rating in the last review.



## Technology

Information Technology (IT) engaged in a number of technology initiatives during the year. The launch of the Silk Cash Manager (Corporate Internet Banking Portal) as mandated by SBP, and implementation of the International Bank Account Number (IBAN) in core banking system were the highlights.

Various other technology based initiatives and multiple integrated information systems were also implemented to facilitate and support the business. This includes the In-house developed SilkMobile (Mobile banking solution) to provide instant account access was successfully launched initially for staff, and a Credit Cards Verification Management System was developed to enable on field instant consumer verification, increased efficiency, reduce overall card issuance verification TAT, and improve the overall decision making process. In addition new effective collection system which provides outstanding positions to carryout day to day collection activities was also established. In terms of backend IT infrastructure, the Bank has undertaken upgrades to ensure un-interrupted & efficient services to customers.

Going forward to a number of new initiatives, including an integrated Treasury Front Office System to provide automated services for both conventional and Islamic banking, and a project to upgrade its Core Banking systems (Temenos T-24) to the latest version will be undertaken to strengthen Bank's core banking operations and enhance overall customer experience.

## Human Resource

The Bank took several initiatives to enhance both professional and personal development through its Management Development Programs and relevant need-based learning interventions, and revamped its Learning & Development approach as well. Need based specific programs, to enhance productivity and efficiency in the various business segments as well as for leadership development of senior management were also introduced.



# Director's Report

For the year ended December 31, 2014

## Special Asset Management Group (SAMG)

The SAMG of the Bank has always been able to surpass its allocated targets despite the difficult economic conditions. As such it once again exceeded its objectives during the year, and contributed a net amount of Rs. 2,229 million to the P&L Account with a total NPL reduction and mark-up recovery of Rs. 2,531 million. The Real Estate Asset Management team has also successfully sold various Other Real Estate Owned (OREO) properties during the year worth Rs. 745 million.



## Service & Quality

True to our core values, the Bank's staff maintained an unwavering customer focus. Mystery Shopping conducted by a leading independent marketing research consultancy indicated a score of 91% customer satisfaction, the highest amongst peer banks.

## 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, during the year. 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 an Extra Ordinary General Meeting of the shareholders held on August 13, 2014, eight members were duly elected as Directors on the Board of the Bank ("Board") for the next three years, including Mr. Khalid Aziz Mirza, Mr. Adnan Afridi and Mr. Talat Mahmood Ghumman as new Directors to replace the retiring Directors Messers Humayun Bashir, Javed Hamid and Mohammad Ahmed Mannan. The Board warmly welcomes the newly elected Directors and look forward to their participation, and extends its appreciation to the retiring Directors for



their 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	3
Executive Director	1

Since the election, Mr. Ghumman has expressed his inability to serve on the Board due to ill health and treatment abroad. His casual vacancy will be filled in due course upon receipt of approval from the SBP.

## Directors' Training

During the year 2014, one Director, Mr. Adnan Afridi, completed the Corporate Governance Leadership Skills (CGLS) Program of the Pakistan Institute of Corporate Governance.

## 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:

- 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.
- Proper books of account of the Bank have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- 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 are 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 managements 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.

## 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 recent shift towards Basel Implementation and enhanced focus for management of risk at an integrated basis following are some important aspects of the Risk Management Function at Silk Bank Limited:-

### 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 Policies and Procedures formulated in the form of policies / Manuals and Product Programs. The Bank has developed in-house Obligor Risk Rating models / systems for Corporate, Commercial and SMEs, which are regularly reviewed/ updated. Besides, RMG also has a robust EWS reporting system 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 compiled by the SBP inspection teams through reduced instances of system and procedure failures.

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.



### Market Risk

A Middle Office function (independent of the Treasury) has been established within the Bank with the prime responsibility of monitoring the market risk function. Investment Committee (IC), Market Risk Policy Committee (MRPC) and Asset and Liabilities Committee (ALCO) are also functioning to supervise and approve Market Risk exposures. The Bank has a well-defined Liquidity Policy, duly approved by the Board. The Bank is in the process of setting up the "Web Tech system and T-Risk Module" which are capable of generating sophisticated modeling reports and independent monitoring of various treasury functions.

### 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 will implement the process on bank wide basis during the current year.

An Internal Control Unit is also operational with the primary task of over-viewing 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.



# Director's Report

For the year ended December 31, 2014

## Board of Director's Meetings

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

Name of Attendants	Board Meetings		Audit Committee Meetings		Human Resource Committee Meetings		Risk Committee Meetings	
	Held during directorship	Attended	Held during directorship	Attended	Held during directorship	Attended	Held during directorship	Attended
Mr. Munnawar Hamid, OBE	06	06			04	04		
Mr. Sadeq Sayeed	06	06	03	02			01	01
Mr. Tariq Iqbal Khan, FCA	06	06	02	02			02	02
Mr. Shamsul Hasan	06	06					04	04
Mr. Faisal Anis Sherwani	06	05	01	01			01	01
Mr. Khalid Aziz Mirza	03	03			02	02		
Mr. Adnan Afridi	03	03	02	02				
Mr. Humayun Bashir	03	03	02	02	02	02		
Mr. Javed Hamid	03	03	02	02	02	02		
Mr. Mohammad Ahmed Mannan	03	03					02	02
Mr. Azmat Tarin	06	05			04	04		

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 act 1984 and the Code of Corporate Governance is as follows:

### Combined Pattern of CDC & Physical Share Holdings as at December 31, 2014

S. No.	Categories of Shareholders	Number of Shareholders	Shares held	Percentage
01	Directors and their spouse(s) and minor children	11	123,040,833	4.61
02	Associated Companies, Undertakings and Related Parties*	8	1,976,735,553	73.99
03	Executives	14	6,790,138	0.25
04	Public sector companies and corporations	5	11,858,152	0.44
05	Banks, Development Finance Institutions, Non-Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds	7	2,449,540	0.09
06	Mutual Funds	2	19,393,004	0.72
07	Foreign Companies	3	20,715,832	0.78
08	General Public - Foreign	7	4,100,990	0.15
09	General Public - Local	6,364	269,435,774	10.09
10	Others	86	237,085,011	8.88
	Total	6,507	2,671,604,827	100.00

\*This does not include, one hundred and two million (102,000,000) shares of Mr. Shaukat Tarin, kept in repo transaction.



**The aggregate shares held by the Directors, Chief Executive and their spouse and minor children along with Associated Companies, Undertakings and Related Parties  
As at December 31, 2014**

S. No.	Categories of Shareholders	Number of Shares held	Category-wise No. of Folios / CDC Ac.	Category-wise Shares held	Percentage
S. No.	Directors , Chief Executive Officer and their Spouse and Minor Children		8	123,040,833	4.61%
01	Munnawar Hamid, OBE	3,699			
02	Azmat Tarin	20,013,115			
03	Adnan Afridi	1,000			
04	Khalid Aziz Mirza	500			
05	Sadeq Sayeed	102,817,019			
06	Tariq Iqbal Khan	5,000			
07	Shamsul Hasan	500			
08	Farah Naz Tarin w/o Mr. Azmat Tarin	200,000			
S. No.	Associated Companies, Undertakings and Related Parties. (5% & above shareholding).		4	1,976,735,553	73.99%
01	International Finance Corporation	702,689,067			26.30%
02	Shaukat Fayyaz Ahmad Tarin	601,593,175			22.52%
03	Nomura European Investment Limited	356,676,342			13.35%
04	Bank Muscat S.A.O.G	315,776,969			11.82%
S. No.	Mutual Funds		2	19,393,004	0.72%
01	MCBFSL - Trustee NAMCO Balanced Fund	5,700,000	12633-26		
02	CDC - Trustee National Investment (Unit) Trust	13,693,004	14902-21		

\*This does not include, one hundred and two million (102,000,000) shares of Mr. Shaukat Tarin, kept in repo transaction.

There was no trading in Silkbank shares carried out by any of the Directors and and Executives, or their spouses and minor children during the year.

### 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. M. Yousuf Adil Saleem & Co. Chartered Accountants, (Deloitte Pakistan), the retiring auditors, as the statutory auditors of the Bank for the financial year 2015.

### 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".

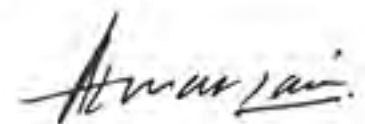
### Future Outlook

There has been a substantial improvement in the Bank's performance as evident from the decreasing loss at margin level and it is expected that with a clear strategy in place, explained above and in previous reports as well as CAR and MCR compliance assured in the short term, further improvement on profitability will be seen during 2015.

### 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



Azmat Tarin  
President & CEO

Karachi, February 25, 2015



# Statement of Compliance with the Code of Corporate Governance

for the year ended December 31, 2014

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in respective regulations of Karachi, Lahore & Islamabad Stock Exchange Limited 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. At present the Board includes:

Category	Names
Independent Directors	Mr. Munnawar Hamid, OBE Mr. Tariq Iqbal Khan, FCA Mr. Khalid Aziz Mirza Mr. Shamsul Hasan
Non-Executive Directors	Mr. Faisal Anis Sherwani Mr. Sadeq Sayeed Mr. Adnan Afridi
Executive Director	Mr. Azmat Tarin

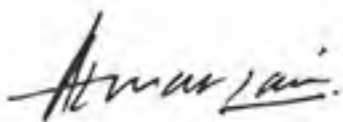
The independent directors meets the criteria of independence under clause i(b) of the CCG.

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 NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. During the year one casual vacancy occurred on the Board which shall be filled subsequent to the year end within the stipulated timeframe.
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. A mechanism of Board's own performance evaluation was approved by the Board in its 124th Meeting held on August 25, 2011. Annual evaluation of the newly elected Board will be performed upon completion of one year tenure of the Board.
8. 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.
9. 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 circulated before the meetings. The minutes of the meetings were appropriately recorded and circulated.



10. The Board has been provided with the revised Code along with briefings on various stages in order for them to properly supervise the affairs of the Bank. One Director of the Bank has obtained certification from Pakistan Institute of Corporate Governance (PICG) during the year. Further, three Directors of the Bank stand exempted, under the criteria given in Clause (xi) of the Code, from Director's Training Program. The remaining Directors will obtain required certification within the prescribed time. All the directors on the Board are fully conversant with their duties and responsibilities as directors of the Bank.
11. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
12. 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.
13. The financial statements of the Bank were duly endorsed by the CEO and CFO, before approval of the Board.
14. 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.
15. The Bank has complied with all the corporate and financial reporting requirements of the CCG.
16. The Board has formed an Audit Committee. It comprises of three members, of whom two are non-executive directors and the chairman of the committee is an independent director.
17. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Bank and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
18. The Board has formed Human Resource Committee. It comprises of three members of whom two are independent directors and other is an executive director. The chairman of the committee is also an independent director.
19. 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.
20. 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.
21. 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.
22. 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(s).
23. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
24. 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

Karachi, February 25, 2015



# Management's Statement on Internal Control

as of December 31, 2014

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

Maintaining effective controls is an integral part of the management and accountability function in Silkbank. The focus of internal control 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.

In line with ICFR guidelines, the management has implemented effective process designed to manage and mitigate the risks to achieve the Bank's business strategies and policies and to provide reasonable assurance in relation to the above mentioned objectives.

Over the years, the management has been able to adopt strategy to ensure effective monitoring and improvement of internal controls. These include the following:

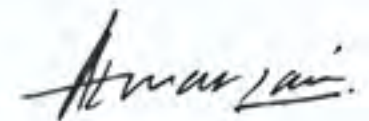
- The Bank has adopted a statement of ethics and business practices that is signed by all directors and employees. Further, the compliance function also ensures Bank's compliance with all applicable laws, regulations and code of ethics.
- An organization structure has been established which supports clear lines of communication and tiered levels of authority and segregation of duties commensurate with accountability.
- The Bank has established an effective Internal Audit structure, reporting directly to the Audit Committee of the Board.
- An Internal Control Department is established to proactively monitor and validate Controls in line with Regulatory guidelines (ICFR) and COSO implementation (BSD-7).
- Earlier in June 2014, bank has submitted a detailed Long Form Report (LFR) duly prepared by External Auditors on overall assessment of bank's Internal Control over Financial Reporting (ICFR) frame work for the year ending December 2013 to SBP.
- In light of LFR 2013 recommendations, Bank has conducted the Entity Level Controls (ELC) testing. Moreover, during 2014, internal control documentations, i.e. Risk and Control Evaluation Matrices (RCEM), Control Review Checklists and Control testing reporting format were upgraded in line with COSO framework.
- 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.



- Management gives due consideration to the recommendations made by the internal and external auditors for improvements in the internal control system and takes action to implement such recommendations.
- The management has established evaluation and approval procedures for all major capital expenditure and other transactions.
- 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.
- The Bank has implemented various significant policies covering all the areas of operations including those relating to employees welfare and contingency management processes. The policies are reviewed periodically.
- 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 resulted in the strengthening of the 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.

Karachi, February 25, 2015



Azmat Tarin  
President & CEO



# Notice of the 21<sup>st</sup> Annual General Meeting

Notice is hereby given that the Twenty First (21st) Annual General Meeting of Silkbank Limited ("Company") shall be held on Tuesday, March 24, 2015 at 10:30 a.m. at Beach Luxury Hotel, Karachi to transact the following business:

## Ordinary Business:

To confirm the minutes of Extra Ordinary General Meeting held on August 13, 2014.

To receive, consider and adopt the audited financial statements of the Bank for the year ended December 31, 2014 together with the Directors' and Auditors' reports thereon.

To appoint auditors to hold office till the conclusion of the next Annual General Meeting and to fix their remuneration. M/s. Yousuf Adil Saleem and Co, (Deloitte Pakistan), Chartered Accountants, have consented to act as auditors of the Bank.

## Special Business:

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

### 1. Issuance of Rights Shares at Discount

To consider and if thought fit, approve the issuance of 6,410,256,410 rights shares at Rs. 1.56 per share (at a discount of Rs. 8.44 per share by way of a rights under the provisions of Section 86 of the Companies Ordinance, 1984, subject to the approval of the Securities and Exchange Commission of Pakistan and the shareholders of the Company, by passing the following resolutions:

Resolved that

Subject to the approval of SECP, the issuance of 6,410,256,410 right shares at Rs. 1.56 per share (at a discount of Rs. 8.44 per share) by way of a rights issue under Section 86 of the Companies Ordinance, 1984 be and is hereby approved.

Further Resolved that

the Company Secretary and Chief Executive of the Company, be and are hereby jointly and or severally authorized, to take all steps necessary, ancillary and incidental for the issuance of right shares at a discount, but not limited to obtaining all requisite regulatory approvals; engaging legal counsel, filing of all the requisite statutory forms and all other documents as may be required to be filed with SECP, submitting all such documents as may be required with the State Bank of Pakistan, executing all such certificates, applications, notices, reports, letters and any other document or instrument including any amendments or substitutions to any of the foregoing as may be required in respect of the issuance of right shares at a discount and all other matters incidental or ancillary thereto."

### 2. Increase in Authorized Capital of the Bank

To consider and if thought fit, approve the increase in authorized capital of the Bank from Rs. 40 billion to Rs.105 billion to absorb the new right shares. Consequent to the increase in Authorized Capital of the Bank, the Memorandum and Articles of Association of the Bank also needs to be amended by passing the following resolutions:

Resolved that

- i) The words and figures "The capital of the Bank is Rs. 40,000,000,000/= (Rupees Forty Billion) divided into, 4,000,000,000/= (Four Billion) Ordinary shares of Rs. 10/= (Rupees Ten) each" appearing in the beginning of Clause V of the Memorandum of Association of the Company be and are hereby amended and replaced with the following:



"The capital of the Company is Rs. 105,000,000,000/= (Rupees One Hundred and Five Billion)\ divided into 10,500,000,000 (Ten Billion and Five Hundred Million) Ordinary shares of Rs. 10/= (Rupees Ten) each"

ii) Article 4 of the Articles of Association of the Company be and is hereby substituted by the following Article:

"The authorized capital of the Company is Rs. 105,000,000,000/= (Rupees One Hundred and Five Billion) divided into 10,500,000,000 (Ten Billion and Five Hundred Million) Ordinary shares of Rs. 10/= (Rupees Ten) each."

Further Resolved that

the Company Secretary and Chief Executive of the Company, be and are hereby jointly and or severally authorized, to take all steps necessary, ancillary and incidental for the increase in Authorized Capital of the Bank, including but not limited to obtaining all requisite regulatory approvals; engaging legal counsel, filing of all the requisite statutory forms and all other documents as may be required to be filed with SECP, submitting all such documents as may be required with the State Bank of Pakistan, executing all such certificates, applications, notices, reports, letters and any other document or instrument including any amendments or substitutions to any of the foregoing as may be required in respect of the increase in Authorized Capital of the Bank and all other matters incidental or ancillary thereto."

### **3. Change of Registered Office of the Bank:**

To consider and if thought fit, the registered office of the Bank will be shifted from Karachi to Islamabad Capital Territory by passing the following resolutions. This would give access to the government and regulatory offices more economical and efficient. However, the operational Head Office of the Bank will continue to remain in Karachi.

The proposed shifting of Registered Office will also cause effect by substituting the word "in the Province of Sindh" appearing in Clause - II of the Memorandum of Association of the Bank, with the word "Islamabad Capital Territory". The change in Memorandum 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.

"Resolved that

subject to the completion of all legal and regulatory requirements, including approvals from the shareholders, State Bank of Pakistan and confirmation from the Securities Exchange Commission of Pakistan (SECP), the registered office of the Bank, be shifted from Karachi to Islamabad Capital Territory".

"Further resolved that

the existing clause II of the Memorandum of Association of the Bank, be and is hereby altered and for the word "in the Province of Sindh" the words "Islamabad Capital Territory" be substituted and the clause II shall be read as under"

"The Registered Office of the Bank will be situated in the Islamabad Capital Territory"

"Further Resolved that

the Company Secretary and Chief Executive of the Company, be and are hereby jointly and or severally authorized, to take all steps necessary, ancillary and incidental for the alteration / amendment in the Memorandum of Association of the Bank and the shifting of Registered Office of the Bank from Province of Sindh to Islamabad Capital Territory, including but not limited to obtaining all requisite regulatory and shareholders' approvals, filing of all the requisite statutory forms and all other documents as may be required to be filed with SECP, submitting all such documents as may be required with the State Bank of Pakistan, executing all such certificates, applications, notices, reports, letters and any other document or instrument including any amendments or substitutions to any of the foregoing as may be required in respect of the alteration / amendment in the Memorandum of Association of the Bank and the shifting of Registered Office of the Bank, and all other matters incidental or ancillary thereto."

### **4. To approve the scale of fee payable to the Chairman and to Non-Executive and Independent Directors for attending Board and Committee's meeting.**

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

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



# Notice of the 21<sup>st</sup> Annual General Meeting

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

- 1.1 The Company is operating as a banking company in Pakistan and its authorized capital is an amount of PKR 40,000,000,000 (Pak Rupees Forty Billion only) divided into 4,000,000,000 shares having a face value of PKR 10 per share.
- 1.2 The total paid up and issued share capital of the Company is an amount of Rs. 26,716,048,270 (Pak Rupees Twenty Six Billion Seven Hundred and Sixteen Million Forty Eight Thousand two Hundred and Seventy only) divided into 2,671,604,827 (Two Billion Six Hundred and Seventy One Million Six Hundred and Four Thousand Eight Hundred and Twenty Seven only) ordinary shares of PKR 10 each.
- 1.3 The State Bank of Pakistan (SBP) vide BSD Circular No. 7 dated April 15, 2009 set the Minimum Capital Requirement (MCR) for Banks of Rs. 10 billion (net of losses) to be achieved by December 31, 2013. The Banks are also required to maintain a Capital Adequacy Ratio (CAR) of at least 10% of the risk weighted assets of the Bank. The capital of the Bank (net of losses and discount on right shares) as of June 30, 2014 amounted to Rs. 3.982 billion excluding general reserves of Rs. 162.762 million and convertible preference shares of Rs. 2.200 billion and the Capital Adequacy ratio is 7.83%. The shortfall in MCR and CAR at period end amounted to Rs. 6.018 billion and 2.17% respectively.

In order to meet the above shortfall and improve the financial condition of the Bank, the Bank and Sponsors of the Bank have taken the following steps:

### **a) Issuance of Convertible Preference Shares**

In March 2013, the Bank had issued 880 million Convertible Preference Shares (CPS) amounting to Rs. 2.200 billion. The SBP vide its letter No. BPRD/CS/2900/13 dated March 13, 2013 had allowed the Bank to treat CPS as Additional Tier-1 capital for CAR purpose only. As a result of this issuance, the Bank's credit rating and CAR has improved. Securities and Exchange Commission of Pakistan (SECP) has also granted the Bank a three year extension for subscription of the rights till the end of tenure of aforementioned CPS.

### **b) Financial Projections**

The Bank had prepared five years financial projections for the purpose of setting future course of action. These projections envisage additional capital injection through equity into the Bank and reflect future profitable operations based on various core assumptions such as the sale of non-banking assets acquired in satisfaction of claims, Musharaka transactions, growth of deposits and consumer advances, investment returns, future loan losses, interest rates, cost of funds etc.

### **c) Communication with State Bank of Pakistan (SBP)**

The SBP has granted extension to the Bank in complying with MCR and CAR requirements till December 31, 2014 vide their letter No. BPRD/BA&CP-04/644/22297/2014 dated November 20, 2014. The Bank has requested SBP for further extension of relaxation to meet the CAR and MCR requirements till March 31, 2015, reply of which is awaited.

- d) The Company has received the approval of the State Bank of Pakistan pursuant to its letter bearing No. BPRD/BA&CP-04/644/15986/2014 dated August 29, 2014 to proceed with the issuance of 6,410,256,410 rights shares at a price of Rs. 1.55 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 approval of the Securities and Exchange Commission of Pakistan and the shareholders of the Company, and compliance by the Bank of the provisions of the Companies Ordinance, 1984 and Banking Companies Ordinance, 1962 and the Accounting Standards.



e) The Directors of the Bank have no interest in the Issue of Rights Share of the Bank whether directly or indirectly except to the extent of shareholding held by them in the Bank. The shares and percentage of personal shareholdings by the Directors of Silkbank Limited in proportion to the paid up capital of Silkbank Limited are as under:

S. No.	Name of Directors	No. of Shares Held	Percentage %
01.	Mr. Munnawar Hamid, OBE, Chairman	900	0.00014
02.	Mr. Sadeq Sayeed, Director	102,817,019	3.84851
03.	Mr. Tariq Iqbal Khan , Director	5,000	0.00019
04.	Mr. Adnan Afridi , Director	1,000	0.00004
05.	Mr. Shamsul Hasan, Director	500	0.00002
06.	Mr. Khalid Aziz Mirza, Director	500	0.00002
07.	Mr. Azmat Tarin, President & CEO	20,013,115	0.74910

2.1 The Authorized Share Capital of the Bank is currently Rs. 40,000,000,000/= (Rupees Forty Billion) divided into, 4,000,000,000/= (Four Billion) Ordinary shares of Rs. 10/= each (Rupees Ten). In order to absorb the new right shares at a discount, as announced by the Bank, the Authorized Capital of the Bank needs to be increased from Rs. 40,000,000,000/= (Rupees Forty Billion) to Rs. 105,000,000,000/= (Rupees One Hundred and Five Billion) divided into 10,500,000,000 (Ten Billion and Five Hundred Million) Ordinary shares of Rs. 10/= (Rupees Ten) each.

3.1 In order to effectively manage the Bank, having a majority of its branches in Punjab, Khyber Pakhtoon Khuwa (KPK) and Islamabad Regions and due to the sale of Head Office building in Karachi, it is proposed to shift the registered office from Karachi to Islamabad Capital Territory. This would give access to the government and regulatory offices more economical and efficient. However, the operational Head Office of the Bank will continue to remain in Karachi. The proposed shifting of Registered Office will also cause effect by substituting the word "in the Province of Sindh" appearing in Clause - II of the Memorandum of Association of the Bank, with the word "Islamabad Capital Territory". The change in Memorandum 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.

4.1 The shareholders of the Bank in their 15th Annual General Meeting held on March 30, 2009 had approved the Director's Remuneration for attending Board and Committee's meetings as follows:

- Board meeting: US\$ 5,000 for the Chairman and US\$ 3,500 for other members.
- Sub committee meetings: US\$ 3,500 for the Chairmen as well as the members.

The Board of Directors of the Bank, in its 142nd meeting held on August 27, 2014, revised the Director's Remuneration for attending the Board and Committees' meetings as follows:.

- For attending Board meeting: US\$ 6,000/- for the Chairman and US\$ 4,500/- for other members.
- For attending Committee's meetings: US\$ 4,500/- for the Chairmen as well as the members.

Karachi, March 03, 2015

By Order of the Board

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



# Notice of the 21<sup>st</sup> Annual General Meeting

## Notes:

### 1. Closure of Share Transfer Books:

The Share Transfer Book of the Bank will remain closed from March 18th, 2015 to March 24th, 2015 (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 Tuesday, March 17th, 2015, 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 filed and signed Proxy Form must be received at the Registered Office of the Company i.e. Company Secretariat, Silkbank Building, I.I. Chundrigar Road, Karachi, 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 26th, 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.





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

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Fax +92 (21) 1234 5678  
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## **Review Report to the Members on Statement of Compliance with the Best Practices of the 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, 2014 to comply with the Regulations of the Karachi, Lahore and Islamabad Stock Exchanges, 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 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, 2014.

Chartered Accountants

Karachi, February 25, 2015



# Independent Auditors' Report to the Members



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

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Fax +92 (21) 1234 5678  
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## Auditors' Report to the Members

We have audited the annexed statement of financial position of Silkbank Limited (the Bank) as at December 31, 2014 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 seven 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 60% 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, 2014 and its true balance of profit, 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 1.3 to the financial statements which highlights that the Bank has not been able to meet the minimum capital requirement and the capital adequacy ratio requirement prescribed by the State Bank of Pakistan (SBP). The said note also describes the plans of management to deal with the material uncertainties with respect to the capital requirements and Bank's sustainability in the future. The Bank has been allowed extension until March 31, 2015 by SBP to meet the capital requirement and had also been allowed relaxation from provisioning against investment and loans and advances as explained in notes 10.11.1, 11.3.1 and 11.3.2 to the financial statements.
- ii. Note 13 to the financial statements relating to deferred tax asset 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 deferred tax asset of Rs. 3,937 million. The preparation of projections involve management's assumptions regarding future business and economic conditions and capital injection 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 asset in future.

Our opinion is not qualified with respect to above matters.

Chartered Accountants

Engagement Partner:  
Asad Ali Shah

Karachi, February 25, 2015



# Shari'a Advisor's Report

## Emaan Islamic Banking, Silkbank Ltd.

For the year ended December 31, 2014



February 16, 2015

The Shari'a Advisor confirms that, for the year ended 31st December 2014, he has:

- In collaboration with different departments within the Bank and in line with the expansion of Islamic banking business, reviewed and approved different Shari'a-compliant products. Furthermore, the Shari'a Advisor reviewed and endorsed all relevant documents and material that were submitted to him for approval.
- Reviewed and approved all documents and process flows for the execution of Service Ijara syndicated financing transaction with PMCL; provided Shari'a structuring and advisory services as the Lead Arranger and Shari'a Advisor for the execution of a syndicated Diminishing Musharaka facility for Avari Hotels Ltd.; and reviewed and supervised the issuance of Bank Guarantees for Frontier Works Organization and Saima Real Estate.
- Received various queries and requests from different quarters in the Bank, and responded in an adequate manner, issuing numerous Fatawa in the process.
- Reviewed the schedules of charges (SOCs) that were periodically submitted for his approval, made necessary amendments, and vetted those charges that were in compliance with the principles of Shari'a.
- Reviewed, amended where appropriate, and approved all the profits distributed on a monthly basis till date, and is of the view that 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.
- Designed an extensive program for the training of the Bank's staff in areas of Islamic Banking and Finance, and supervised a series of comprehensive training sessions on 'Islamic Orientation'; 'The Fundamentals of Islamic Banking'; 'Islamic Financial Contracts'; 'Mudaraba and Profit Distribution Mechanism'; 'Misconceptions about Islamic Banking'; 'An Introduction to Takaful'; and 'Issues in Islamic Banking and their Solutions', in Islamabad, Lahore and Karachi.
- Studied the financial statements of the Bank for the year 2014 in detail, and is of the opinion that the financial statements for 2014 are in order.
- Adequately expressed his opinion on all queries and matters posed by the State Bank of Pakistan.



- Supervised an extensive Shari'a Audit of the Bank's asset operations conducted by the Shari'a Department staff of the Bank in October - November 2014, and is in the process of reviewing the consequent Shari'a audit report, so that appropriate instructions are issued with respect to all areas that were found to be lacking.

The responsibility to ensure compliance with Shari'a tenets and principles that outline permissible activities and prohibitions lies principally on the management of the Bank. Nevertheless, based on the above, the findings of the Shari'a Audit, and review of all relevant documents and procedures conducted till date, the Shari'a Advisor confirms that the Bank now adequately conforms to the rules and principles of Shari'a, the rules, regulations and guidelines for Shari'a compliance and other rules issued by SBP, and the Fatawa issued by the Shari'a Advisor.



**Mufti Syed Adnan Kakakhail**  
**Shari'a Advisor**  
**Emaan Islamic Banking**  
**(Division of Silkbank)**  
**Islamabad**

Mufti Syed Adnan Kakakhail  
Shari'a Advisor  
Emaan Islamic Banking, Silkbank Ltd.





# Financial Statements

For the year ended December 31, 2014









# Six Years Financial Highlights

	Rupees in million						
	2014	2013	2012	2011	2010	2009	
<b>BALANCE SHEET</b>							
Share capital	13,431	13,431	13,431	13,431	13,431	9,003	
Reserves	180	163	163	139	-	225	
Deposits and other accounts	68,770	69,433	69,050	64,072	55,706	49,610	
Sub-ordinated loan	-	-	-	-	-	-	
Borrowings from financial institutions	21,742	11,382	11,377	17,782	9,871	15,088	
Total Assets	102,649	91,770	89,080	90,670	72,669	68,664	
Gross Advances	64,417	61,470	54,079	55,309	52,925	40,592	
Advances-Net of provisions	58,967	56,038	49,060	49,936	44,354	32,097	
Non performing Advances	8,222	9,872	10,817	11,023	12,360	11,891	
Investments - net of provisions	18,105	14,853	12,735	17,548	13,190	20,179	
Equity	8,501	6,675	5,373	5,639	4,834	1,763	
Provision Held	5,450	5,432	5,018	5,373	8,570	8,495	
Provision Held / NPL	66.29%	55.03%	46.39%	48.74%	69.34%	71.43%	
Provision Held / Total Advances	8.46%	8.84%	9.28%	9.71%	16.19%	20.93%	
<b>PROFIT AND LOSS ACCOUNT</b>							
Mark-up/return/interest earned	9,429	7,622	8,584	8,386	6,776	5,913	
Mark-up/return/interest expensed	(5,969)	(5,463)	(6,681)	(6,515)	(5,927)	(5,856)	
Net mark-up/ interest earned	3,460	2,160	1,902	1,871	849	58	
Provisions and Write off	(368)	(633)	580	2,630	(228)	(2,309)	
Net mark-up / interest income/(loss) after provisions	3,093	1,526	2,483	4,501	621	(2,252)	
Non-markup/interest income	1,720	1,325	1,065	847	1,185	662	
Non-markup/interest expenses	(4,681)	(4,379)	(4,077)	(3,988)	(3,041)	(2,663)	
(Loss)/Profit before Taxation	131	(1,528)	(529)	1,359	(1,236)	(4,252)	
(Loss)/Profit After Taxation	87	(1,157)	(344)	695	(1,131)	(2,903)	
<b>FINANCIAL RATIOS</b>							
Income / Expense Ratio	Times	1.107	0.796	0.728	0.681	0.669	0.270
Return on average Equity (ROE)	%	1.14	(19.20)	(6.25)	13.27	(34.29)	(94.34)
Return on average Assets (ROA)	%	0.09	(1.28)	(0.38)	0.85	(1.60)	(4.67)
NPLs to Gross Advances ratio	%	12.76	16.06	20.00	19.93	23.35	29.29
Earning assets to Total Assets ratio	%	78.01	77.74	75.66	77.85	80.63	77.69
Earnings per share	Rs	0.03	(0.43)	(0.13)	0.26	(0.49)	(2.52)
Gross spread ratio (NIM/Gross interest income)	%	36.70	28.33	22.16	22.31	12.53	0.98
<b>NON-FINANCIAL INFORMATION</b>							
Number of branches		88	88	85	85	82	65
Number of employees		2906	2886	2750	2564	2179	1959



# Value Added Statement

STATEMENT OF VALUE ADDED	2014		2013	
	Rs '000	%	Rs '000	%
<b>Value Added</b>				
Net Interest Income	3,460,117	118	2,159,756	188
Non Interest Income	1,720,363	59	1,324,580	115
Operating Expenses excluding staff costs, depreciation and amortization	(1,878,052)	(64)	(1,699,887)	(148)
Provision against advances, investments & others	(367,613)	(13)	(633,475)	(55)
<b>Value added for distribution</b>	<u>2,934,815</u>	<u>100</u>	<u>1,150,974</u>	<u>100</u>
<b>To Employees</b>				
Remuneration, provident fund and other benefits	2,335,456	80	2,186,478	190
<b>To Government</b>				
Income tax	44,555	2	(371,516)	(32)
<b>To Expansion and growth</b>				
Depreciation	385,732		407,075	
Amortization	82,212		85,499	
Retained Earnings	86,860		(1,156,562)	
	554,804	18	(663,988)	(58)
	<u>2,934,815</u>	<u>100</u>	<u>1,150,974</u>	<u>100</u>



# Horizontal Analysis

	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 %	2009 Rs. M	09 Vs 08 %
<b>Balance sheet</b>												
<b>ASSETS</b>												
Cash and balances with treasury banks	5,103	-5%	5,362	34%	4,007	-10%	4,436	30%	3,415	9%	3,121	2%
Balances with other banks	139	-38%	226	163%	86	-9%	94	6%	89	-41%	151	-21%
Lending to financial institutions	3,000	571%	447	-92%	5,602	81%	3,101	195%	1,051	-2%	1,068	-22%
Investments	18,105	22%	14,853	17%	12,735	-27%	17,548	33%	13,190	-35%	20,179	68%
Advances	58,967	5%	56,038	14%	49,060	-2%	49,936	13%	44,354	38%	32,097	3%
Operating fixed assets	4,563	-3%	4,692	1%	4,637	-2%	4,756	95%	2,444	-34%	3,721	24%
Deferred tax assets (net)	3,937	3%	3,839	6%	3,605	1%	3,569	-15%	4,193	5%	3,976	52%
Other assets	8,834	40%	6,314	-32%	9,348	29%	7,230	84%	3,933	-10%	4,351	90%
<b>TOTAL ASSETS</b>	<b>102,649</b>	<b>12%</b>	<b>91,770</b>	<b>3%</b>	<b>89,080</b>	<b>-2%</b>	<b>90,670</b>	<b>25%</b>	<b>72,669</b>	<b>6%</b>	<b>68,664</b>	<b>23%</b>
<b>LIABILITIES</b>												
Bills payable	2,153	-22%	2,747	39%	1,979	18%	1,679	101%	837	31%	638	48%
Borrowings from financial institutions	21,742	91%	11,382	0%	11,377	-36%	17,782	80%	9,871	-35%	15,088	73%
Deposits and other accounts	68,770	-1%	69,433	1%	69,050	8%	64,072	15%	55,706	12%	49,610	21%
Sub-ordinated loan	-	-	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	17	-	-	-	-	-	-	-	-	-100%	10	-74%
Other liabilities	1,466	-4%	1,532	18%	1,302	-13%	1,499	5%	1,421	-9%	1,555	57%
<b>TOTAL LIABILITIES</b>	<b>94,148</b>	<b>11%</b>	<b>85,095</b>	<b>2%</b>	<b>83,708</b>	<b>-2%</b>	<b>85,032</b>	<b>25%</b>	<b>67,835</b>	<b>1%</b>	<b>66,901</b>	<b>31%</b>
<b>NET ASSETS</b>	<b>8,501</b>	<b>27%</b>	<b>6,675</b>	<b>24%</b>	<b>5,373</b>	<b>-5%</b>	<b>5,639</b>	<b>17%</b>	<b>4,834</b>	<b>174%</b>	<b>1,763</b>	<b>-60%</b>
<b>REPRESENTED BY</b>												
Share capital	26,716	-	26,716	-	26,716	-	26,716	-	26,716	197%	9,003	0%
Advance against proposed issue of right shares	2,000	-	-	-	-	-	-	-	-	-	-	-
Reserves	180	11%	163	0%	163	17%	139	-	-	-100%	225	3%
Discount on issue of rights shares	(13,285)	0%	(13,285)	-	(13,285)	-	(13,285)	-	(13,285)	-	-	-
Accumulated loss	(9,444)	1%	(9,527)	-14%	(8,381)	-4%	(8,055)	6%	(8,614)	5%	(9,031)	-47%
Surplus on revaluation of assets (net of tax)	133	-67%	408	155%	160	30%	123	627%	17	-99%	1,566	20%
Convertible preference shares	2,200	0%	2,200	-	-	-	-	-	-	-	-	-
	<b>8,501</b>	<b>27%</b>	<b>6,675</b>	<b>24%</b>	<b>5,373</b>	<b>-5%</b>	<b>5,639</b>	<b>17%</b>	<b>4,834</b>	<b>174%</b>	<b>1,763</b>	<b>-60%</b>
<b>PROFIT AND LOSS ACCOUNT</b>												
Mark-up/return/interest earned	9,429	24%	7,622	-11%	8,584	2%	8,386	24%	6,776	15%	5,913	29%
Mark-up/return/interest expensed	(5,969)	9%	(5,463)	-18%	(6,681)	3%	(6,515)	10%	(5,927)	1%	(5,856)	39%
Net mark-up/ interest earned	3,460	60%	2,160	14%	1,902	2%	1,871	120%	849	1369%	58	-84%
Provisions and Write off	(368)	-42%	(633)	-209%	580	-78%	2,630	-1253%	(228)	-90%	(2,309)	41%
Net mark-up / interest income/(loss) after provisions	3,093	103%	1,526	-39%	2,483	-45%	4,501	625%	621	-72%	2,252	-277%
Non-markup/interest income	1,720	30%	1,325	24%	1,065	26%	847	-29%	1,185	79%	662	72%
Non-markup/interest expenses	(4,681)	7%	(4,379)	7%	(4,077)	2%	(3,988)	31%	(3,041)	14%	(2,663)	37%
Profit/(Loss) before Taxation	131	-109%	(1,528)	189%	(529)	-139%	1,359	-210%	(1,236)	-71%	(4,252)	50%
Taxation	(45)	-112%	372	101%	185	-128%	(664)	-736%	104	-92%	1,350	65%
<b>Profit/(Loss) After Taxation</b>	<b>87</b>	<b>-108%</b>	<b>(1,157)</b>	<b>236%</b>	<b>(344)</b>	<b>-150%</b>	<b>695</b>	<b>-161%</b>	<b>(1,131)</b>	<b>-61%</b>	<b>(2,903)</b>	<b>44%</b>



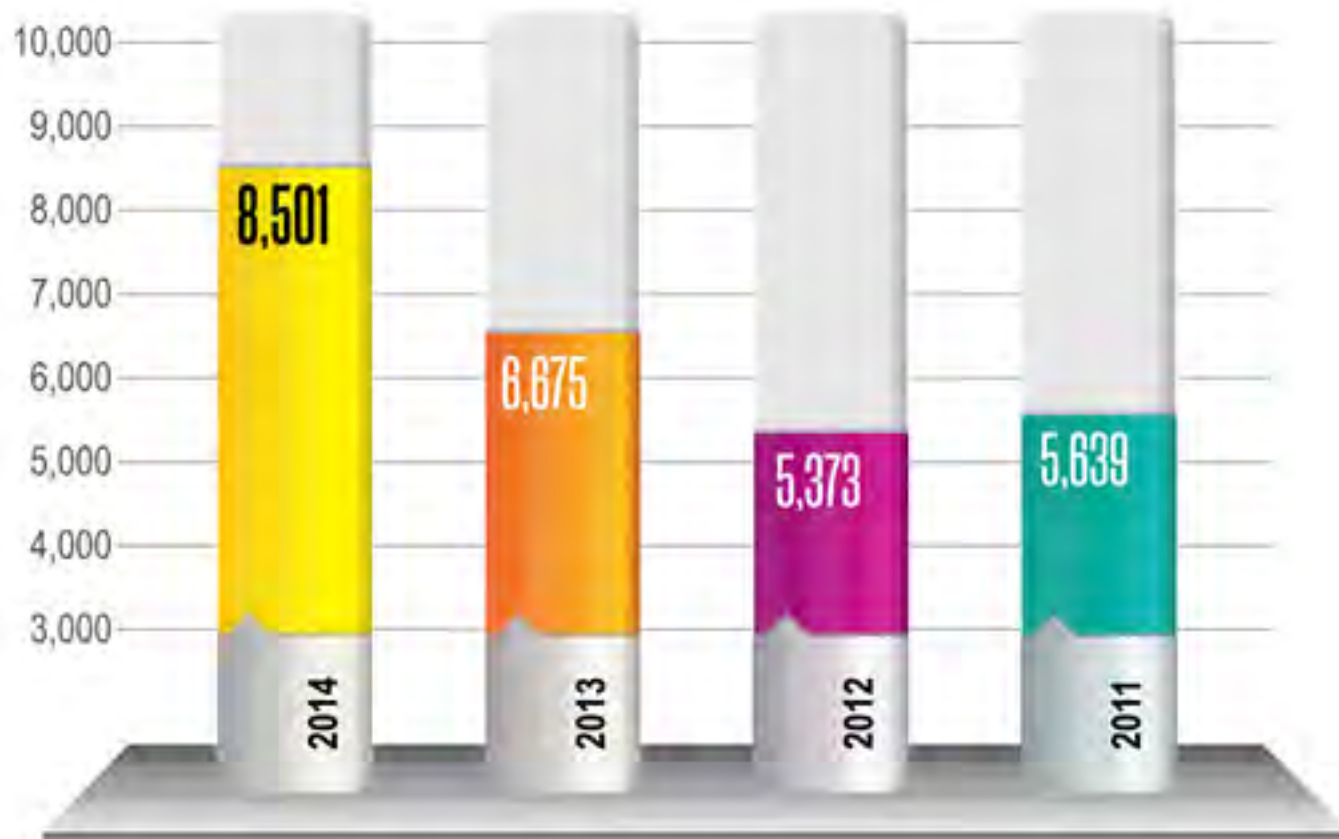
# Vertical Analysis

	2014		2013		2012		2011		2010		2009	
	Rs. M	%	Rs. M	%	Rs. M	%	Rs. M	%	Rs. M	%	Rs. M	%
<b>Balance sheet</b>												
<b>ASSETS</b>												
Cash and balances with treasury banks	5,103	5%	5,362	6%	4,007	4%	4,436	5%	3,415	5%	3,121	5%
Balances with other banks	139	0%	226	0%	86	0%	94	0%	89	0%	151	0%
Lending to financial institutions	3,000	3%	447	0%	5,602	6%	3,101	3%	1,051	1%	1,068	2%
Investments	18,105	18%	14,853	16%	12,735	14%	17,548	19%	13,190	18%	20,179	29%
Advances	58,967	57%	56,038	61%	49,060	55%	49,936	55%	44,354	61%	32,097	47%
Operating fixed assets	4,563	4%	4,692	5%	4,637	5%	4,756	5%	2,444	3%	3,721	5%
Deferred tax assets (net)	3,937	4%	3,839	4%	3,605	4%	3,569	4%	4,193	6%	3,976	6%
Other assets	8,834	9%	6,314	7%	9,348	10%	7,230	8%	3,933	5%	4,351	6%
<b>TOTAL ASSETS</b>	<b>102,649</b>	<b>100%</b>	<b>91,770</b>	<b>100%</b>	<b>89,080</b>	<b>100%</b>	<b>90,670</b>	<b>100%</b>	<b>72,669</b>	<b>100%</b>	<b>68,664</b>	<b>100%</b>
<b>LIABILITIES</b>												
Bills payable	2,153	2%	2,747	3%	1,979	2%	1,679	2%	837	1%	638	1%
Borrowings from financial institutions	21,742	21%	11,382	12%	11,377	13%	17,782	20%	9,871	14%	15,088	22%
Deposits and other accounts	68,770	67%	69,433	76%	69,050	78%	64,072	71%	55,706	77%	49,610	72%
Sub-ordinated loan	-	-	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	17	-	-	-	-	-	-	-	-	-	10	-
Other liabilities	1,466	1%	1,532	2%	1,302	1%	1,499	2%	1,421	2%	1,555	2%
<b>TOTAL LIABILITIES</b>	<b>94,148</b>	<b>92%</b>	<b>85,095</b>	<b>93%</b>	<b>83,708</b>	<b>94%</b>	<b>85,032</b>	<b>94%</b>	<b>67,835</b>	<b>93%</b>	<b>66,901</b>	<b>97%</b>
<b>NET ASSETS</b>	<b>8,501</b>	<b>8%</b>	<b>6,675</b>	<b>7%</b>	<b>5,373</b>	<b>6%</b>	<b>5,639</b>	<b>6%</b>	<b>4,834</b>	<b>7%</b>	<b>1,763</b>	<b>3%</b>
<b>REPRESENTED BY</b>												
Share capital	26,716	26%	26,716	29%	26,716	30%	26,716	29%	26,716	37%	9,003	13%
Advance against proposed issue of right shares	2,000	2%	-	-	-	-	-	-	-	-	-	-
Reserves	180	0%	163	0%	163	0%	139	0%	-	0%	225	0%
Discount on issue of rights shares	(13,285)	-13%	(13,285)	-14%	(13,285)	-15%	(13,285)	-15%	(13,285)	-18%	-	0%
Accumulated loss	(9,444)	-9%	(9,527)	-10%	(8,381)	-9%	(8,055)	-9%	(8,614)	-12%	(9,031)	-13%
Surplus on revaluation of assets (net of tax)	133	0%	408	0%	160	0%	123	0%	17	0%	1,566	2%
Convertible preference shares	2,200	2%	2,200	2%	-	-	-	-	-	-	-	-
	<b>8,501</b>	<b>8%</b>	<b>6,675</b>	<b>7%</b>	<b>5,373</b>	<b>6%</b>	<b>5,639</b>	<b>6%</b>	<b>4,834</b>	<b>7%</b>	<b>1,763</b>	<b>3%</b>
<b>PROFIT AND LOSS ACCOUNT</b>												
Mark-up/return/interest earned	9,429	85%	7,622	85%	8,584	89%	8,386	91%	6,776	85%	5,913	90%
Mark-up/return/interest expensed	(5,969)	-54%	(5,463)	-61%	(6,681)	-69%	(6,515)	-71%	(5,927)	-74%	(5,856)	-89%
Net mark-up/ interest earned	3,460	31%	2,160	24%	1,902	20%	1,871	20%	849	11%	58	1%
Provisions and Write off	(368)	-3%	(633)	-7%	580	6%	2,630	28%	(228)	-3%	(2,309)	-35%
Net mark-up / interest income/(loss) after provisions	3,093	28%	1,526	17%	2,483	26%	4,501	49%	621	8%	(2,252)	34%
Non-markup/interest income	1,720	15%	1,325	15%	1,065	11%	847	9%	1,185	15%	662	10%
Non-markup/interest expenses	(4,681)	-42%	(4,379)	-49%	(4,077)	-42%	(3,988)	-43%	(3,041)	-38%	(2,663)	-41%
Profit/(Loss) before Taxation	131	1%	(1,528)	-17%	(529)	-5%	1,359	15%	(1,236)	-16%	(4,252)	-65%
Taxation	(45)	0%	372	4%	185	2%	(664)	-7%	104	1%	1,350	21%
<b>Profit/(Loss) After Taxation</b>	<b>87</b>	<b>1%</b>	<b>(1,157)</b>	<b>-13%</b>	<b>(344)</b>	<b>-4%</b>	<b>695</b>	<b>8%</b>	<b>(1,131)</b>	<b>-14%</b>	<b>(2,903)</b>	<b>-44%</b>

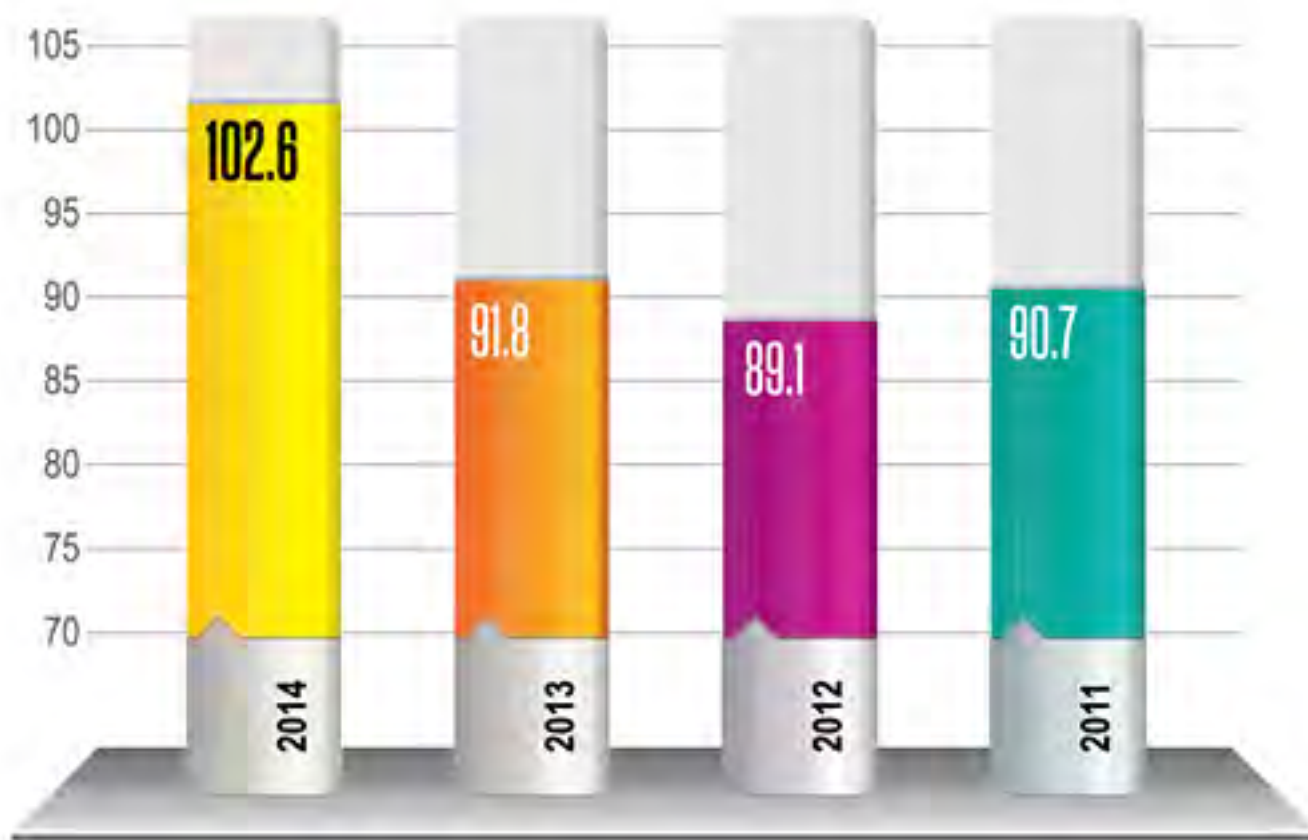


# Graphical Presentation of Financial Progress

Shareholders Equity (Rs. in Million)

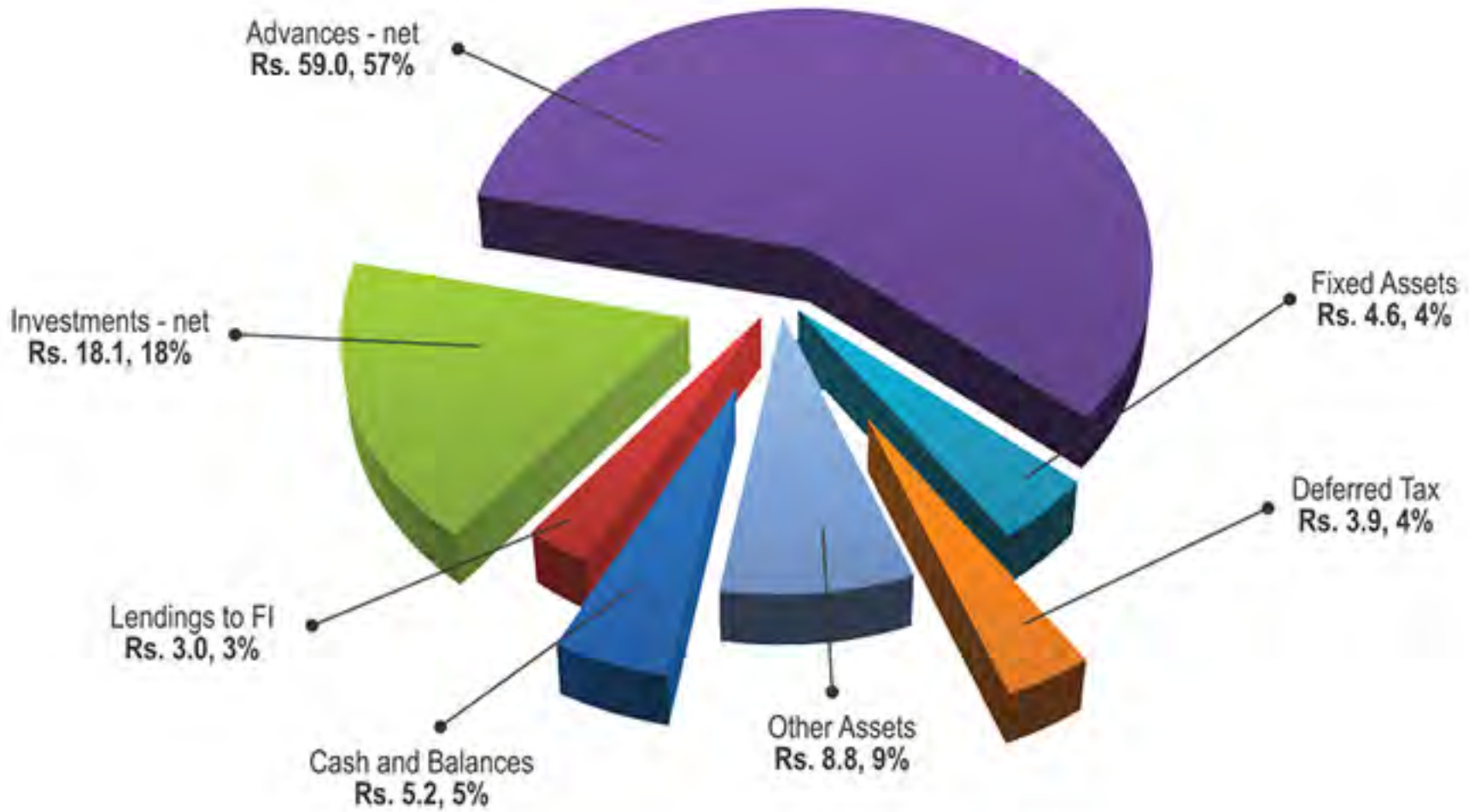


Total Assets (Rs. in Billion)

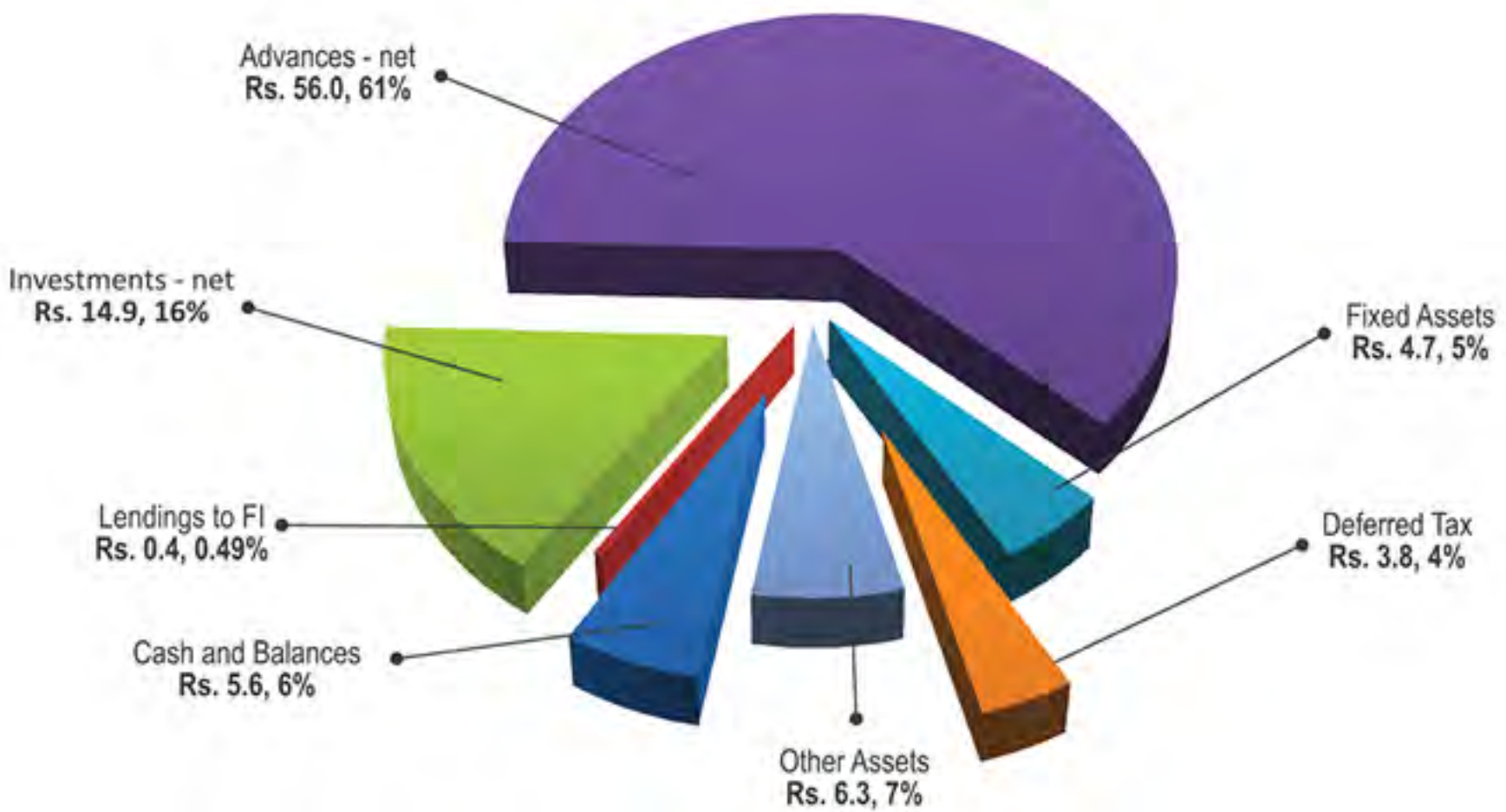




### Total Assets - 2014 (Rs. in Billion)



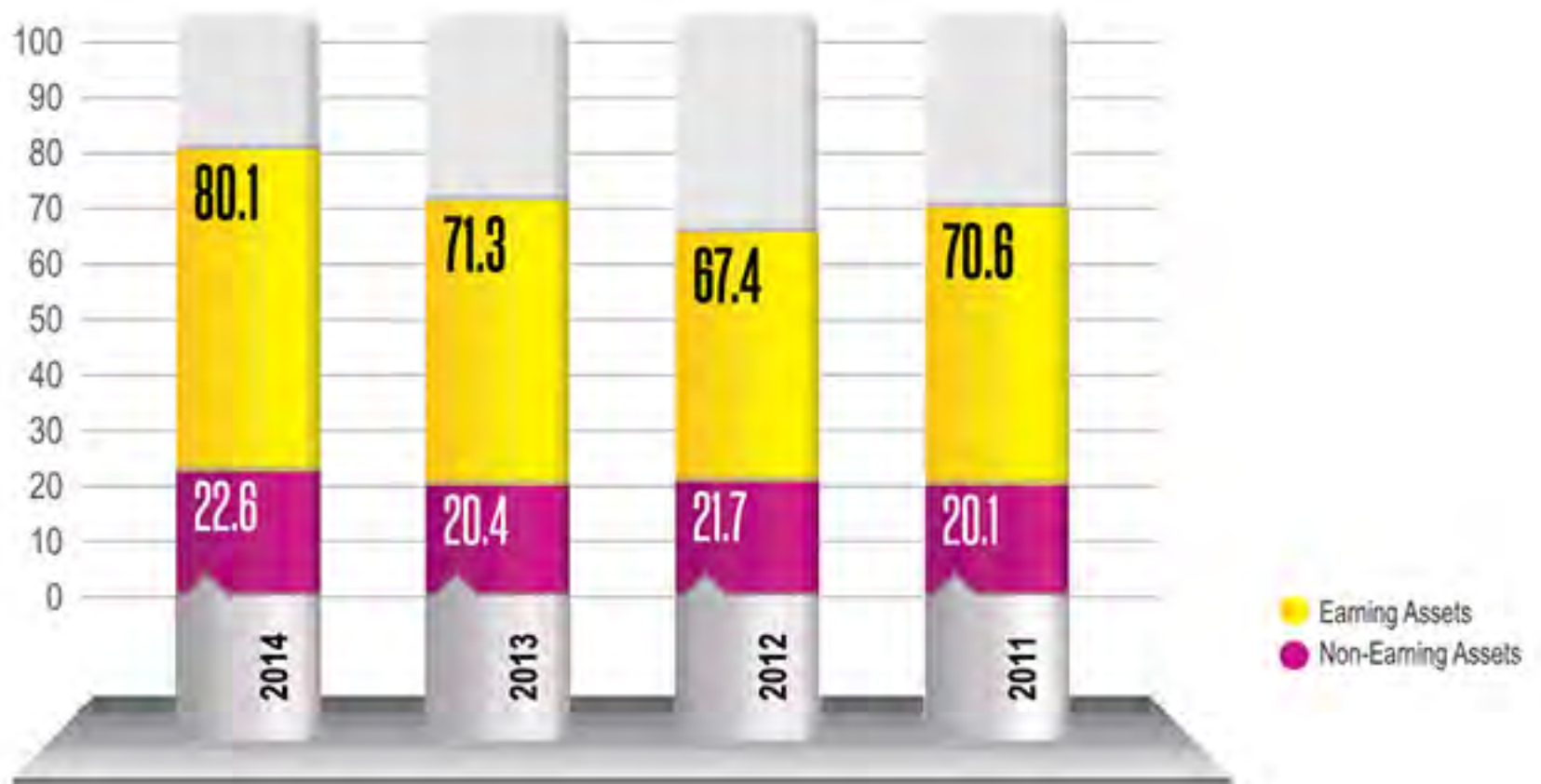
### Total Assets - 2013 (Rs. in Billion)



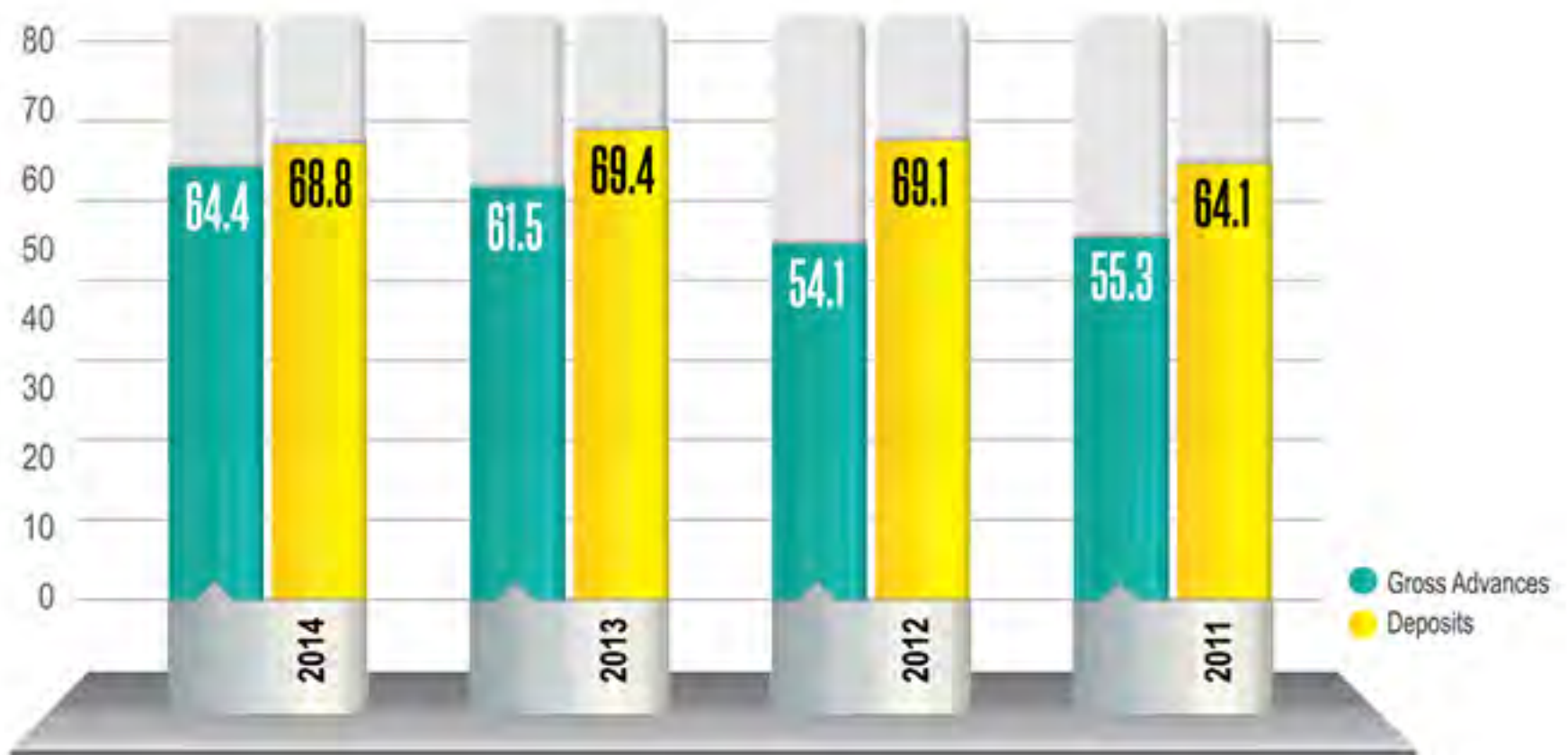


# Graphical Presentation of Financial Progress

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



**Gross Advances & Deposits (Rs. in Billion)**





### Deposit Mix - 2014 (Rs. in Billion)



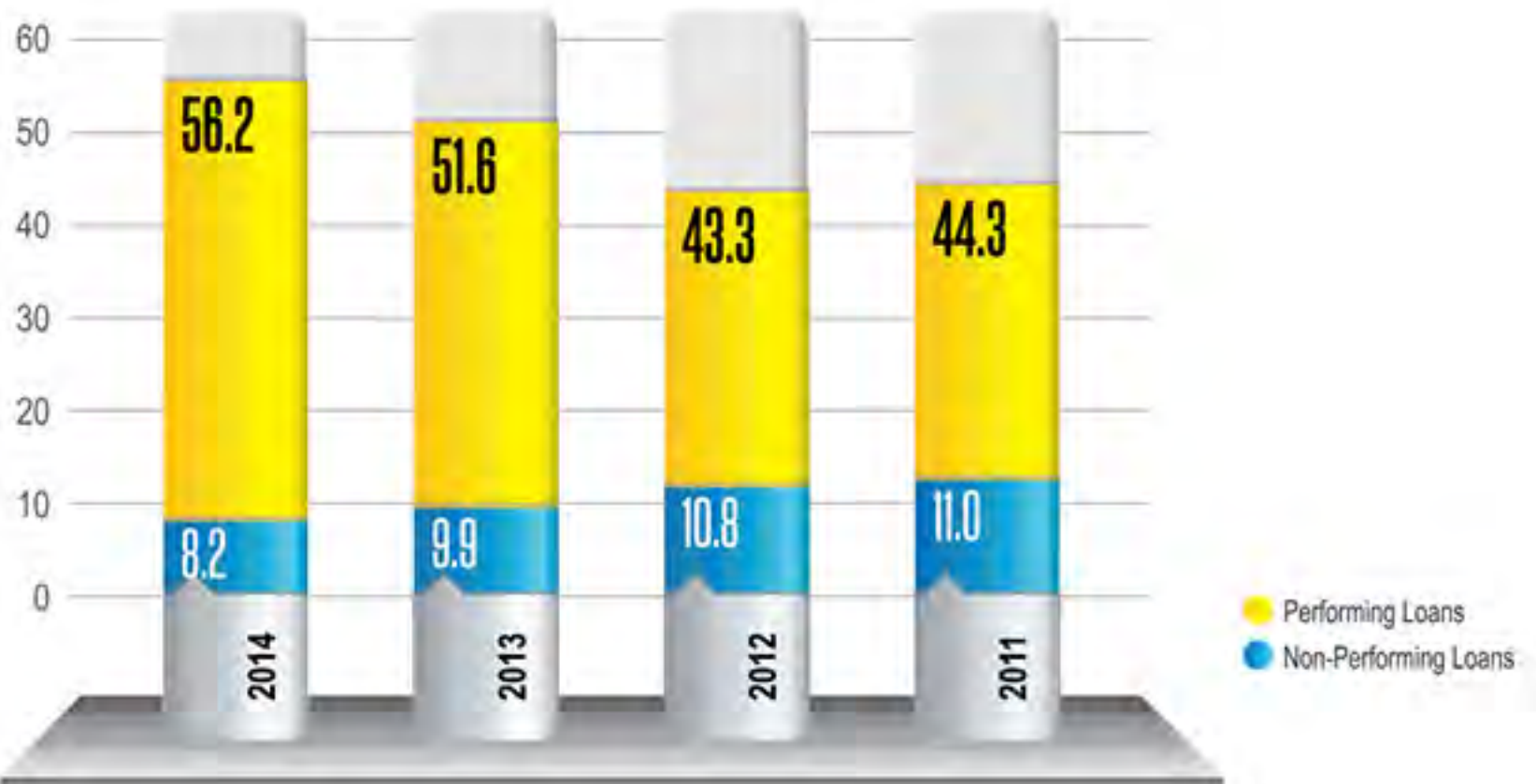
### Deposit Mix - 2013 (Rs. in Billion)



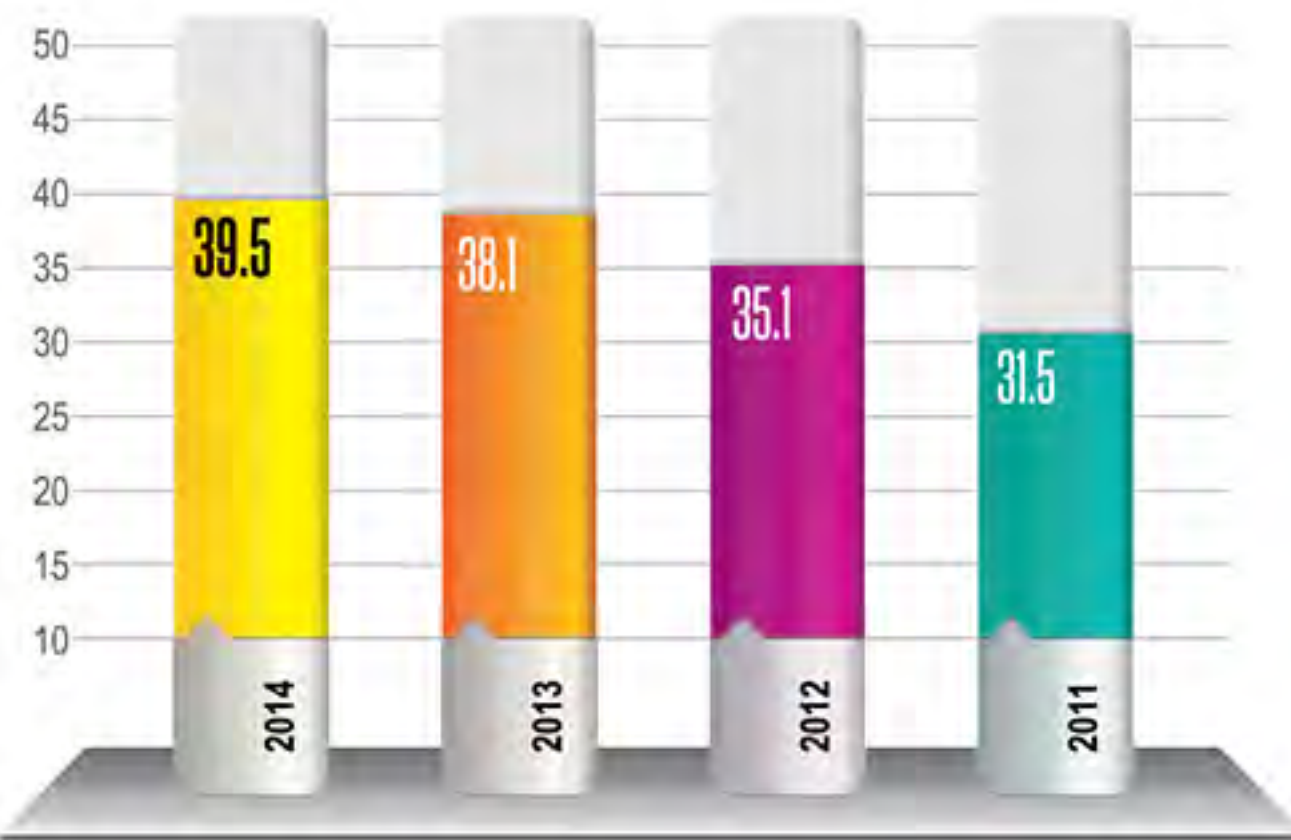


# Graphical Presentation of Financial Progress

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

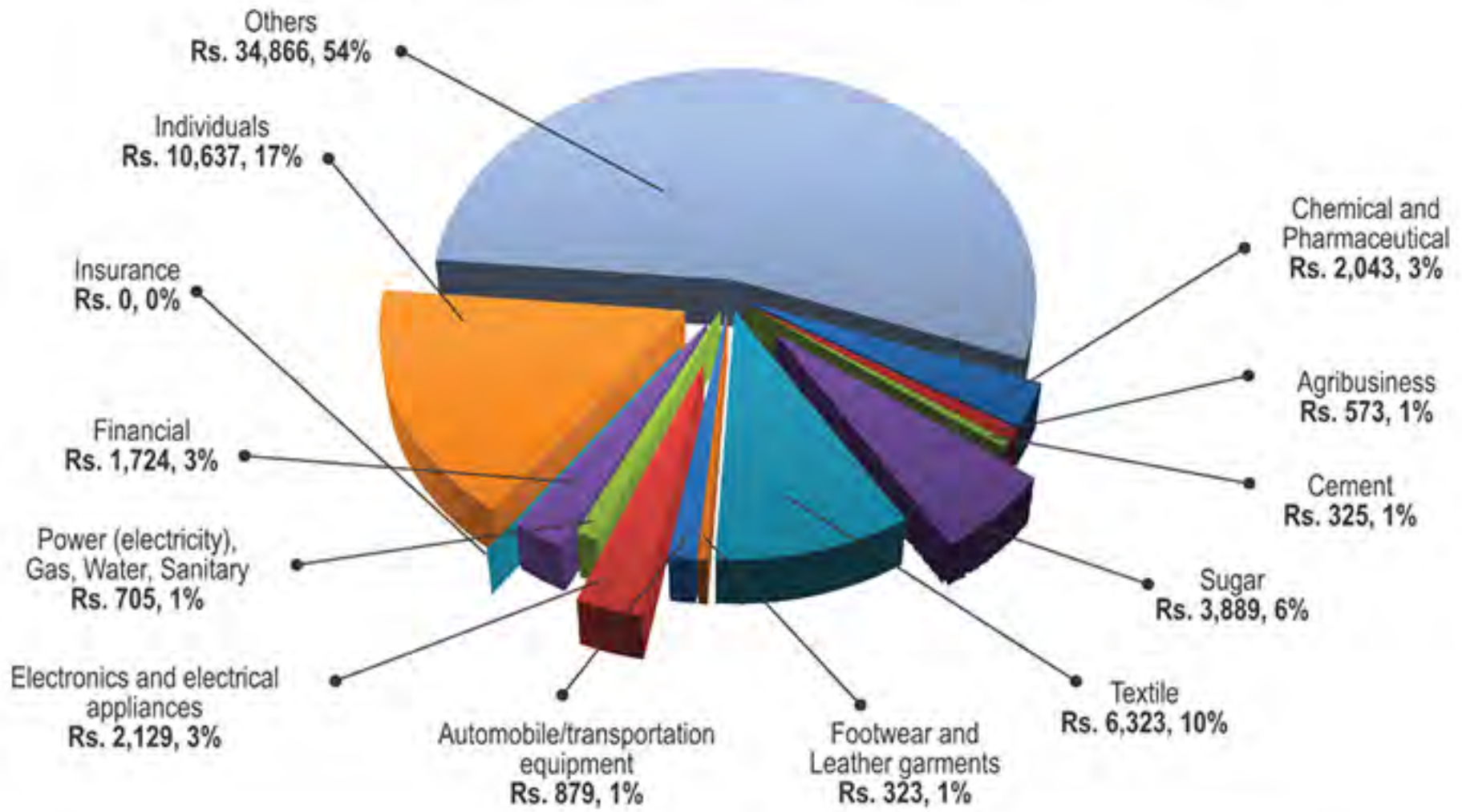


## CASA (Current & Saving Deposits) (Rs. in Billion)

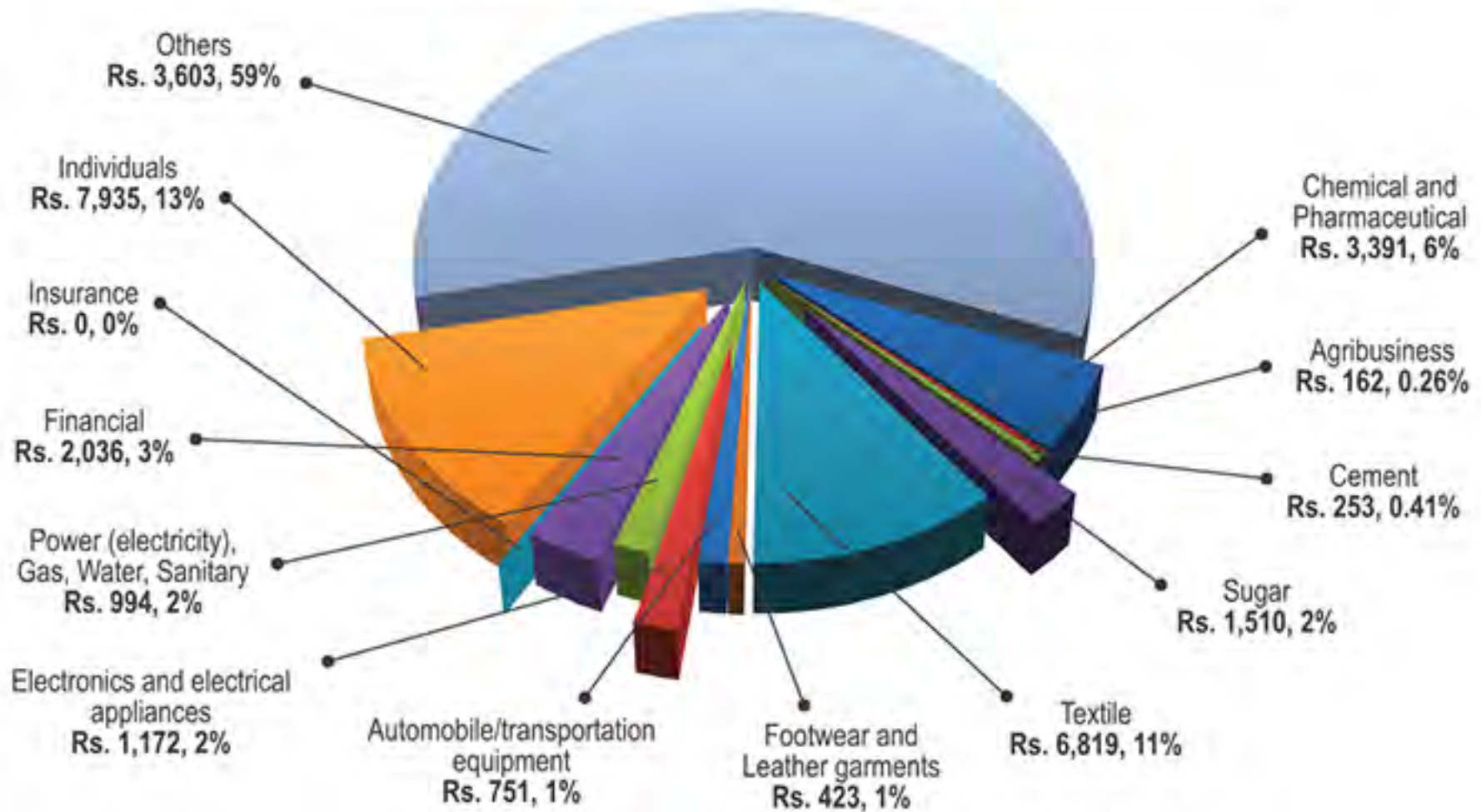




### Sector Wise Advances - 2014 (Rs. in Million)



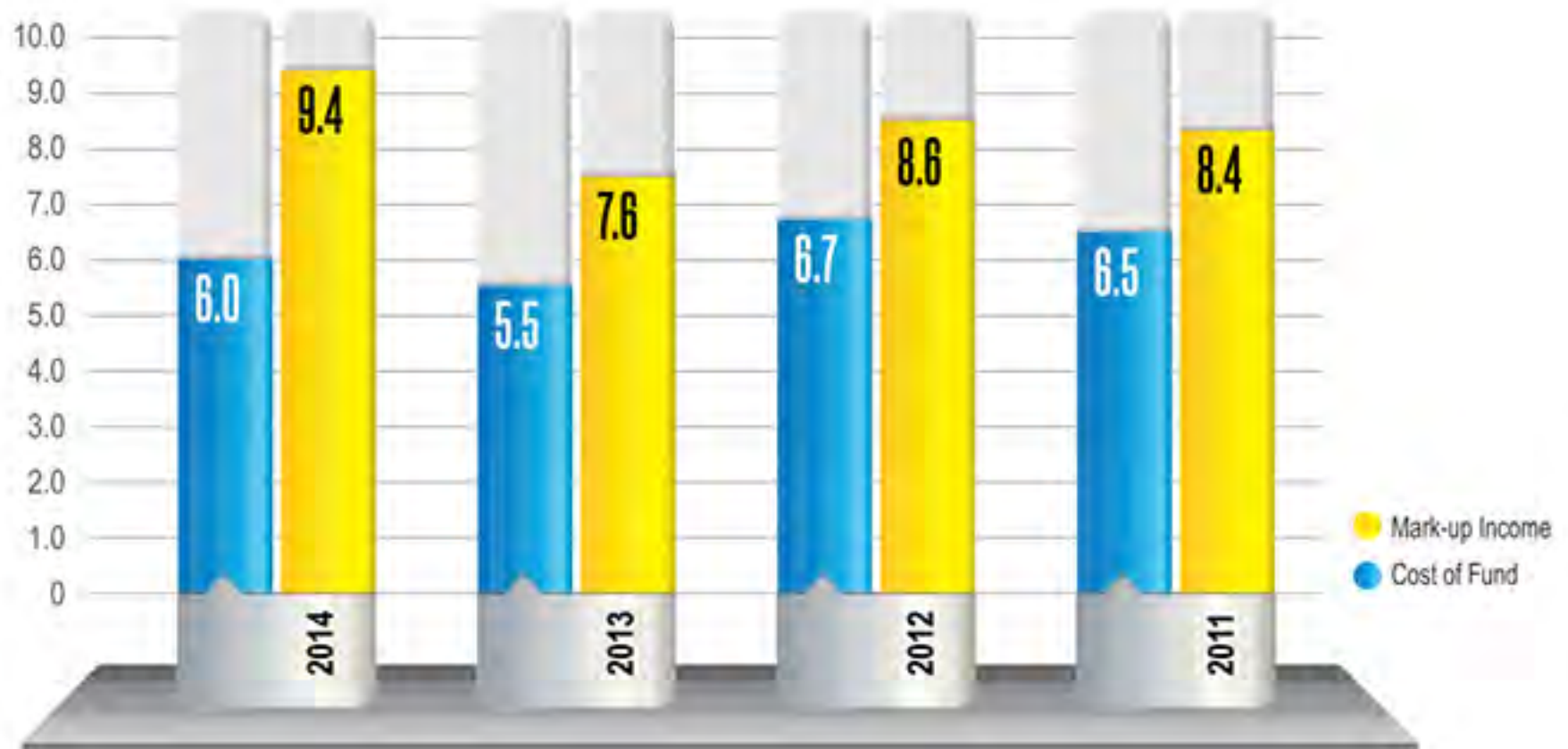
### Sector Wise Advances - 2013 (Rs. in Million)



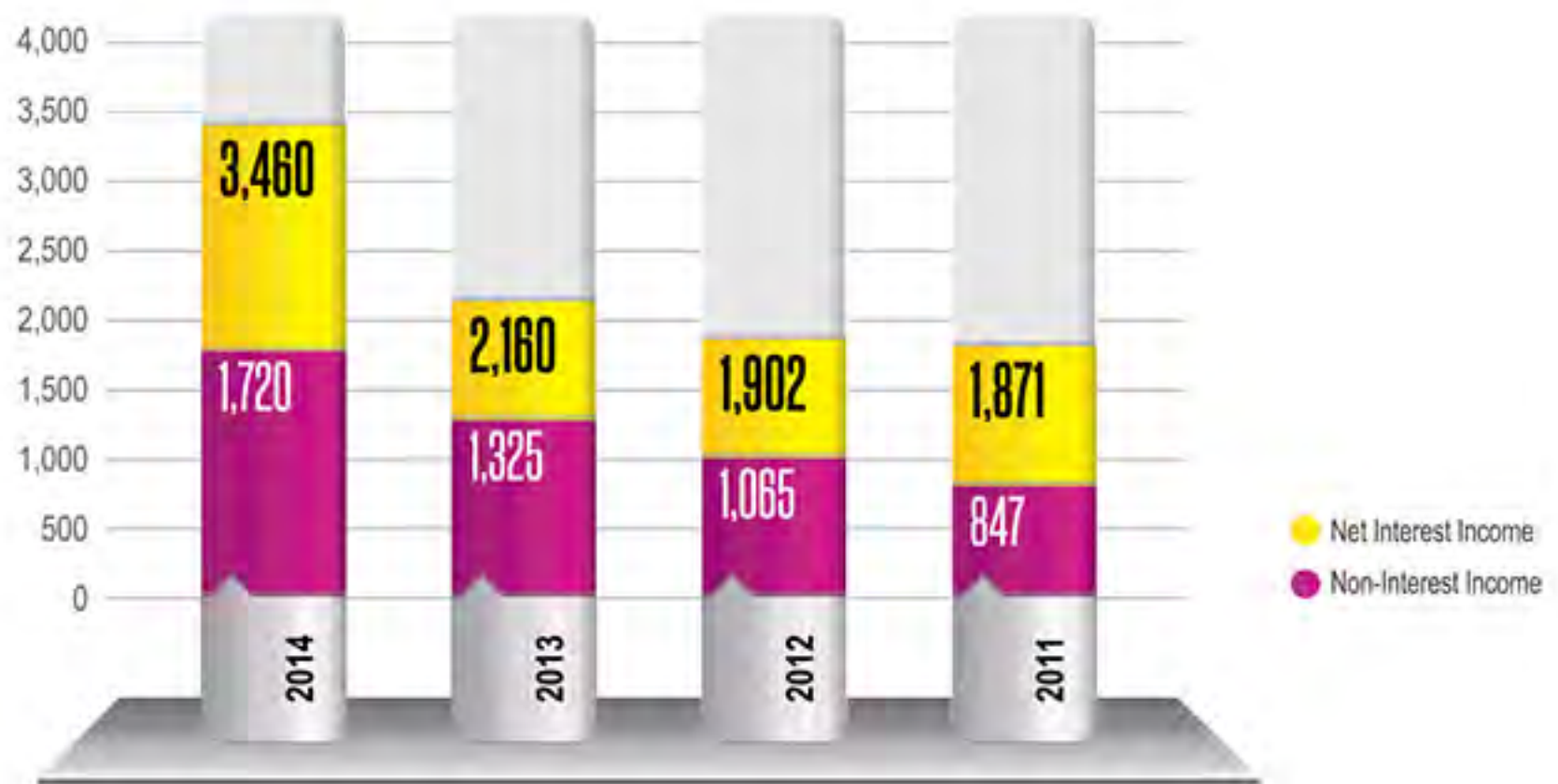


# Graphical Presentation of Financial Progress

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

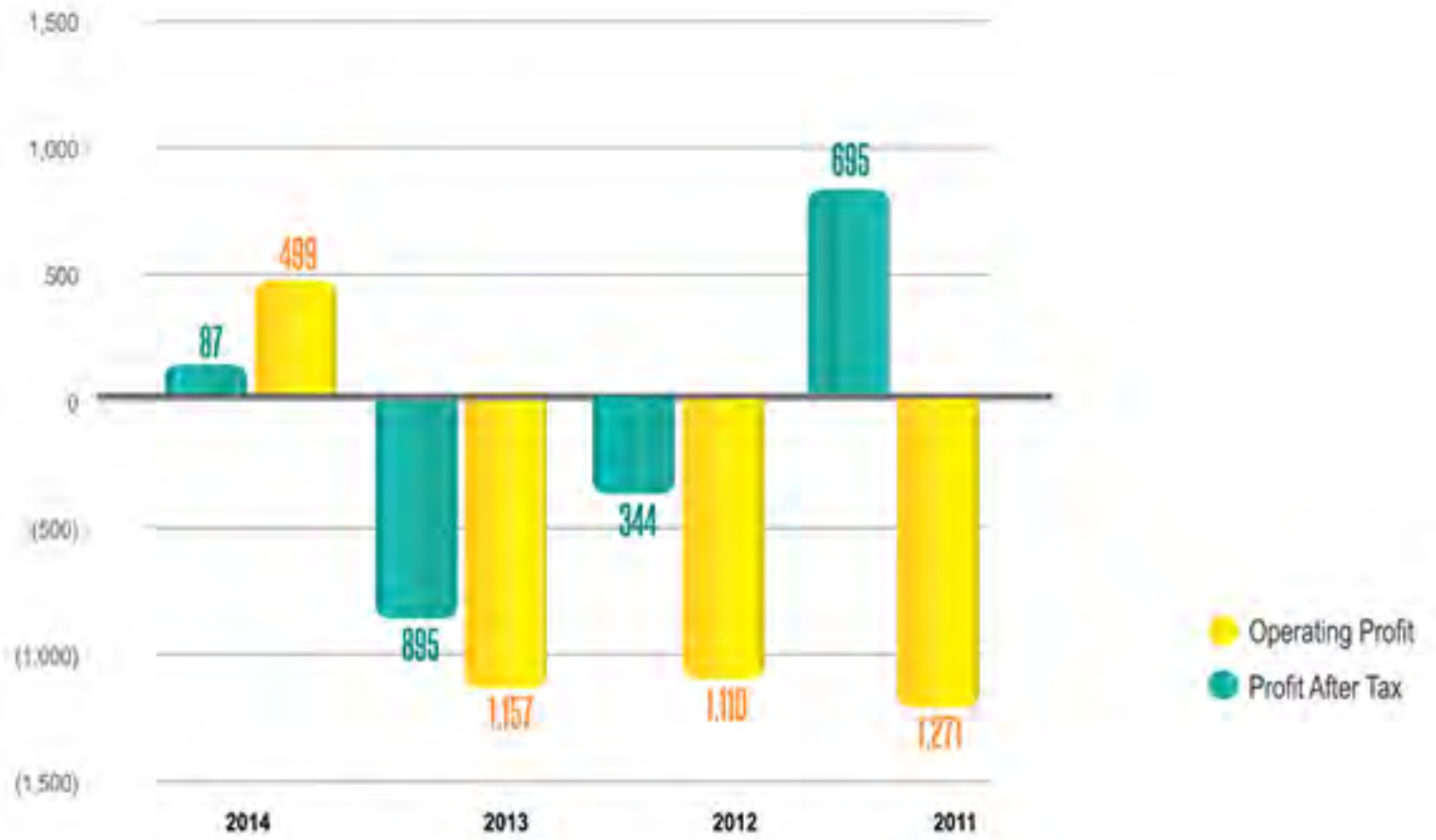


## Revenue Composition (Rs. in Million)

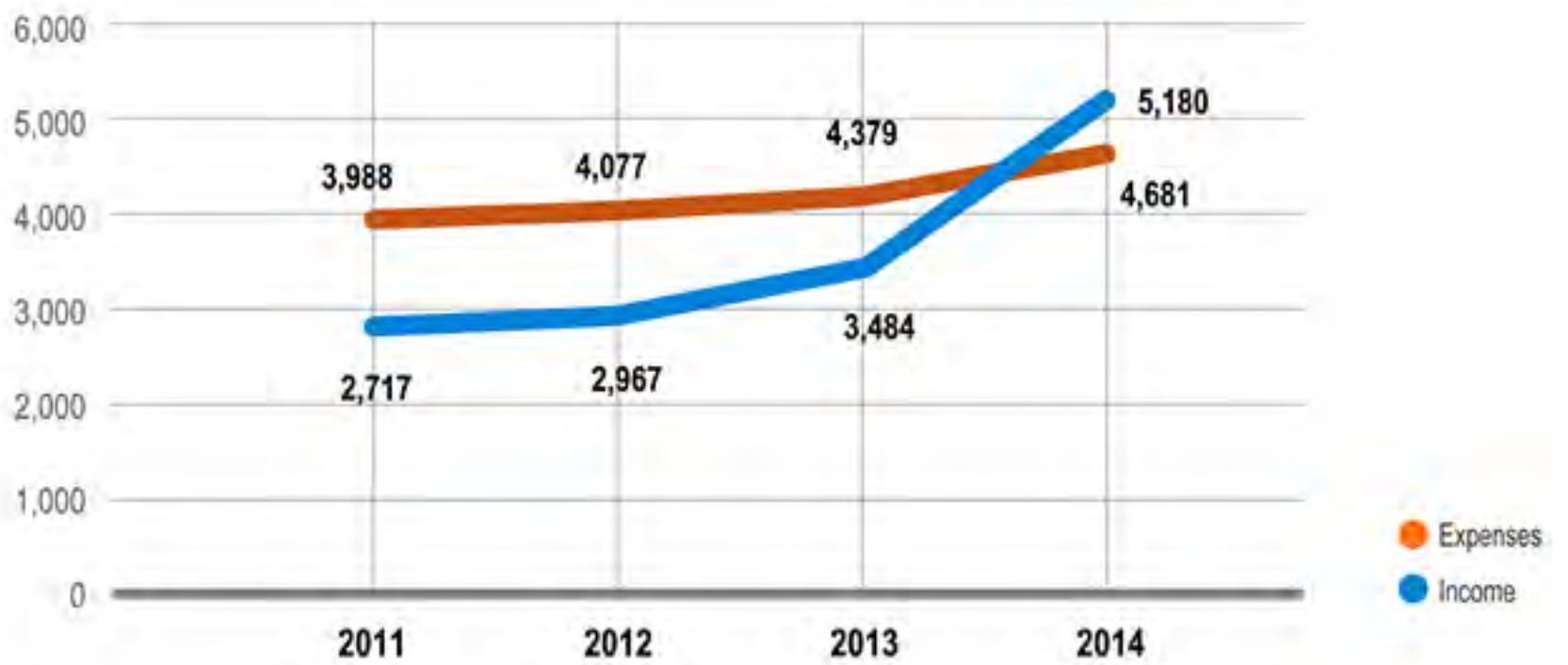




### Operating Profit & Profit After Tax (Rs. in Million)



### Income & Expenses (Rs. in Million)





# Statement of Financial Position

as at December 31, 2014

	Note	December 31, 2014	December 31, 2013
		Rupees in '000	
<b>ASSETS</b>			
Cash and balances with treasury banks	7	5,102,984	5,361,695
Balances with other banks	8	139,478	226,184
Lendings to financial institutions	9	3,000,000	446,859
Investments - net	10	18,105,414	14,853,257
Advances - net	11	58,966,877	56,037,522
Operating fixed assets	12	4,563,290	4,691,552
Deferred tax assets - net	13	3,937,182	3,839,078
Other assets	14	8,833,892	6,314,048
		<b>102,649,117</b>	<b>91,770,195</b>
<b>LIABILITIES</b>			
Bills payable	15	2,153,091	2,747,400
Borrowings	16	21,742,246	11,381,975
Deposits and other accounts	17	68,770,255	69,433,452
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease	18	17,105	-
Deferred tax liabilities		-	-
Other liabilities	19	1,465,593	1,532,180
		<b>94,148,290</b>	<b>85,095,007</b>
<b>NET ASSETS</b>			
		<b>8,500,827</b>	<b>6,675,188</b>
<b>REPRESENTED BY</b>			
Share capital	20	26,716,048	26,716,048
Discount on issue of right shares		(13,284,674)	(13,284,674)
Reserves		180,134	162,762
Advance against shares subscription	20.5	2,000,000	-
Convertible preference shares	21	2,200,000	2,200,000
Accumulated loss		(9,444,123)	(9,526,849)
		<b>8,367,385</b>	<b>6,267,287</b>
Surplus on revaluation of assets - net of tax	22	133,442	407,901
		<b>8,500,827</b>	<b>6,675,188</b>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	23		

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



Azmat Tarin  
President & CEO



Tariq Iqbal Khan  
Director



Adnan Afridi  
Director



Shamsul Hasan  
Director

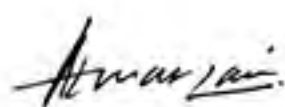


# Profit And Loss Account

for the year ended December 31, 2014

	Note	December 31, 2014	December 31, 2013
		Rupees in '000	
Mark-up / return / interest earned	25	9,429,216	7,622,425
Mark-up / return / interest expensed	26	(5,969,099)	(5,462,669)
<b>Net mark-up / interest income</b>		<b>3,460,117</b>	<b>2,159,756</b>
Provision against non-performing loans and advances - net	11.3	(79,077)	(420,346)
Provision against consumer financing - net	11.3	(127,402)	(142,041)
Recovery against written off loans		4,004	6,214
Reversal for diminution in the value of investments - net	10.14	2,537	-
Impairment in the value of investment	10.11.1 / 10.11.2	(167,675)	(76,879)
Bad debts written off directly	11.7	-	(423)
		<b>(367,613)</b>	<b>(633,475)</b>
<b>Net mark-up / interest income after provisions</b>		<b>3,092,504</b>	<b>1,526,281</b>
<b>NON MARK-UP / INTEREST INCOME</b>			
Fee, commission and brokerage income		868,263	684,378
Dividend income		47,168	63,401
Income from dealing in foreign currencies		196,672	219,589
Gain on sale of securities - net	27	346,592	169,917
Unrealised gain / (loss) on revaluation of investments - held-for-trading	10.1	169,053	(1,431)
Other income	28	92,615	188,726
<b>Total non-mark-up / interest income</b>		<b>1,720,363</b>	<b>1,324,580</b>
		<b>4,812,867</b>	<b>2,850,861</b>
<b>NON MARK-UP / INTEREST EXPENSES</b>			
Administrative expenses	29	(4,692,044)	(4,407,927)
Other reversals / (provisions) / (write offs) - net	30	38,019	112,449
Other charges	31	(27,427)	(83,461)
<b>Total non-mark-up / interest expenses</b>		<b>(4,681,452)</b>	<b>(4,378,939)</b>
		<b>131,415</b>	<b>(1,528,078)</b>
Extra ordinary / unusual items		-	-
<b>PROFIT / (LOSS) BEFORE TAXATION</b>		<b>131,415</b>	<b>(1,528,078)</b>
Taxation - Current		-	-
- Prior		-	-
- Deferred		(44,555)	371,516
	32	<b>(44,555)</b>	<b>371,516</b>
<b>PROFIT / (LOSS) AFTER TAXATION</b>		<b>86,860</b>	<b>(1,156,562)</b>
			Rupee
Basic earnings / (loss) per share	33	0.03	(0.43)
Diluted earnings / (loss) per share	33	0.02	(0.43)

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Shamsul Hasan  
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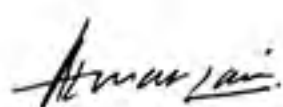


# Statement of Comprehensive Income

for the year ended December 31, 2014

	Note	December 31, 2014	December 31, 2013
		Rupees in '000	
<b>Profit / (loss) after taxation</b>		86,860	(1,156,562)
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to profit and loss account</b>			
Remeasurement of defined benefit plan	36.1.2	14,643	11,452
Related tax effect		(5,125)	(4,008)
		9,518	7,444
<b>Comprehensive income transferred to equity</b>		96,378	(1,149,118)
<b>Components of comprehensive income not reflected in equity</b>			
(Deficit) / Surplus on revaluation of assets - net		(422,243)	381,348
Deferred tax asset / (liability) on revaluation of assets		147,784	(133,471)
		(274,459)	247,877

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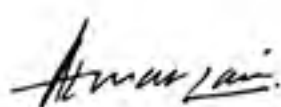
# Statement of Changes in Equity

for the year ended December 31, 2014

		Share Capital	Discount on Issue of Shares	*Statutory Reserves	Advance against shares subscription	Convertible Preference shares	Accumulated Loss	Total Equity
	Note	Rupees in '000						
<b>Balance as at January 01, 2013</b>		26,716,048	(13,284,674)	162,762	-	-	(8,381,451)	5,212,685
<b>Total comprehensive income for the year 2013</b>								
Loss after tax for the year ended December 31, 2013		-	-	-	-	-	(1,156,562)	(1,156,562)
Other comprehensive income		-	-	-	-	-	7,444	7,444
<b>Total comprehensive income for the year 2013</b>		-	-	-	-	-	(1,149,118)	(1,149,118)
Transfer from surplus on revaluation of fixed assets on account of incremental depreciation- net of tax	22.3	-	-	-	-	-	3,720	3,720
Convertible preference shares issued	21	-	-	-	-	2,200,000	-	2,200,000
<b>Balance as at December 31, 2013</b>		26,716,048	(13,284,674)	162,762	-	2,200,000	(9,526,849)	6,267,287
<b>Total comprehensive income for the year 2014</b>								
Profit after tax for the year ended December 31, 2014		-	-	-	-	-	86,860	86,860
Other comprehensive income		-	-	-	-	-	9,518	9,518
<b>Total comprehensive income for the year 2014</b>		-	-	-	-	-	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	20.5	-	-	-	2,000,000	-	-	2,000,000
Transfer to statutory reserves		-	-	17,372	-	-	(17,372)	-
<b>Balance as at December 31, 2014</b>		26,716,048	(13,284,674)	180,134	2,000,000	2,200,000	(9,444,123)	8,367,385

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

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Director



# Cash Flow Statement

for the year ended December 31, 2014

	Note	December 31, 2014	December 31, 2013
		Rupees in '000	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit / (loss) before taxation		131,415	(1,528,078)
Less: Dividend income		(47,168)	(63,401)
		84,247	(1,591,479)
<b>Adjustments for non-cash items</b>			
Depreciation	12.2	385,732	407,075
Amortisation of intangible assets	12.3	82,212	85,499
Amortisation of (discount) / premium on investments		(2,724)	16,305
Provision against non-performing loans and advances - net	11.3	79,077	420,346
Provision against consumer financing	11.3	127,402	142,041
Impairment in the value of investments		167,675	76,879
Unrealised (gain) / loss on revaluation of investments - held-for-trading	10.1	(169,053)	1,431
Share of profit from associate	28	(9,392)	(14,548)
Other reversals / (provisions) / (write offs) - net	30	(38,019)	(112,449)
Loss / (gain) on sale of property and equipment	12.5	70	(56,276)
		622,980	966,303
		707,227	(625,176)
<b>(Increase) / decrease in operating assets</b>			
Lendings to financial institutions		(2,553,141)	5,155,564
Net investments in held-for-trading securities		(43,576)	(994,643)
Advances		(3,135,834)	(5,032,268)
Other assets		(2,343,318)	366,815
		(8,075,869)	(504,532)
<b>(Decrease) / increase in operating liabilities</b>			
Bills payable		(594,309)	768,851
Borrowings		10,360,271	5,194
Deposits		(663,197)	383,005
Other liabilities		(66,587)	230,172
		9,036,178	1,387,222
		1,667,536	257,514
Income tax paid		(127,141)	(100,578)
<b>Net cash flows from operating activities</b>		<b>1,540,395</b>	<b>156,936</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Net investment in available-for-sale securities		(3,612,922)	(818,715)
Dividend received		49,714	61,546
Proceeds from sale of property and equipment	12.5	79,055	152,879
Net investment in operating fixed assets		(398,607)	(257,338)
<b>Net cash flows from investing activities</b>		<b>(3,882,760)</b>	<b>(861,628)</b>



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Director



# Cash Flow Statement

for the year ended December 31, 2014

	Note	December 31, 2014	December 31, 2013
		Rupees in '000	
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Convertible preference shares issued		-	2,200,000
Advance against shares subscription		2,000,000	-
Finance lease obligation paid		(3,052)	-
<b>Net cash flows from financing activities</b>		<b>1,996,948</b>	<b>2,200,000</b>
<b>(Decrease) / increase in cash and cash equivalents</b>		<b>(345,417)</b>	<b>1,495,308</b>
Cash and cash equivalents at the beginning of the year		5,587,879	4,092,571
<b>Cash and cash equivalents at the end of the year</b>	34	<b>5,242,462</b>	<b>5,587,879</b>

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# Notes to the Financial Statements

for the year ended December 31, 2014

## 1 STATUS AND NATURE OF BUSINESS

- 1.1 Silkbank Limited ("the Bank") was incorporated in Pakistan on April 04, 1994 as a public limited company under the Companies Ordinance, 1984. The Bank commenced commercial operations on May 07, 1995. The Bank's shares are quoted on all the Stock Exchanges in Pakistan. The Bank is engaged in banking services as described in the Banking Companies Ordinance, 1962. The Bank operates through 88 branches (2013: 88 branches) including 10 (2013: 10) Islamic Banking branches in Pakistan with the registered office located at Silkbank Building, I. I. Chundrigar Road, Karachi. The short term and long term credit rating of the Bank rated by JCR-VIS Credit Rating Company Limited in December 2014 is 'A-2' and 'A-', respectively.
- 1.2 Majority shareholding (82.406%) in the Bank as on December 31, 2014 is held by a consortium comprising of International Finance Corporation (IFC), Nomura European Investment Limited, Bank Muscat S.A.O.G and executives of the Sinthos Capital Advisors Limited. As a result of possible conversion of convertible preference shares (as described below and in note 21), issue of right shares for advance against share subscription (as described below and in note 20.5) and unsubscribed rights issue (as described in note 20.4), the majority shareholding in the Bank may change at the time of conversion of preference shares to ordinary shares and / or subscription of right shares.
- 1.3 The State Bank of Pakistan (SBP) vide BSD Circular No. 7 dated April 15, 2009 has set the Minimum Capital Requirement (MCR) for Banks of Rs. 10 billion (net of losses) to be achieved by December 31, 2013. The Banks are also required to maintain a Capital Adequacy Ratio (CAR) of at least 10% of the risk weighted assets of the Bank. The capital of the Bank (net of losses and discount on shares) as of December 31, 2014, including 'Advance against Shares Subscription' as allowed by SBP and excluding general reserves of Rs.180.13 million and convertible preference shares of Rs. 2.20 billion, amounted to Rs. 5.99 billion. The shortfall at year end amounted to Rs. 4.01 billion. Further, the CAR of the Bank, as disclosed in note 41, remained below the prescribed level of 10%. The Bank had issued right shares at a discount in 2010 to generate net capital of Rs. 7 billion, however, the right issue had partly remained unsubscribed and at present the Bank has unpaid rights of Rs. 2.572 billion.

In order to meet the above shortfall and improve the financial condition of the Bank, the Bank and Sponsors of the Bank have taken the following steps:

### Advance against Shares Subscription

The Bank has raised advance against proposed issue of right shares amounting to Rs. 2.00 billion from four prospective investors. The SBP vide its letter No. BPRD/BA&CP/644/24214/2014 dated December 10, 2014 has allowed the Bank to consider this advance money for MCR and CAR purposes subject to certain conditions. SBP has further allowed the Bank to comply with two conditions including conversion of this advance into paid-up capital by March 31, 2015.

### Issuance of Convertible Preference Shares

In March 2013, the Bank issued 880 million Convertible Preference Shares (CPS) amounting to Rs. 2.20 billion subject to conditions as fully disclosed in note 21 to the financial statements. SBP vide its letter No. BBRD /CS / 2900 / 13 dated March 13, 2013 has allowed the Bank to treat CPS as Tier-1 capital for CAR purpose only. As a result of this issuance, the Bank's credit rating and CAR has improved. Securities and Exchange Commission of Pakistan (SECP) has also granted the Bank a three year extension for subscription of the rights, in line with the tenor of the convertible preference shares.

### Further Issue of Shares

The Bank is planning a right shares issue and in this respect a Memorandum of Understanding has been signed between one of the Sponsor shareholders and a Foreign Investor who may participate in the right issue along with the current sponsors of the Bank, subject to the approval of the regulatory authorities.

### Financial Projections

The Bank has prepared five years financial projections for the purpose of setting future course of action. These projections envisage additional capital injection through equity and subordinated debt into the Bank and reflect future profitable operations based on various core assumptions such as the sale of non-banking assets acquired in satisfaction of claims, Musharaka transactions, growth of deposits and consumer advances, investment returns, future loan losses, interest rates, cost of funds etc.

### Relaxation by State Bank of Pakistan (SBP)

The SBP has granted extension to the Bank in complying with MCR and CAR requirements until March 31, 2015 vide



# Notes to the Financial Statements

## for the year ended December 31, 2014

their letter No. BPRD / BA&CP-04/644/4736/2015 dated February 25, 2015.

Based on above, the Bank's management and the Board have made an assessment and are satisfied that the Bank has adequate resources to continue its business in the foreseeable future and therefore, have prepared these financial statements on a going concern basis. In making such assessment, the Board has taken into account material uncertainties with respect to events or conditions that may impact the recapitalization plan of the Bank and consequently, its sustainability in the future.

### 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.

2.2 These financial statements have been prepared in Pakistani Rupee which is the reporting and functional currency.

2.3 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.

### 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.

### 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 SECP has notified Islamic Financial Accounting Standard (IFAS) 3, 'Profit and Loss Sharing on Deposits' issued by the ICAP. IFAS 3 shall be followed with effect from the financial periods beginning on or after January 1, 2014 in respect of accounting for transactions relating to 'Profit and Loss Sharing on Deposits' as defined by the said standard. The standard has resulted in certain new disclosures in the financial statements of the Bank as disclosed in Annexure II to these Financial Statements.



# Notes to the Financial Statements

for the year ended December 31, 2014

There are certain other new and amended standards, interpretations and amendments that are mandatory for the Bank's accounting periods beginning on or after January 1, 2014 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 standards, amendments and interpretations of approved accounting standards are effective for accounting periods beginning on or after January 01, 2015. However, these 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:

	<b>Effective from accounting period beginning on or after</b>
- 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 19 Employee Benefits – Employee Contributions	July 01, 2014
- IAS 27 (Revised 2011) – Separate Financial Statements	January 01, 2015
- IAS 28 (Revised 2011) – Investments in Associates and Joint Ventures	January 01, 2015
- IFRS 10 – Consolidated Financial Statements	January 01, 2015
- IFRS 11 – Joint Arrangements	January 01, 2015
- IFRS 12 – Disclosure of Interests in Other Entities	January 01, 2015
- IFRS 13 – Fair Value Measurement	January 01, 2015

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the SECP:

- 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

## 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 Bank reviews its loan portfolio and debt securities classified as investments to assess the amount of non-performing loans and advances, debt securities and provision required there-against on regular basis. While assessing this requirement, various factors including the delinquency in the account, financial position of the borrower, the forced sale value of securities and requirements of the Prudential Regulations (including exercise of judgment in interpretation of Prudential Regulations) are considered. For portfolio impairment provision on consumer advances, the Bank follows the general provision requirements set out in Prudential Regulations issued by the SBP.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the 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:



# Notes to the Financial Statements

for the year ended December 31, 2014

## 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, debt securities and provision required there-against on regular basis. While assessing this requirement, various factors including the delinquency in the account, financial position of the borrower, the forced sale value of securities and requirements of the Prudential Regulations are considered. For portfolio impairment provision on consumer advances, 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.
- 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.

## 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.



# Notes to the Financial Statements

for the year ended December 31, 2014

## 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:

### 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.

### 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, 2014

## **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.

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 are included in the profit and loss account.**

## **6.4.5 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 financings 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.

## **6.6 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.



# Notes to the Financial Statements

for the year ended December 31, 2014

## 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.

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



# Notes to the Financial Statements

for the year ended December 31, 2014

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.

### 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



# Notes to the Financial Statements

for the year ended December 31, 2014

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.

### **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



# Notes to the Financial Statements

for the year ended December 31, 2014

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 lendings and SME lendings (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 time proportion basis.

## 6.18 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 in accordance with IAS 33, "Earnings Per Share".

## 6.19 Fiduciary assets

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

	Note	December 31, 2014	December 31 2013
		Rupees in '000	
<b>7 CASH AND BALANCES WITH TREASURY BANKS</b>			
<b>In hand</b>			
Local currency		1,004,683	890,875
Foreign currencies		432,336	422,495
National prize bonds		5,051	2,033
<b>With State Bank of Pakistan (SBP) in</b>	7.1		
Local currency - current account		2,329,060	2,418,403
Foreign currency - current account		332,722	402,812
Foreign currency - deposit account		937,905	1,165,017
<b>With National Bank of Pakistan (NBP) in</b>			
Local currency - current account		61,227	60,060
		<b>5,102,984</b>	<b>5,361,695</b>



# Notes to the Financial Statements

for the year ended December 31, 2014

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

	Note	December 31, 2014	December 31, 2013
Rupees in '000			
<b>8</b>	<b>BALANCES WITH OTHER BANKS</b>		
	<b>In Pakistan</b>		
	On Current accounts	66,654	37,058
	<b>Outside Pakistan</b>		
	On Current accounts	72,824	189,126
		<u>139,478</u>	<u>226,184</u>
<b>9</b>	<b>LENDINGS TO FINANCIAL INSTITUTIONS</b>		
	Repurchase agreement lendings (Reverse repo)	3,000,000	446,859
<b>9.1</b>	<b>PARTICULARS OF LENDING</b>		
	In local currency	3,000,000	446,859
	In foreign currencies	-	-
		<u>3,000,000</u>	<u>446,859</u>
<b>9.2</b>	<b>Securities held as collateral against lending to financial institutions</b>		

	Note	2014			2013		
		Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
Rupees in '000							
Pakistan Investment Bonds	9.2.1/ 9.2.2	3,000,000	-	3,000,000	446,859	-	446,859

9.2.1 These have been purchased under the resale agreements at the mark-up rates ranging from 9.75% to 10.00% (2013: 10.00% to 10.05%) per annum with maturities in January and April 2015.

9.2.2 The market value of collateral held against reverse repurchase agreement lendings as of December 31, 2014 is Rs. 3,131 million (2013: Rs. 448 million).



# Notes to the Financial Statements

for the year ended December 31, 2014

## 10 INVESTMENTS - NET

	Note	December 31, 2014			December 31, 2013		
		Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
<b>10.1 INVESTMENTS BY TYPES:</b>							
<b>Held-for-Trading Securities</b>							
Market Treasury Bills	10.3	-	-	-	2,457,524	-	2,457,524
Pakistan Investment Bonds	10.4	-	2,500,368	2,500,368	-	-	-
		-	2,500,368	2,500,368	2,457,524	-	2,457,524
<b>Available-for-Sale Securities</b>							
Market Treasury Bills	10.3	3,522,238	6,342,179	9,864,417	6,079,584	1,178,797	7,258,381
Pakistan Investment Bonds	10.4	586,897	2,887,536	3,474,433	833,018	-	833,018
GOP Ijara Sukuk	10.5	1,106,265	-	1,106,265	2,074,627	-	2,074,627
Units of Mutual fund - Closed end	10.6	-	-	-	5,405	-	5,405
Preference Shares - Listed	10.7	-	-	-	5,000	-	5,000
Term Finance Certificates - Listed	10.8	25,000	-	25,000	169,695	-	169,695
- Unlisted	10.9	12,215	-	12,215	316,716	-	316,716
Sukuk	10.10	-	-	-	11,775	-	11,775
Ordinary Shares - Listed		788,736	-	788,736	1,151,015	-	1,151,015
- Unlisted	10.12	5,680	-	5,680	5,680	-	5,680
	10.11	6,047,031	9,229,715	15,276,746	10,652,515	1,178,797	11,831,312
<b>Held-to-Maturity Securities</b>							
Shares repurchase (fully provided)		74,910	-	74,910	74,910	-	74,910
Investment in Associate	10.13	71,961	-	71,961	62,580	-	62,580
		6,193,902	11,730,083	17,923,985	13,247,529	1,178,797	14,426,326
<b>Investments at Cost</b>							
Less : Provisions for diminution in value of Investments	10.14	(84,026)	-	(84,026)	(86,563)	-	(86,563)
<b>Investments - net of provision</b>		6,109,876	11,730,083	17,839,959	13,160,966	1,178,797	14,339,763
Unrealized gain / (loss) on revaluation of investments - held-for-trading	10.4.1	-	169,053	169,053	(1,431)	-	(1,431)
(Deficit) / Surplus on revaluation of Available- for-sale securities	22.1	(22,217)	118,619	96,402	514,925	-	514,925
<b>Total Investments at Market Value</b>		6,087,659	12,017,755	18,105,414	13,674,460	1,178,797	14,853,257



# Notes to the Financial Statements

for the year ended December 31, 2014

	Note	December 31, 2014	December 31, 2013
Rupees in '000			
<b>10.2 INVESTMENTS BY SEGMENTS</b>			
<b>Federal Government Securities</b>			
Market Treasury Bills	10.3	9,864,417	9,715,905
Pakistan Investment Bonds	10.4	5,974,801	833,018
GOP Ijara Sukuk	10.5	1,106,265	2,074,627
		<b>16,945,483</b>	<b>12,623,550</b>
<b>Fully paid-up ordinary shares</b>			
Listed companies		788,736	1,151,015
Unlisted companies	10.12	5,680	5,680
		<b>794,416</b>	<b>1,156,695</b>
<b>Term Finance Certificate, Debentures, Bonds and Participation Term Certificates</b>			
Term Finance certificates - Listed	10.8	25,000	169,695
- Unlisted	10.9	12,215	316,716
Sukuk	10.10	-	11,775
		<b>37,215</b>	<b>498,186</b>
<b>Other Investments</b>			
Units of Mutual fund - Closed end	10.6	-	5,405
Preference shares - Listed	10.7	-	5,000
Investment in Associate	10.13	71,961	62,580
Shares repurchase (fully provided)		74,910	74,910
		<b>146,871</b>	<b>147,895</b>
<b>Investments at Cost</b>		<b>17,923,985</b>	<b>14,426,326</b>
Less : Provision for diminution in the value of investments	10.14	(84,026)	(86,563)
<b>Investments - net of provision</b>		<b>17,839,959</b>	<b>14,339,763</b>
Unrealized gain / (loss) on revaluation of Held-for-trading investments		169,053	(1,431)
Surplus on revaluation of Available-for-sale securities	22.1	96,402	514,925
<b>Total Investments at Market Value</b>		<b>18,105,414</b>	<b>14,853,257</b>
<b>10.2.1 Strategic Investments</b>			
<b>Available-for-sale securities</b>			
Preference Shares - Listed	10.7	-	5,000
Ordinary shares - Unlisted	10.12	5,680	5,680
<b>Associates</b>	10.13	71,961	62,580
		<b>77,641</b>	<b>73,260</b>

Name of investment	Maturity period	Principal payment	Yield	Coupon mark-up / payment
10.3 Market Treasury Bills	January 2015 to December 2015	On maturity	9.49% to 9.99%	At maturity

**10.3.1** These include securities having face value of Rs. 110 million (2013 : Rs. 245.20 million) pledged with various financial institutions. Out of these, securities having face value of Rs. Nil (2013 : Rs.47.70 million) have been pledged with SBP and National Bank of Pakistan as security to facilitate T.T. discounting facility to branches of the Bank. Furthermore, securities having face value of Rs.110 million (2013 : 197.50 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).



# Notes to the Financial Statements

for the year ended December 31, 2014

	Name of investment	Maturity period	Principal payment	Coupon rate	Coupon mark-up / payment
10.4	Pakistan Investment Bonds	July 2016 to July 2024	On maturity	10.00% to 12.00%	Semi-annually
10.4.1	On December 31, 2014, the Bank, after obtaining the approval of ALCO (as required under BSD circular No. 10 of 2014), has reclassified Pakistan Investment Bonds having total face value of Rs. 2,500 million from 'Available-for-Sale' category to 'Held-for-Trading' category. A revaluation gain of Rs. 169.05 million was recognised in the profit and loss account.				
10.4.2	These include securities having face value of Rs. 47.70 million (2013: Rs. nil) pledged with SBP and National Bank of Pakistan as security to facilitate T.T. discounting facility to branches of the Bank.				

	Name of investment	Maturity period	Principal payment	Coupon rate	Coupon mark-up / payment
10.5	GOP Ijara Sukuks	November 2015 to June 2017	On maturity	7.49% to 9.98%	Semi-annually

	Note	December 31, 2014		December 31, 2013	
		Credit rating	Amount Rupees in '000	Credit rating	Amount Rupees in '000
10.6	<b>Units of Mutual fund - Closed end</b>				
	Asian Stock Fund Limited	10.1	-	Unrated	5,405
10.7	<b>Preference Shares-Listed</b>				
	Masood Textile Mills Limited	10.2.1	-	Unrated	5,000
10.8	<b>Term Finance Certificates - Listed</b>				
	Escort Investment Bank Limited		-	BB	999
	Jahangir Siddiqui & Co. Ltd.		AA+	AA+	37,500
	Pakistan Mobile Communication Limited		-	AA-	62,400
	Engro Fertilizer Limited		-	A+	68,796
			25,000		169,695

#### 10.8.1 Particulars of Listed Term Finance Certificates

Particulars	Redemption Terms	Profit Rate per annum	Profit Payment	Maturity
Jahangir Siddiqui & Company Limited	In 8 semi annual installments starting from April 2013	6M kibar + 2.4%	Semi - annually	30-Oct-16

	Note	December 31, 2014		December 31, 2013	
		Credit rating	Amount Rupees in '000	Credit rating	Amount Rupees in '000
10.9	<b>Term Finance Certificates - Unlisted</b>				
	Avari Hotels		-	A-	210,349
	Gharibwal Cement Limited (fully provided) *	10.9.1	D	D	5,973
	Azgard Nine Limited		D	D	8,780
	Pak Libya Holding Company		-	AA	91,614
			12,215		316,716

\* This represents investment in Non-performing TFC's as per Mutual Funds association of Pakistan (MUFAP).

10.9.1 This represents zero coupon Privately Placed TFCs of Azgard Nine Limited acquired against markup settlement of Rs. 8.8 million on the credit facilities provided to Azgard Nine Limited.

#### 10.9.2 Particulars of Unlisted Term Finance Certificates

Particulars	Redemption Terms	Profit Rate per annum	Profit Payment	Maturity
Azgard Nine Limited (note 10.9.1)	7 semi annual installments commencing from the 24th month ending after March 31, 2012	Zero coupon	Semi - annually	31-March-17



# Notes to the Financial Statements

for the year ended December 31, 2014

	Note	December 31, 2014		December 31, 2013	
		Credit rating	Amount Rupees in '000	Credit rating	Amount Rupees in '000
<b>10.10 Sukuk</b>					
Engro Fertilizer Limited TFC Sukuk		-	-	A-	11,775

## 10.11 Quality of 'Available-for-Sale' securities

	Note	December 31, 2014		December 31, 2013	
		Credit rating	Market Value Rupees in '000	Credit rating	Market Value Rupees in '000
<b>Market Treasury Bills</b>		Unrated	9,879,711	Unrated	7,254,046
<b>Pakistan Investment Bonds</b>		Unrated	3,607,122	Unrated	783,276
<b>GOP Ijara Sukuk</b>		Unrated	1,103,931	Unrated	2,089,554
<b>Units of Mutual Fund - Closed end</b>					
Asian Stock Fund Limited		-	-	Unrated	12,540
<b>Listed Term Finance Certificates</b>					
Engro Fertilizer Limited		-	-	A+	69,795
Escort Investment Bank Limited		-	-	Unrated	737
Pakistan Mobile Communication Limited		-	-	AA-	62,959
Jahangir Siddiqui & Co. Ltd.		AA+	25,004	AA+	38,275
			25,004		171,766
<b>Sukuks</b>					
Engro Fertilizer Limited-TFC Sukuk		-	-	A-	11,690
<b>Unlisted Term Finance Certificates</b>					
Avari Hotel		-	-	Unrated	210,164
Gharibwal Cement Limited		D	3,435	D	5,973
Pak Libya Holding Company Limited		-	-	AA	91,419
Azgard Nine Limited		Unrated	8,780	Unrated	6,692
			12,215		314,248
<b>Shares in Listed Companies</b>					
Adamjee Insurance Co. Limited	10.11.1	AA	24,730	AA	-
Agri-tech Limited		D	67,461	D	110,288
AKD Capital Limited		Unrated	15,065	AM3 -	16,927
Arif Habib Corporation Limited		AA	-	AA	12,238
Attock Cement Limited		Unrated	20,883	-	-
Bank Alfalah Limited		AA	22,532	AA	62,192
Bank Al-Habib Limited		AA+	-	AA+	9,318
BIAFO Chemical Industries Limited		-	-	Unrated	47,750
Century Paper Board Mills Limited		A+	8,132	-	-
D.G.Khan Cement		Unrated	15,474	-	-
Engro Corporation Limited		AA-	28,796	-	-
Fauji Fertilizer Bin Qasim Limited		Unrated	35,038	Unrated	32,858
Fauji Fertilizer Co. Limited		-	-	Unrated	64,377
Gharibwal Cement Limited		-	-	Unrated	796,950
Hub Power Company Limited		AA+	7,836	AA+/A1+	42,504
Habib Metro Bank Limited		AA+	-	-	10,028



# Notes to the Financial Statements

for the year ended December 31, 2014

	Note	December 31, 2014		December 31, 2013	
		Credit rating	Market Value	Credit rating	Market Value
			Rupees in '000		Rupees in '000
ICI Pakistan Limited		Unrated	6,289	-	-
JS Bank Limited		A+	-	Unrated	7,875
Javedan Corporation Limited	10.11.2	Unrated	89,348	-	124,433
MCB Bank Limited		AAA	-	AAA/A-1+	16,870
National Bank of Pakistan		AAA	-	Unrated	8,709
NIB Bank Limited		AA-	-	AA-/A1+	2,768
Nishat Chunian Limited		A-	18,168	A-/A-2	20,339
Nishat Chunian Power Limited		A+	-	A/A-2	23,303
Nishat Mills Limited		AA	13,309	AA-/A1+	12,724
Nishat Power Limited		A+	-	A+/A1	25,551
National Refinery Limited		AA+	-	AAA/A1+	10,776
Oil and Gas Development Company Limited		AAA	-	-	17,190
Pak Elektron Limited		A-	14,326	AA/A1+	-
PakGen Power Limited		AA	-	Unrated	25,509
Pakistan Oilfields Limited		Unrated	37,936	Unrated	21,650
Pakistan State Oil Limited		AA+	25,770	AA+/A1+	-
Pakistan Telecommunication Company Limited		Unrated	13,933	Unrated	-
Shakarganj Mills Limited		Unrated	1,429	Unrated	1,785
Shell Pakistan Limited		Unrated	24,594	Unrated	-
Singer Pakistan Limited		Unrated	7,701	AA/A1+	7,106
Sui Northern Gas Co. Limited		AA	89,801	AA-/A1+	66,623
Sui Southern Gas Co. Limited		AA-	10,296	A-/A-2	6,388
Summit Bank Limited		A	114,365	A-/A2	55,255
United Bank Limited		AA+	22,601	A+/A1	27,703
Masood Textile Mills Limited		-	-	AA+/A-1+	5,000
Chenab Limited		Unrated	3,672	Unrated	10,450
			739,485		1,703,437
<b>Shares in Unlisted Companies</b>					
Pakistan Export Finance Guarantee Limited	10.12	Unrated	5,680	Unrated	5,680
			<b>15,373,148</b>		<b>12,346,237</b>

**10.11.1** 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 is Rs. 7.75 per share as at December 31, 2014 resulting in an impairment loss of Rs. 237.201 million.

The Bank had recorded total impairment of Rs. 97.187 million as on December 31, 2013 as per the revised SBP letter No. BPRD / BRD-(Policy) / 2013-11339 dated July 25, 2013. However, as per the revised SBP letter No. BPRD / BRD-(Policy) / 2014-11546 dated June 27, 2014, 75% of the required impairment / provision is recorded up to December 31, 2014 resulting in further impairment of Rs. 80.68 million. Remaining provision will be recorded in the revised phased manner up to December 31, 2015. Had this relaxation not been availed, profit before tax for the year would have been lower by Rs. 59.3 million.

**10.11.2** During the year ended December 31, 2014, the Bank recorded impairment on these shares amounting to Rs. 86.995 million (2013: nil).

	Note	Name of CEO	December 31, 2014		December 31, 2013	
			Credit rating	Amount	Credit rating	Amount
				Rupees in '000		Rupees in '000
<b>10.12 Ordinary Shares-Unlisted</b>	10.2.1					
Pakistan Export Finance Guarantee Limited (fully provided)		Mr. S.M Zaeem	Unrated	5,680	Unrated	5,680



# Notes to the Financial Statements

for the year ended December 31, 2014

## 10.13 Investment in Associate

Name of Associate	Chief Executive Officer	Proportion of ownership interest	Place of incorporation	Principal activity
SPI Insurance Company Limited	Mian M. A. Shahid	23.07% (2013: 23.07%)	Pakistan	General Insurance

Summarized financial information in respect of associate based on latest available financial statements as at September 30, 2014 is set out below:

	September 30, 2014	September 30, 2013
	Rupees in '000	
Total assets	645,444	540,540
Total liabilities	333,614	269,363
Net assets	311,830	271,177
<b>Net premium revenue</b>	<b>302,215</b>	<b>210,948</b>
<b>Profit for the period (after tax)</b>	<b>22,455</b>	<b>13,688</b>

## 10.14 Particulars of provision

	Note	December 31, 2014	December 31, 2013
		Rupees in '000	
Opening balance		86,563	106,871
Charge for the year		-	-
Reversals for the year		(2,537)	-
Write off		-	(20,308)
Closing balance	10.14.1	84,026	86,563

### 10.14.1 Particulars of Provision in respect of Type and Segment

#### Available-for-Sale securities

Ordinary shares - Unlisted	5,680	5,680
Term Finance Certificates - Unlisted	3,436	5,973

#### Held-to-Maturity Securities

Shares repo	74,910	74,910
	<b>84,026</b>	<b>86,563</b>



# Notes to the Financial Statements

for the year ended December 31, 2014

## 10.15 Investments in Un-listed Shares, Term Finance Certificates and Bonds.

### 10.15.1 Investments in fully paid up ordinary shares - unlisted

December 31, 2014 No. of ordinary shares	December 31, 2013	Paid-up value per share (Rupees)	Name of investee	December 31, 2014 Rupees in '000	December 31, 2013
568,000	568,000	10	Pakistan Export Finance Guarantee Limited Chief Executive Mr. S.M. Zaeem	5,680	5,680

### 10.15.2 Term Finance Certificates - listed

Name of investee	No. of certificates held	Paid-up value per certificate (Rupees)	December 31, 2014 Rupees in '000	December 31, 2013
Escort Investment Bank Limited	-	-	-	999
Jahangir Siddiqui & Co. Ltd.	10,000	5,000	25,000	37,500
Pakistan Mobile Communication Ltd.	-	-	-	62,400
Engro Fertilizer Limited	-	-	-	68,796
			<u>25,000</u>	<u>169,695</u>

### 10.15.3 Term Finance Certificates - unlisted

Name of investee	No. of certificates held	Paid-up value per certificate (Rupees)	December 31, 2014 Rupees in '000	December 31, 2013
Avari Hotels	-	-	-	210,349
Gharibwal Cement Limited (fully provided)	1,195	5,000	3,435	5,973
Azgard Nine Limited	1,756	5,000	8,780	8,780
Pak Libya Holding Company (Pvt.) Limited	-	5,000	-	91,614
			<u>12,215</u>	<u>316,716</u>

11	ADVANCES - NET	Note	December 31, 2014	December 31, 2013
			Rupees in '000	
	Loans, cash credits, running finances, etc.			
	In Pakistan		57,868,559	57,117,990
	Outside Pakistan		-	-
			<u>57,868,559</u>	<u>57,117,990</u>
	Islamic financing and related assets	11.1.3	5,745,328	3,637,082
	Bills discounted and purchased (excluding treasury bills)			
	Payable in Pakistan		134,761	92,246
	Payable outside Pakistan		668,491	622,411
			<u>803,252</u>	<u>714,657</u>
	<b>Advances - Gross</b>		<b>64,417,139</b>	<b>61,469,729</b>
	Provision against non-performing advances - specific	11.3	(5,022,650)	(5,131,997)
	Provision against consumer finance - general	11.3	(427,612)	(300,210)
	<b>Advances - net of provision</b>		<b><u>58,966,877</u></b>	<b><u>56,037,522</u></b>



# Notes to the Financial Statements

for the year ended December 31, 2014

11.1 Particulars of advances (Gross)	Note	December 31,	December 31,
		2014	2013
		Rupees in '000	
11.1.1 In local currency		64,209,096	61,469,729
In foreign currencies		208,043	-
		<u>64,417,139</u>	<u>61,469,729</u>
11.1.2 Short Term (for upto one year)		32,342,726	29,447,422
Long Term ( for over one year)		32,074,413	32,022,307
		<u>64,417,139</u>	<u>61,469,729</u>
11.1.3 Islamic Financing and related assets	Annexure II		
Murabaha financing		2,095,181	454,935
Musharaka financing	11.1.3.1 / 11.1.3.2	3,450,147	3,182,147
Diminishing Musharaka		200,000	-
		<u>5,745,328</u>	<u>3,637,082</u>

**11.1.3.1** It includes Musharaka arrangements amounting to Rs. 2,507 million (2013: Rs. 2,507 million) entered into by the Bank against which Bank's equity contribution in Musharaka is in the form of land transferred from non-banking assets, which the Bank had previously received against settlement of loans and advances. The Islamic Banking Department (IBD) of SBP approved such arrangements through its letter no. IBD-SD-15(18) / 11347 / 2013 dated July 25, 2013. On September 11, 2014, SBP vide its letter no. IBD-SD-15(18) / 17013 / 2014 has condoned the accrual of profit amounting to Rs. 309 million recognised by the Bank on these Musharaka arrangements until August 20, 2014. Additionally, SBP has advised the Bank not to accrue further profits on such Musharaka arrangements unless it is realised in cash.

**11.1.3.2** It also includes Musharaka arrangements amounting to Rs. 943 million (2013: Rs. 675 million) entered into by the Bank against which the Bank's equity contribution in Musharaka is in the form of land which was externally purchased by the Bank solely for entering into such Musharaka arrangements. The Bank had obtained irrevocable undertaking from these Musharaka partners whereby the principal and estimated profits thereon have been effectively guaranteed by such partners. Accordingly, the Bank has accrued profit of Rs. 141.37 million (2013: Rs. 43.07 million) in these financial statements on such arrangements. Subsequent to the year end, the Bank has converted these Musharaka arrangements into Deferred Payment Musawammah arrangement.

**11.2** Advances include Rs. 8,222 million (2013: Rs.9,872 million) which have been placed under non-performing status as detailed below.

Category of classification - specific	December 31, 2014			December 31, 2013		
	Classified Advances	Provision required (Domestic)	Provision held	Classified Advances	Provision required (Domestic)	Provision held
	Rupees in '000					
Sub-standard	364,371	39,445	39,445	247,811	25,751	25,751
Doubtful	545,927	62,005	62,005	1,047,890	152,394	152,394
Loss	7,311,649	4,921,200	4,921,200	8,576,285	4,953,852	4,953,852
	<u>8,221,947</u>	<u>5,022,650</u>	<u>5,022,650</u>	<u>9,871,986</u>	<u>5,131,997</u>	<u>5,131,997</u>

## 11.3 Particulars of provision against non-performing advances

	Note	December 31, 2014			December 31, 2013		
		Specific	General	Total	Specific	General	Total
		Rupees in '000					
Opening Balance		5,131,997	300,210	5,432,207	4,860,099	158,169	5,018,268
Charge for the year		1,105,665	127,402	1,233,067	1,434,974	142,653	1,577,627
Reversals	11.6	(1,026,588)	-	(1,026,588)	(1,014,628)	(612)	(1,015,240)
Net (reversals) / charge		79,077	127,402	206,479	420,346	142,041	562,387
Amounts written off	11.7	(188,424)	-	(188,424)	(148,448)	-	(148,448)
Closing Balance		<u>5,022,650</u>	<u>427,612</u>	<u>5,450,262</u>	<u>5,131,997</u>	<u>300,210</u>	<u>5,432,207</u>



# Notes to the Financial Statements

for the year ended December 31, 2014

**11.3.1** The State Bank of Pakistan through its various circulars / letters has allowed relaxation to the Bank in maintaining provision against exposure of Dewan Group. The relaxation resulted in reduction of Rs. 224 million (2013: Rs. 224 million) in provision against loans and advances.

**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.

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

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

- Minimum provision required to be made up to 10% of the enhanced FSV benefit availed in each quarter for next 8 quarters from quarters ending September 30, 2013 to June 30, 2015; and
- The balance 20% of the enhanced FSV benefit is to be provided in the quarter ending September 30, 2015.

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

As of December 31, 2014, enhanced FSV benefit allowed in accordance with abovementioned SBP letter has an after tax impact of Rs. 301 million (2013: Rs. 602 million) on accumulated losses, which shall not be available for payment of cash or stock dividend.

As of December 31, 2014, total FSV benefit taken against all loans and advances including enhanced FSV benefit is Rs. 1,351 million - net of tax (2013: Rs. 1,967 million), which shall not be available for payment of cash or stock dividend.

**11.4** 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.

	December 31, 2014	December 31, 2013
	Rupees in '000	
<b>11.5 Particulars of provision for consumer financing - general</b>		
Opening balance	300,210	158,169
Charge for the year	127,402	142,653
Reversals	-	(612)
Closing balance	<u>427,612</u>	<u>300,210</u>

**11.6** These include an amount of Rs. 250 million reversed on the basis of Plea Bargain approved by Chairman, National Accountability Bureau (NAB) for a borrower who has surrendered properties to the NAB as a full and final settlement under the Plea Bargain. These properties can either be sold by NAB or by the Bank through an irrevocable General Power of Attorney in favor of the Bank, which is the choice of NAB. Management believes that the properties will be transferred in Bank's name shortly and accordingly, the provision has been reversed in these financial statements.

	Note	December 31, 2014	December 31, 2013
		Rupees in '000	
<b>11.7 Particulars Of Write-Offs</b>			
<b>11.7.1</b> Against provision		188,424	148,448
Directly charged to profit and loss account		-	423
		<u>188,424</u>	<u>148,871</u>
<b>11.7.2</b> Write-offs of Rs. 500,000 and above	Annexure I	174,234	145,611
Write-offs of Below Rs. 500,000		14,190	3,260
		<u>188,424</u>	<u>148,871</u>



# Notes to the Financial Statements

for the year ended December 31, 2014

## 11.7.3 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 five hundred thousand rupees or above allowed to a person(s) during the year ended December 31, 2014 is given in Annexure - I. However, this write-off do not affect the Bank's right to recover the debts from these customers.

## 11.8 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

	December 31, 2014	December 31, 2013
Balance at beginning of the year	1,113,505	1,070,247
Loans granted during the year	1,241,370	134,531
Repayments / adjustment	(549,345)	(91,273)
Balance at end of the year	<u>1,805,530</u>	<u>1,113,505</u>

### Debts due by companies or firms in which the directors of the Bank are interested as directors, partners or in the case of private companies as members

Balance at beginning of the year	778,814	57,918
Loans granted during the year	4,320,967	3,844,544
Repayments / adjustment	(3,909,499)	(3,123,648)
Balance at end of the year	<u>1,190,282</u>	<u>778,814</u>

### Debts due by subsidiary companies, controlled firms, managed modarabas and other related parties

Balance at beginning of the year	-	-
Loans granted during the year	-	-
Repayments / adjustment	-	-
Balance at end of the year	<u>-</u>	<u>-</u>

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

	Note	December 31, 2014	December 31, 2013
<b>12 OPERATING FIXED ASSETS</b>		<b>Rupees in '000</b>	
Capital work-in-progress	12.1	265,312	35,112
Property and equipment	12.2	3,969,454	4,248,589
Intangible assets	12.3	328,524	407,851
		<u>4,563,290</u>	<u>4,691,552</u>
<b>12.1 Capital work-in-progress</b>			
Civil works		67,074	9,086
Advances to suppliers and contractors		198,238	26,026
		<u>265,312</u>	<u>35,112</u>
<b>12.1.1 Movement in capital work-in-progress</b>			
Opening balance		35,112	47,941
Additions during the year		416,332	282,380
Transferred to property and equipment		(186,132)	(295,209)
Closing balance		<u>265,312</u>	<u>35,112</u>



# Notes to the Financial Statements

## for the year ended December 31, 2014

### 12.2 Property and equipment

	December 31, 2014											
	Cost / Revaluation				Accumulated Depreciation							
	As at January 01, 2014	Adjustments	Additions	Disposals	As at December 31, 2014	As at January 01, 2014	Adjustments	Charge for the year	Disposals	As at December 31, 2014	Net Book value as at December 31, 2014	Rates of depreciation
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	783,132	5%
Buildings on freehold land	10,976	(670)	-	-	10,306	2,841	-	515	-	3,356	6,950	5%
Leasehold Improvements	877,329	-	6,594	-	883,922	448,326	-	79,802	-	527,928	355,994	10%
Furniture & Fixture	268,876	-	4,134	-	273,010	135,794	-	22,785	-	158,589	114,421	10%
Other Equipment	409,291	-	18,380	-	427,651	310,442	-	42,401	-	352,843	74,808	20%
Computers & MIS Equipment	872,606	(410)	6,095	(1,452)	876,739	665,527	-	102,290	(1,395)	766,422	109,317	20% - 33.33%
Vehicles	488,931	-	133,755	(133,525)	489,161	202,116	-	85,717	(75,480)	215,353	273,808	20%
	6,141,029	(410)	167,938	(157,502)	6,151,055	1,892,440	-	384,757	(75,377)	2,198,820	3,952,235	
<b>Assets held under finance lease:</b>												
Other Equipment	-	-	16,194	-	16,194	-	-	975	-	975	17,219	20%
<b>December 31, 2014</b>	<b>6,141,029</b>	<b>(410)</b>	<b>166,132</b>	<b>(157,502)</b>	<b>6,169,249</b>	<b>1,892,440</b>	<b>-</b>	<b>385,732</b>	<b>(75,377)</b>	<b>2,199,795</b>	<b>3,969,454</b>	

**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 (2013: Rs.100.07 million). The Bank's land and buildings were again revalued on various dates from June 25, 2010 to December 28, 2014, however, no revaluation surplus or deficit was recorded as the revalued amounts were not materially different from carrying values.

	December 31, 2013											
	Cost / Revaluation				Accumulated Depreciation							
	As at January 01, 2013	Adjustments	Additions	Disposals	As at December 31, 2013	As at January 01, 2013	Adjustments	Charge for the year	Disposals	As at December 31, 2013	Net Book value as at December 31, 2013	Rates of depreciation
Rupees in '000												
Freehold Land - 12.2.1	146,484	-	180,000	-	326,484	-	-	-	-	-	326,484	-
Leasehold Land - 12.2.1	1,907,321	-	-	-	1,907,321	-	-	-	-	-	1,907,321	-
Buildings on leasehold land	773,259	-	206,057	-	979,316	71,236	8,894	47,264	-	127,394	851,922	5%
Buildings on freehold land	81,373	-	-	(70,397)	10,976	25,087	-	2,881	(25,127)	2,841	6,135	5%
Leasehold Improvements	862,201	(22,166)	37,293	-	877,328	382,425	(16,226)	82,127	-	448,326	429,002	10%
Furniture & Fixture	250,639	-	18,037	-	268,876	112,278	-	23,516	-	135,794	133,082	10%
Other Equipment	391,837	-	17,454	-	409,291	263,248	(5,087)	52,281	-	310,442	98,849	20%
Computers & MIS Equipment	805,374	-	67,619	(487)	872,506	553,889	5,087	107,038	(487)	665,527	206,979	20% - 33.33%
Vehicles	492,511	-	129,969	(133,548)	488,931	192,354	-	91,968	(82,216)	202,116	266,815	20%
<b>December 31, 2013</b>	<b>5,711,199</b>	<b>(22,166)</b>	<b>656,429</b>	<b>(204,433)</b>	<b>6,141,029</b>	<b>1,600,527</b>	<b>(7,332)</b>	<b>407,075</b>	<b>(107,830)</b>	<b>1,892,440</b>	<b>4,248,589</b>	

### 12.3 Intangible assets

	December 31, 2014							
	Cost			Accumulated Amortisation				
	As at January 01, 2014	Additions	As at December 31, 2014	As at January 01, 2014	Amortisation for the year	As at December 31, 2014	Net Book value as at December 31, 2014	Rates of Amortisation
Rupees in '000								
Computer software								
<b>December 31, 2014</b>	<b>740,851</b>	<b>2,886</b>	<b>743,736</b>	<b>333,000</b>	<b>82,212</b>	<b>415,212</b>	<b>328,524</b>	<b>14.28% - 25%</b>
	December 31, 2013							
	Cost			Accumulated Amortisation				
	As at January 01, 2013	Additions	As at December 31, 2013	As at January 01, 2013	Amortisation for the year	As at December 31, 2013	Net Book value as at December 31, 2013	Rates of Amortisation
Rupees in '000								
Computer software								
<b>December 31, 2013</b>	<b>726,222</b>	<b>14,629</b>	<b>740,851</b>	<b>247,501</b>	<b>85,499</b>	<b>333,000</b>	<b>407,851</b>	<b>14.28% - 25%</b>



# Notes to the Financial Statements

for the year ended December 31, 2014

December 31, 2014      December 31, 2013  
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	686,505	537,212
Leasehold improvements	87,308	84,833
Vehicles	38,421	40,011
Intangible Assets	80,141	65,521
	<b>892,375</b>	<b>727,577</b>

## 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									
<b>Assets having cost of Rs. 500,000 and above</b>									
Beadon Group, Shops # 38,39 & 47	27-Mar-13	11-Jul-14	22,525	1,502	21,023	18,000	(3,023)	Negotiation	Haji Fateh Muhammad
Suzuki Cultus VXR	29-May-12	21-Jan-14	950	317	633	649	16	Bank employee	Ali Hassan
Toyota Corolla XLI	26-Jan-12	23-Jan-14	1,156	462	694	713	19	Bank employee	Shirley Ann Dsouza
Toyota Corolla GLI	26-Jun-12	31-Jan-14	1,176	392	784	784	-	Bank employee	Khawaja Usman Nasir
Suzuki Cultus VXRI Registration # VJ-617	12-Sep-12	6-Jan-14	950	253	697	728	31	Bank employee	Muhammad Arshad Karim
Suzuki Cultus VXRI Reg # AXV-934	21-Jul-12	22-Jan-14	970	291	679	695	16	Bank employee	Ali Saiman
Suzuki Swift RS413	30-Mar-12	8-Jan-14	1,176	431	745	784	39	Bank employee	Rehman Fakhar
Toyota Beta Reg # AYA-204	27-Aug-12	28-Jan-14	1,211	343	868	888	20	Bank employee	Syed Farihan Jawaid
Suzuki Cultus VXL	31-Dec-08	8-Jan-14	889	889	-	-	-	Bank employee	Muhammad Naushad
Suzuki Cultus SF410 VXR	7-Oct-10	28-Jan-14	600	390	210	220	10	Bank employee	Armed Nawaz Janjua
Toyota Premio X Reg# AXT-918	16-Jul-12	28-Jan-14	2,176	653	1,523	1,559	36	Bank employee	Syed Jawaid Akhter
Honda City I-Dsi Registration # ANN-947	15-Dec-09	28-Feb-14	1,000	834	166	183	17	Bank employee	Ahmed Hasna
Toyota Corolla GLI	30-Jun-10	28-Feb-14	925	664	261	276	15	Bank employee	Ahmed Afzalullah
Honda Civic VI Prosmatec Oriol Reg #ARM-571	3-Dec-08	28-Feb-14	1,859	1,859	-	-	-	Bank employee	Khawaja Usman
Honda Civic Reg No.AHX-354	9-Jan-07	24-Feb-14	944	944	-	800	800	Tender	Signal Motors
Toyota Land Cruiser Prado Reg # NG-050	4-Mar-10	18-Feb-14	2,500	1,959	541	541	-	Bank employee	Abdul Mateen Khan
Toyota Corolla GLI Reg # ASK-192	21-May-13	17-Mar-14	1,251	208	1,043	1,043	-	Bank employee	Syed Naveed Ali
Suzuki Cultus VXRI REG # AXV - 487	30-Jul-12	4-Mar-14	970	323	647	647	-	Bank employee	Qamar Shah
Honda City 30-Jul-12	18-Mar-14	970	323	647	647	-	-	Bank employee	Muhammad Usman Rashid
Toyota Corolla XLI REG # ASP - 527	30-Jul-12	11-Apr-14	1,176	412	764	764	-	Bank employee	Khaid Sami Usmani
Suzuki Cultus VXRI	9-May-13	22-Apr-14	1,010	165	825	842	17	Bank employee	Ameer Ud Din
Toyota Corolla GLI Registration # LEC-09-6313	30-Sep-12	25-Apr-14	1,211	383	828	828	-	Bank employee	Saqib Hussain Butt
Suzuki Swift DLX Reg # BBC-076	6-Feb-14	28-Apr-14	1,202	43	1,259	1,259	-	Claim	SPI Insurance Company Ltd.
Toyota Corolla GLI	13-Jul-11	11-Apr-14	1,400	770	630	630	-	Bank employee	Hermith Ramesh
Suzuki Cultus VXRI	30-Jul-12	15-May-14	970	358	614	614	-	Bank employee	Syed Rashid Munir
Suzuki Swift DLX Reg # AZW-261	31-Jul-13	28-May-14	1,262	210	1,052	1,115	63	Bank employee	Muhammad Idrees Khan
Toyota Corolla GLI Reg# ASB-525	17-Nov-11	12-May-14	1,000	500	500	550	50	Bank employee	Bilal Siddique
Suzuki Cultus VXRI	30-Mar-12	15-May-14	930	403	527	527	-	Bank employee	Sardar M-Saleem
BMW 545i Reg # NT545	31-Dec-08	13-May-14	4,716	4,716	-	-	-	Bank employee	Taha Saeed
Mercedes Benz Kompressor E-200	15-May-09	7-May-14	5,181	5,181	-	-	-	Bank employee	Ghousiayn Afzal
Mercedes Benz Car E 200CGI	28-Jan-13	28-May-14	4,004	1,069	2,935	3,002	67	Bank employee	Adnan Afridi
Toyota Vitz REG # AWF-168	10-Oct-13	12-May-14	1,019	120	899	984	85	Bank employee	Muhammad Rizwan Siddique
Toyota Corolla GLI Reg # ATQ-796	18-Dec-13	5-Jun-14	1,034	103	931	931	-	Bank employee	Syed Fasih Haider Burney
Suzuki Swift DLX Reg No AYH-521	12-Oct-12	19-Jun-14	1,231	410	821	821	-	Bank employee	Pervez Siddiqui
Toyota Corolla GLI	26-Jun-12	6-Jun-14	1,176	470	706	706	-	Bank employee	Muhammad Kashif Khan
Suzuki Cultus VXRI	26-Jul-13	2-Jun-14	1,019	187	832	832	-	Bank employee	Gulzar Hussain
Honda Civic I-VTEC	29-Jul-11	5-Jun-14	1,400	817	583	583	-	Bank employee	Kanzal Muhiuddin
Toyota Corolla GLI Reg # AXS-734	30-Jul-12	2-Jun-14	1,607	616	991	991	-	Bank employee	Zahid Ilyas Abbasi
Suzuki Swift Registration # LEA -12-4329	27-Feb-12	2-Jun-14	1,156	539	617	617	-	Bank employee	Naveed Mushtaq
Honda Civic VI	26-Apr-13	17-Jun-14	1,690	395	1,295	1,295	-	Bank employee	Anwar Ul Haq Majed
Toyota Passo Saloon Reg# AVD-834	13-Jul-11	10-Jun-14	600	350	250	250	-	Bank employee	Ali Sikander Siddiqui
Honda Civic VI Prosmatec Oriol	14-Jun-09	15-Jun-14	1,860	1,860	-	-	-	Bank employee	Ahmed Qureshi
Suzuki Liana Eminenti	8-Jul-09	2-Jun-14	1,000	984	16	16	-	Bank employee	Fazmeriz Baria
Daihatsu Cuore	13-Aug-09	5-Jun-14	600	580	20	20	-	Bank employee	Jahangir Khanzada
Toyota Corolla XLI Reg # AST-380	14-Nov-09	9-Jun-14	1,000	917	83	83	-	Bank employee	Naeem Usman Gadit
Honda City I-Dsi Vario Registration # APZ-547	15-Jul-10	18-Jun-14	1,000	784	216	216	-	Bank employee	Sheikh Fawad Hamid
Toyota Corolla GLI	15-Dec-10	12-Jun-14	800	420	380	380	-	Bank employee	Shahzad Rafique
Suzuki Liana Reg # MF-356	1-Sep-10	30-Jun-14	600	450	150	290	140	Bank employee	Qazi Abdul Naeem
Suzuki Cultus VXRI	29-Nov-12	26-Jun-14	950	301	649	649	-	Bank employee	Fakhar Uddin Siddiqui
Suzuki Cultus VXR	7-Oct-09	22-Jul-14	800	570	230	39	9	Bank employee	Mr. Ikramullah
Toyota Altis, Reg # LE-11-8242	11-Feb-11	9-Jul-14	1,880	1,286	594	625	31	Bank employee	Mian Asif Said
Toyota Corolla GLI	12-Oct-11	10-Jul-14	1,000	550	450	450	-	Bank employee	Mr. Zameer Ahmed Memon
Suzuki Cultus VXRI Reg # AZL-379	21-May-13	9-Jul-14	1,010	236	774	774	-	Bank employee	Mr.Sajid Irfan
Toyota Corolla GLI	14-Jun-10	8-Jul-14	1,400	1,144	256	256	-	Bank employee	Mr. Aman Kotak
Suzuki Cultus Reg# ARN-949	1-Dec-10	4-Jul-14	600	430	170	170	-	Bank employee	Mr. Naveed Butt
Toyota Corolla GLI, Reg # LEA-12-8242	30-Mar-12	9-Jul-14	1,756	820	936	966	30	Bank employee	Mian Asif Said
BMW 523i Limousine Registration # ANC-555	17-Dec-12	25-Jul-14	2,332	738	1,594	1,594	-	Bank employee	Jawad Majid Khan
Suzuki Cultus VXRI Reg# VZ-154	7-Aug-12	29-Aug-14	970	369	601	630	49	Bank employee	Muhammad Taimoor Khan
Suzuki Alto VXR Reg # LED-08-8818	13-Aug-09	18-Aug-14	600	600	-	-	-	Bank employee	Adil Latif
Toyota Corolla GLI Reg# AWB-852	23-Apr-12	19-Aug-14	1,176	549	627	627	-	Bank employee	Ataf Dawood
Toyota Corolla Altis	29-Jun-12	8-Aug-14	1,608	697	911	911	-	Bank employee	Abid Sultan Chaudhry



# Notes to the Financial Statements

## for the year ended December 31, 2014

### 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									
<b>Assets having cost of Rs. 500,000 and above</b>									
Honda City Reg # AXX-061	27-Jul-12	5-Aug-14	1,638	662	956	956	-	Bank employee	Muhammad Shariq Rasneer
Mercedes Benz Saloon Reg#AWB-108	20-Dec-11	11-Aug-14	13,472	7,185	6,287	6,287	-	Bank employee	M.A. Mannan
Toyota Land Cruiser Registration # BF-1008	2-Mar-12	11-Aug-14	6,528	3,155	3,373	3,373	-	Bank employee	M.A. Mannan
Suzuki Cultus VXR EII	26-Sep-12	5-Aug-14	970	372	598	598	-	Bank employee	Atif Aziz Soomro
Suzuki Cultus VXRI	30-Jul-12	4-Aug-14	970	404	566	566	-	Bank employee	Aamir Hameed Cheema
Toyota Corolla GLI	26-Jul-13	2-Sep-14	1,262	294	968	968	-	Bank employee	Khuram Hanif
Toyota Corolla XLI Reg # AQG-506	25-Jul-11	2-Sep-14	600	380	220	220	-	Bank employee	Mr. Arif Irfan
Toyota Hilux Surf BD-2999	24-Feb-12	29-Sep-14	1,969	1,017	952	952	-	Bank employee	Syed Salman Hasari
Suzuki Cultus VXRI	30-Jul-12	18-Sep-14	970	420	550	550	-	Bank employee	Mr. Nazimuddin Soomro
Honda Civic Reg # LEF-08-1100	16-Aug-09	29-Sep-14	1,700	1,700	-	-	-	Bank employee	Kasim Feroze Khan
Honda Civic VII Prosmatec	4-Nov-09	2-Oct-14	1,400	1,377	23	23	-	Bank employee	Raza Ali
Toyota Corolla XLI, Registration # LX-071	4-Sep-12	2-Oct-14	970	404	566	566	-	Bank employee	Soria Usman
Honda City Reg# LEC-09-7107	7-Oct-09	3-Oct-14	1,000	1,000	-	-	-	Bank employee	Ali Bokhary
Toyota Corolla Xli Reg # LEC-09-7785	7-Oct-09	3-Oct-14	1,000	1,000	-	-	-	Bank employee	Faisal Saeed
Toyota Land Cruiser Prado Reg # LEC-06	7-Oct-09	22-Oct-14	2,500	2,500	-	-	-	Bank employee	Kamran Basiri
Toyota Axiom G, Reg # AYH-261	29-Nov-13	14-Nov-14	1,282	258	1,026	1,026	-	Bank employee	Muhammad Farhan Khan
Honda City Aspire	24-Dec-12	13-Nov-14	1,231	472	759	800	41	Bank employee	Mohammad Waseem
Toyota Corolla GLI Reg # ASA-386	7-Nov-13	10-Nov-14	1,282	256	1,026	1,026	-	Bank employee	Muhammad Imtiaz Shaikh
Suzuki Cultus VXR Reg # LED-09-2223	4-Nov-09	6-Nov-14	600	600	-	-	-	Bank employee	Mr. Sohail Akram Joya
Toyota Corolla GLI Reg # LED-09-3337	4-Nov-09	6-Nov-14	1,000	1,000	-	-	-	Bank employee	Mr. Malik Omar Hayat
Honda City Reg # LED-09-5115	6-Nov-09	6-Nov-14	1,322	1,322	-	-	-	Bank employee	Ms. Ayesha Rauf
Daihatsu Cuore Reg # LED-08-7842	22-Nov-09	7-Nov-14	600	600	-	-	-	Bank employee	Mr. Omar Hayat
Toyota Corolla GLI Reg # AXX-814	23-Jul-12	12-Nov-14	1,673	780	893	893	-	Bank employee	Muhammad Raees Khan
Toyota Corolla GLI	21-Mar-13	20-Nov-14	1,890	563	1,127	1,127	-	Bank employee	Brig. Javed Iqbal
Suzuki Swift RS413 DX STD	25-Aug-11	26-Dec-14	1,000	668	332	350	18	Bank employee	Masnoor Amjad
Suzuki Cultus VXL Reg # MRAA-016	5-Feb-03	2-Dec-14	609	609	-	285	285	Tender	Bashir Hussain
Honda City I-V Tech, REG # LE-11-1426	21-Jun-12	28-Dec-14	970	485	485	517	32	Bank employee	Muhammad Azam Saroya
Suzuki Swift DLX	27-Jun-12	26-Dec-14	1,176	588	588	588	-	Bank employee	Talifur Hamid
Honda City I-Vtec Reg # LED-10-4358	13-Aug-12	5-Dec-14	888	452	516	534	18	Bank employee	Naveed Ahmed
<b>Total</b>			<b>155,186</b>	<b>76,118</b>	<b>79,068</b>	<b>77,999</b>	<b>(1,069)</b>		
<b>Assets having cost of less than Rs. 500,000</b>									
Suzuki Cultus VXL Reg # AKC-917	9-Jan-07	23-Jul-14	497	497	-	499	499	Tender	Sarwat Sameem
Suzuki Bolan Reg # CN8109	28-Mar-05	23-Jul-14	367	367	-	384	384	Tender	Sarwat Sameem
Toshiba Tecra A7 Laptop, Serial # 26182279Q	28-Dec-06	28-Jan-14	74	74	-	7	7	Bank employee	Atia Aalam
Sony Vaio Laptop Serial # 700453E	2-Jul-08	7-Feb-14	93	93	-	7	7	Bank employee	Noor Akram Syed
Toshiba Laptop Satellite L-600-S502 Serial # 9224763Q	4-Jan-10	7-Feb-14	79	79	-	7	7	Bank employee	Ahsan Amjad
Toshiba Notebook Laptop	1-Dec-11	13-Mar-14	168	128	40	51	11	Bank employee	Aurengzeb Afridi
Toshiba Laptop Satellite Serial # 58319165Q	2-Jul-08	20-Mar-14	57	57	-	7	7	Bank employee	Abdul Mateen Khan
Toshiba Laptop Satellite Serial # 38191088Q	2-Jun-08	26-Mar-14	57	57	-	7	7	Bank employee	Farooq Nasim
Toshiba Laptop Satellite Serial # Y9224930Q	12-Feb-10	11-Apr-14	79	79	-	7	7	Bank employee	Mutahir Ali
Toshiba Notebook Computer S.No. XA157610H	13-Jul-11	29-May-14	192	181	11	16	5	Bank employee	Adnan Afridi
Toshiba Laptop Satellite Serial # 99284860Q	14-Nov-09	30-Jun-14	79	79	-	7	7	Bank employee	Hermith Mana
Toshiba Notebook Computer S#4B096035H	30-Sep-11	12-Aug-14	170	164	6	14	8	Bank employee	Mian Asif Sadi
Toshiba Notebook Computer Serial # XA112618W	2-Dec-10	12-Nov-14	82	82	-	14	14	Bank employee	Raees Khan
Toshiba Notebook Laptop S/No. 4B070757H	1-Aug-11	13-Nov-14	168	168	-	10	10	Bank employee	Uzman Chaudhry
Toshiba Notebook Computer S/No.2B209678Q	24-Jun-11	21-Nov-14	77	77	-	7	7	Bank employee	Zeeshan Anwar
Toshiba Notebook Computer	28-Apr-11	31-Dec-14	77	77	-	12	12	Bank employee	Muhammad Sheriq
<b>Total</b>			<b>2,316</b>	<b>2,259</b>	<b>57</b>	<b>1,056</b>	<b>899</b>		
<b>Grand Total</b>			<b>157,502</b>	<b>78,377</b>	<b>79,125</b>	<b>79,055</b>	<b>(70)</b>		

**12.5.1** Disposals to Bank's employees are made as per their terms of employment. Disposals during the year have been made to former 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

Provision for diminution / impairment in the value of investments  
 Provision against non-performing advances  
 Unabsorbed tax depreciation  
 Unused tax losses

December 31, 2014      December 31, 2013

Rupees in '000

99,546	41,748
2,161,928	2,104,316
818,567	818,567
1,120,313	1,340,549
<b>4,200,354</b>	<b>4,305,180</b>



# Notes to the Financial Statements

for the year ended December 31, 2014

	Note	December 31, 2014	December 31, 2013
		Rupees in '000	
<b>Deferred tax credits arising due to</b>			
Accelerated tax depreciation		(184,534)	(244,805)
Surplus on revaluation of investments	22.1	(33,741)	(180,223)
Surplus on revaluation of property	22.2	(25,574)	(26,876)
Remeasurement of defined benefit plan		(19,323)	(14,198)
		(263,172)	(466,102)
<b>Net deferred tax asset</b>		<b>3,937,182</b>	<b>3,839,078</b>

## 13.1 Movement in temporary differences

	Balance at January 01, 2013	Recognised in profit and loss	Recognised in equity	Balance at December 31, 2013	Recognised in profit and loss	Recognised in equity	Balance at December 31, 2014
Rupees in '000							
<b>Deductible / (taxable) temporary differences on:</b>							
Provision against non-performing advances	1,914,913	189,403	-	2,104,316	57,612	-	2,161,928
Provision for diminution in the value of investments	14,840	26,908	-	41,748	57,798	-	99,546
Unused tax losses	1,475,871	(135,322)	-	1,340,549	(220,236)	-	1,120,313
Provision held against other assets	7,350	(7,350)	-	-	-	-	-
Unabsorbed tax depreciation	474,446	344,121	-	818,567	-	-	818,567
Accelerated tax depreciation	(198,561)	(46,244)	-	(244,805)	60,271	-	(184,534)
Surplus on revaluation of investments	(45,450)	-	(134,773)	(180,223)	-	146,482	(33,741)
Surplus on revaluation of property	(28,178)	-	1,302	(26,876)	-	1,302	(25,574)
Remeasurement of defined benefit plan	(10,190)	-	(4,008)	(14,198)	-	(5,125)	(19,323)
Deferred Tax	<b>3,605,041</b>	<b>371,516</b>	<b>(137,479)</b>	<b>3,839,078</b>	<b>(44,555)</b>	<b>142,659</b>	<b>3,937,182</b>

**13.2** The Bank has an aggregate amount of deferred tax asset of Rs. 3,937 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, to assess the recoverability of deferred tax assets. The projections involve certain key management assumptions underlying the estimation of future taxable profits projected in the projections. The determination of future taxable profits is most sensitive to certain key assumptions such as capital injection, growth of low cost deposits, growth in high yield consumer advances, real estate Musharaka financing transactions, investment returns, 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 projected in the projections 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	December 31, 2014	December 31, 2013
		Rupees in '000	
<b>14 OTHER ASSETS</b>			
Mark-up / return / interest accrued in local currency		2,528,453	1,636,815
Mark-up / return / interest accrued in foreign currencies		2,715	2
Advances, deposits, advance rent and other prepayments		561,426	420,929
Advance taxation		368,918	241,777
Net defined benefit asset	36.1.1	55,209	40,565
Non-banking assets acquired in satisfaction of claims	14.1 / 14.2 / 14.3	4,822,227	2,931,946
Non-banking assets acquired in satisfaction of claims with buy back option with customers	14.1 / 14.2	334,914	926,831
		<b>5,157,141</b>	<b>3,858,777</b>



# Notes to the Financial Statements

for the year ended December 31, 2014

	Note	December 31, 2014	December 31, 2013
		Rupees in '000	
Branch adjustment account		-	30,303
Unrealized gain on derivative financial instruments	14.5	49,655	29,471
Others		220,530	165,564
		<u>8,944,047</u>	<u>6,424,203</u>
Less: Provision held against other assets	14.4	(110,155)	(110,155)
<b>Other Assets (net of provision)</b>		<u>8,833,892</u>	<u>6,314,048</u>
<b>14.1 Aggregate market value of non-banking assets acquired in satisfaction of claims</b>		<u>5,979,958</u>	<u>4,401,449</u>
<b>14.2</b>	These includes un-developed properties which have been evaluated based on valuation reports from valuers on Pakistan Banks Association's list of approved valuers.		
<b>14.3</b>	These include properties amounting to Rs. 723.259 million not transferred in the name of the Bank for which legal transfer procedure has been initiated and registration charges have been paid. These would be transferred in Bank's name in due course of time.		
	Note	December 31, 2014	December 31, 2013
		Rupees in '000	
<b>14.4 Provisions against other assets</b>			
Opening balance		110,155	229,155
Charge for the year		-	-
Reversals		-	(119,000)
Net reversal for the year	30	-	(119,000)
Amounts written off		-	-
Closing balance		<u>110,155</u>	<u>110,155</u>
<b>14.5 Unrealized gain on derivative financial instruments</b>			
		Contract / Notional amount	
		December 31, 2014	December 31, 2013
		Rupees in '000	
Forward foreign exchange contracts		5,154,542	3,105,208
Equity futures		47,802	-
		<u>5,202,344</u>	<u>3,105,208</u>
		Unrealised gain	
		December 31, 2014	December 31, 2013
		Rupees in '000	
		48,923	29,471
		732	-
		<u>49,655</u>	<u>29,471</u>
<b>15 BILLS PAYABLE</b>			
In Pakistan		2,153,091	2,747,400
Outside Pakistan		-	-
		<u>2,153,091</u>	<u>2,747,400</u>
<b>16 BORROWINGS</b>			
In Pakistan		21,379,547	10,624,954
Outside Pakistan		362,699	757,021
		<u>21,742,246</u>	<u>11,381,975</u>
<b>16.1 Particulars of borrowings with respect to currencies</b>			
In local currency		21,379,547	10,624,954
In foreign currencies		362,699	757,021
		<u>21,742,246</u>	<u>11,381,975</u>



# Notes to the Financial Statements

for the year ended December 31, 2014

	Note	December 31, 2014	December 31, 2013
		Rupees in '000	
<b>16.2</b>	<b>Details of borrowings secured / unsecured</b>		
	<b>Secured</b>		
	Borrowings from State Bank of Pakistan (re-finance)		
	Export refinance scheme	16.2.1 3,199,470	3,384,177
	Long term finance - export oriented projects	16.2.1 382	4,652
	Long term financing facility	16.2.1 -	20,466
	Repurchase agreement borrowings	16.2.2 11,979,695	1,178,797
		<b>15,179,547</b>	<b>4,588,092</b>
	<b>Unsecured</b>		
	Call borrowings	16.2.3 6,200,000	6,030,000
	Borrowing from other financial institutions	16.2.4 185,866	441,915
	Overdrawn Nostro accounts	176,833	315,106
	Overdrawn local bank accounts	-	6,862
		<b>6,562,699</b>	<b>6,793,883</b>
		<b>21,742,246</b>	<b>11,381,975</b>

**16.2.1** These borrowings carry mark-up at the rates ranging from 5.5% to 6.50% (2013: 5% to 8.40%) per annum.

**16.2.2** These represent funds borrowed from the local interbank money market against government securities carrying interest rates of 9.50% (2013: 10% ) per annum with maturities up to January 2015.

**16.2.3** These represent unsecured borrowings from the local money market carrying interest rates ranging from 9.9% to 13% (2013: 10% to 12%) per annum with maturities in January and March 2015.

**16.2.4** These represent borrowing in foreign currency and carry interest rates ranging from 2.77% to 2.87% (2013: 2.75% to 2.87%) per annum.

	December 31, 2014	December 31, 2013
		Rupees in '000
<b>17</b>	<b>DEPOSITS &amp; OTHER ACCOUNTS</b>	
	<b>Customers</b>	
	Fixed deposits	28,655,490
	Savings deposits	18,265,332
	Current accounts - non - remunerative	17,889,766
	Margin accounts - non - remunerative	719,372
	Others	370,250
		<b>65,900,210</b>
	<b>Financial institutions</b>	
	Remunerative deposits	2,802,189
	Non-remunerative deposits	67,856
		<b>2,870,045</b>
		<b>68,770,255</b>
<b>17.1</b>	<b>Particulars of deposits</b>	
	In local currency	62,028,488
	In foreign currencies	6,741,767
		<b>68,770,255</b>
		<b>61,637,212</b>
		<b>7,796,240</b>
		<b>69,433,452</b>



# Notes to the Financial Statements

for the year ended December 31, 2014

## 18 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2014			2013		
	Minimum lease payments	Financial charges for future periods	Principal outstanding	Minimum lease payments	Financial charges for future periods	Principal outstanding
	Rupees in '000					
Not later than one year	5,097	2,243	2,854	-	-	-
Later than one year and not later than five years	18,255	4,004	14,251	-	-	-
Over five years	-	-	-	-	-	-
	<u>23,352</u>	<u>6,247</u>	<u>17,105</u>	-	-	-

18.1 The Bank has acquired solar panels (disclosed in note 12.2) under finance lease from NBP Leasing Limited. The lease term is 5 years and the discounting factor used is 6 months Kibor + 4%.

	Note	December 31,	December 31,
		2014	2013
		Rupees in '000	
19 OTHER LIABILITIES			
Mark-up/ return / interest payable in local currency		583,088	639,522
Mark-up/ return / interest payable in foreign currencies		2,325	7,929
Un-earned commission and income on bills discounted		58,661	58,974
Accrued expenses		86,702	99,679
Unrealized loss on derivative financial instruments	19.1	144,015	198,505
Branch adjustment account		38,135	-
Workers' Welfare Fund (WWF)		36,975	34,293
Advance received against future sale of Non Banking Assets		91,506	225,016
Gratuity payable to outsource staff	29.2	20,946	-
Others		403,240	268,262
		<u>1,465,593</u>	<u>1,532,180</u>

## 19.1 Unrealized loss on derivative financial instruments

	Contract / Notional amount		Unrealised loss	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
	Rupees in '000			
Forward foreign exchange contracts	<u>10,659,164</u>	<u>9,667,792</u>	<u>144,015</u>	<u>198,505</u>

## 20 SHARE CAPITAL

### 20.1 Authorised capital

December 31, 2014	December 31, 2013		December 31, 2014	December 31, 2013
No. of shares in '000			Rupees in '000	
<u>4,000,000</u>	<u>4,000,000</u>	Ordinary shares of Rs.10 each	<u>40,000,000</u>	<u>40,000,000</u>

### 20.2 Issued, subscribed and paid up capital

December 31, 2014	December 31, 2013		December 31, 2014	December 31, 2013
No. of shares in '000				
<u>800,315</u>	<u>800,315</u>	Ordinary shares of Rs.10 each Fully paid in cash	<u>8,003,150</u>	<u>8,003,150</u>
<u>100,000</u>	<u>100,000</u>	Ordinary shares of Rs.10 each Fully paid in cash and issued at a discount of Rs. 2.5 per share	<u>1,000,000</u>	<u>1,000,000</u>
<u>1,771,290</u>	<u>1,771,290</u>	Ordinary shares of Rs.10 each Fully paid in cash and issued at a discount of Rs.2.5 per share	<u>17,712,898</u>	<u>17,712,898</u>
<u>2,671,605</u>	<u>2,671,605</u>		<u>26,716,048</u>	<u>26,716,048</u>



# Notes to the Financial Statements

for the year ended December 31, 2014

**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 asset (the "Basel ratio") at or above the internationally agreed minimum of 10% (refer note 1.3).

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

**20.5** The Bank received deposit of Rs. 2.00 billion from four investors on account of Right Shares Subscription on December 10, 2014. Accordingly, the Bank applied to the SBP to treat the deposit received as advance against issue of shares for the purpose of calculating MCR and CAR of the Bank. SBP vide its letter no. BPRD / BA&CP / 644 / 24214 / 2014 dated December 10, 2014 granted the said permission subject to fulfilment of certain terms and conditions with the time period for compliance of two conditions till March 31, 2015. Management believes that these conditions will be met before the stipulated time.

## 20.6 CAPITAL ADEQUACY

	December 31, 2014	December 31, 2013
Total Capital Adequacy Ratio	9.14%	6.93%

## 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 subordinated to all other liabilities including deposits of the Bank. These CPS have 3 years tenor and are convertible into ordinary shares of the Bank at the conversion ratio of 1:1. There is no voting right and dividend on these CPS. The subscribers will have an option to exercise the put option at the end of the tenor through which they can sell their CPS to Arif Habib Corporation Limited (the Guarantor) at the strike price of Rs. 3.70 per CPS. The Bank is entitled to exercise Call Option, which is exercisable in full or in parts at any time after one year from the issue date subject to subscription of unsubscribed right shares. Any partial redemption will be on a pro rata basis. The SBP has restricted the utilization of the funds received to investment in papers of Government of Pakistan and the amount will not be considered towards the compliance of applicable statutory liquidity requirement (SLR).

Subsequently, SBP through letter No. BPRD/BA&CP-04/644/4692/2014 dated March 26, 2014 has allowed to consider the investment in government papers held against the proceeds of CPS for SLR purposes.

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

	Note	December 31, 2014	December 31, 2013
Rupees in '000			
<b>22 SURPLUS ON REVALUATION OF ASSETS - NET OF TAX</b>			
Surplus on revaluation of securities	22.1	62,661	334,702
Surplus on revaluation of properties	22.2	70,781	73,199
		<u>133,442</u>	<u>407,901</u>
<b>22.1 Surplus / (deficit) on revaluation of securities</b>			
<b>Federal Government securities</b>			
Market Treasury Bills		15,294	(4,283)
Pakistan Investment Bonds		132,689	(49,742)
GOP Ijara Sukuk		(2,334)	14,926
<b>Fully paid-up ordinary shares</b>			
Listed companies		(49,251)	547,422
<b>Term Finance Certificate, Debentures, Bonds and Participation Term Certificates</b>			
Term Finance certificates - Listed		4	2,098
- Unlisted		-	(2,546)
Sukuk		-	(85)
<b>Other Investments</b>			
Units of Mutual fund - closed end		-	7,135
Deferred tax liability recognised	10.1 13	96,402 (33,741)	514,925 (180,223)
		<u>62,661</u>	<u>334,702</u>



# Notes to the Financial Statements

for the year ended December 31, 2014

	Note	December 31, 2014	December 31, 2013
		Rupees in '000	
<b>22.2 Surplus on revaluation of properties</b>			
Surplus on revaluation of properties	22.3	96,355	100,075
Deferred tax liability recognised	13	(25,574)	(26,876)
		<u>70,781</u>	<u>73,199</u>
<b>22.3 Reconciliation of surplus on revaluation of properties</b>			
At the beginning of the year		100,075	103,795
Surplus realized on account of incremental depreciation - net of tax		(3,720)	(3,720)
At the end of the year	12.2.1	<u>96,355</u>	<u>100,075</u>
<b>23 CONTINGENCIES AND COMMITMENTS</b>			
<b>23.1 Direct credit substitutes</b>		-	-
<b>23.2 Transaction-related contingent liabilities</b>			
Guarantees favouring			
Government		7,033,057	7,897,923
Banking companies and other financial institutions		779,376	484,069
Others		<u>1,594,841</u>	<u>2,262,787</u>
<b>23.3 Trade-related contingent liabilities</b>			
Letters of Credit & Acceptances		<u>4,714,168</u>	<u>3,015,850</u>
<b>23.4 Claims against the bank not acknowledged as debt</b>		<u>195,088</u>	<u>267,532</u>
<b>23.4.1</b>	These represent recovery suits filed by various parties in which the Bank is a direct or indirect defendant.		
<b>23.4.2</b>	Suits for damages of Rs. 872 billion (2013: 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.		
	Out of these, two suits amounting to Rs. 847.55 billion 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. Thereafter the defendants filed appeal in the Honorable Supreme Court which was subsequently withdrawn by the defendants themselves. At the date of the financial statements, execution application has been filed by Bank's counsel in the High Court of Sindh.		
		December 31, 2014	December 31, 2013
		Rupees in '000	
<b>23.5 Commitments in respect of forward contracts</b>			
Forward foreign Exchange contracts with State Bank of Pakistan, banks and other institutions			
Sale		5,092,390	3,156,947
Purchase		<u>10,461,691</u>	<u>9,616,053</u>
<b>23.6 Claims against the bank by Competition Commission of Pakistan &amp; Others</b>		<u>35,640</u>	<u>35,000</u>
<b>23.7 Commitments in respect of</b>			
Property, civil work & equipment		66,419	8,510
Purchase of Hardware / Software		35,801	36,772
		<u>102,220</u>	<u>45,282</u>
<b>23.8 Other commitments</b>			
Forward sale of listed equity securities		<u>48,534</u>	-
<b>23.9</b>	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.		



# Notes to the Financial Statements

for the year ended December 31, 2014

## 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 recognized 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.

## 25 MARK-UP / RETURN / INTEREST EARNED

On loans and advances to:

- i) Customers
- ii) Financial Institutions

On investments in:

- i) Held-for-Trading Securities
- ii) Available-for-Sale Securities
- iii) Held-to-Maturity Securities

On deposits with financial institutions  
On call money lendings  
On securities purchased under resale agreements

## 26 MARK-UP / RETURN / INTEREST EXPENSED

Deposits  
Securities sold under repurchase agreements  
Call borrowings  
Borrowing from State Bank of Pakistan under export refinance scheme  
SWAP money market expense  
Others

## 27 GAIN / (LOSS) ON SALE OF SECURITIES - NET

Federal government securities -  
Market treasury bills  
Pakistan Investment Bonds  
GOP Ijara Sukuk Bonds  
Shares - Listed  
Term finance certificates (TFCs)  
Mutual funds

## 28 OTHER INCOME

Rent on property  
Rent on lockers

	December 31, 2014	December 31, 2013
	Rupees in '000	
	7,834,980	6,160,622
	-	-
	121,306	37,939
	1,327,841	1,303,095
	-	116
	1,449,147	1,341,150
	315	578
	437	3,861
	144,337	116,214
	<u>9,429,216</u>	<u>7,622,425</u>
	4,626,246	4,196,462
	493,272	295,213
	333,536	365,493
	231,192	264,313
	278,407	330,487
	6,446	10,701
	<u>5,969,099</u>	<u>5,462,669</u>
	15,294	15,702
	64,146	(24,533)
	19,119	25,059
	244,751	151,618
	(8,687)	1,384
	11,969	687
	<u>346,592</u>	<u>169,917</u>
	3,373	15,074
	10,366	9,499



# Notes to the Financial Statements

for the year ended December 31, 2014

	Note	December 31, 2014	December 31, 2013
		Rupees in '000	
(Loss) / gain on sale of property and equipment - net	12.5	(70)	56,276
Income from non-banking assets and profit from sale of or dealing with such assets	28.1	15,180	44,475
Postage, telex and other service charges recovered		21,892	26,643
Share of profit from Associate		9,392	14,548
Early loan termination charges		32,482	22,211
		<u>92,815</u>	<u>188,726</u>
<b>28.1</b>	In the current year, the Bank sold properties having aggregate book value of Rs. 577 million for Rs. 592 million.		
<b>29</b>	<b>ADMINISTRATIVE EXPENSES</b>		
Salaries, allowances and other benefits		2,176,932	2,049,788
Charge for defined benefit plan	36.1.3 / 29.2	73,909	50,445
Contribution to defined contribution plan	36.2	60,904	59,960
Non-executives directors' fees, allowances and other expenses		23,711	26,285
Rent, taxes, insurance, electricity, etc.		605,561	610,504
Guarantee commission paid in respect of GPS	21	81,400	61,050
Legal and professional charges		230,928	224,006
Communications		190,642	162,772
Financial charges on leased assets		1,048	-
Repairs and maintenance		241,148	215,120
Stationery and printing		65,249	52,309
Security charges		72,128	66,744
Advertisement and publicity		91,991	64,902
Depreciation	12.2	385,732	407,075
Amortisation of intangible assets	12.3	82,212	85,499
Auditors' remuneration	29.1	10,598	7,611
Fuel and travelling expenses		144,982	133,478
Brokerage and commission		8,373	8,106
Subscriptions and newspapers		10,117	10,971
Entertainment		34,753	34,509
Others		99,726	76,793
		<u>4,692,044</u>	<u>4,407,927</u>
<b>29.1</b>	<b>Auditors' remuneration</b>		
Annual audit fee		3,000	2,090
Half yearly review		1,150	880
Special certifications		5,378	3,865
Out-of-pocket expenses		1,070	776
		<u>10,598</u>	<u>7,611</u>
<b>29.2</b>	It includes gratuity accrued pertaining to outsourced staff amounting to Rs. 28.09 million (2013: 0.579 million).		
<b>30</b>	<b>OTHER (REVERSALS) / PROVISIONS / WRITE OFFS</b>		
Reversal of Provision - net	30.1	(38,019)	(119,000)
Write-offs		-	6,551
		<u>(38,019)</u>	<u>(112,449)</u>
<b>30.1</b>	During 1996, the Bank issued two Letters of Credit (LCs) for supply of palm oil (from Malaysia) on behalf of a customer against the documentary credit facility available to the customer. The Bank received the documents but the same were discrepant and were returned back to the Malaysian supplier without payment. Feeling aggrieved, the Malaysian supplier filed a recovery suit for LC amount plus 20% liquidated damages along with interest at 2% against the Bank before the Honorable Peshawar High Court, (Banking Jurisdiction), which was decreed in favor of the Malaysian supplier on April 6, 2006. The Bank, feeling aggrieved from the above judgment, filed Regular First Appeal (RFA) before the Honorable Division Bench of Peshawar High Court, which is pending adjudication. The Bank filed a recovery suit against the customer before Honorable Peshawar High Court and the customer also filed a suit against the Bank, which have been consolidated by the Court and are pending adjudication.		



# Notes to the Financial Statements

for the year ended December 31, 2014

On December 23, 2014, the Customer and the Bank have entered into a settlement agreement (which will be submitted in the Court) whereby the Customer has agreed to indemnify the Bank for the claims of the Supplier arising from the judgment and decree dated April 6, 2006. However, the Bank will not withdraw its appeal against the Supplier till the withdrawal of Supplier's claim under the judgment and decree.

In the view of management, due to discrepancies in the documents, it is highly unlikely that the Bank will have to make any payment to Malaysian supplier. Management and the legal advisor believe that the Bank has a strong case and the case will eventually be settled in favor of the Bank. Hence, the provision made earlier of Rs. 38.019 million has been reversed in these financial statements.

		December 31, 2014	December 31, 2013
	Note	Rupees in '000	
<b>31 OTHER CHARGES</b>			
Penalties imposed by SBP	31.1	5,687	62,483
Operational loss		1,875	709
Worker's Welfare Fund (WWF)		2,682	-
Impairment in value of Non-Banking Assets		17,183	20,269
		<u>27,427</u>	<u>83,461</u>
<b>31.1</b>	These represents penalties imposed by SBP on various non-compliances related to rules and regulations.		
<b>32 TAXATION</b>			
<b>Current</b>			
- for the year		-	-
- prior year		-	-
<b>Deferred</b>			
- for the year		(44,555)	371,516
- prior year		-	-
		<u>(44,555)</u>	<u>371,516</u>
		<u>(44,555)</u>	<u>371,516</u>
<b>32.1 Relationship between tax expense and accounting profit</b>			
Profit / (loss) before tax		131,415	(1,528,078)
Tax rate		35%	35%
Tax at applicable rate		45,995	(534,827)
Permanent difference		1,990	28,963
Deferred tax asset written off / adjusted		-	119,542
Other		(3,430)	14,806
		<u>45,555</u>	<u>(371,516)</u>
<b>32.2</b>	The income tax returns of the Bank have been submitted up to tax year 2014. 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 year 2003 and 2006 are pending at CIR (A). Management is confident that the outcome of these appeals would be in favor of the Bank.		
<b>32.3</b>	The Bank's return in respect of AJK operations have been submitted up to and including tax year 2014. Certain appeals were filed before the various appellate forums which are pending for adjudication. Management is confident that the outcome of these appeals would be in favor of the Bank.		
		December 31, 2014	December 31, 2013
		Rupees in '000	
<b>33 EARNING / (LOSS) PER SHARE - BASIC AND DILUTED</b>			
Profit after taxation for the year - attributable to ordinary equity holder of the bank for basic and diluted (Rupees in '000)		86,860	(1,156,562)
Weighted average number of basic outstanding ordinary shares during the year (Numbers in '000)		2,741,854	2,671,605
Weighted average number of diluted outstanding ordinary shares during the year (Numbers in '000)		3,621,854	2,671,605
Basic earnings / (loss) per share (Rupee)		0.03	(0.43)
Diluted earnings / (loss) per share (Rupee)		0.02	(0.43)



# Notes to the Financial Statements

for the year ended December 31, 2014

	Note	December 31, 2014	December 31, 2013
		Rupees in '000	
<b>34 CASH AND CASH EQUIVALENTS</b>			
Cash and Balances with Treasury Banks	7	5,102,984	5,361,695
Balances with other banks	8	139,478	226,184
		<u>5,242,462</u>	<u>5,587,879</u>
		December 31, 2014	December 31, 2013
		Number of persons	
<b>35 STAFF STRENGTH</b>			
Permanent		1,205	1,211
Temporary / Contractual basis		27	28
Bank's own staff strength at the end of the year		<u>1,232</u>	<u>1,239</u>
Outsourced	35.1	1,674	1,647
Total staff strength		<u>2,906</u>	<u>2,886</u>
<b>35.1</b>	This excludes 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 gratuity scheme for all its regular employees through a Gratuity Fund (the fund). 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, 2014. The financial statements of the fund are separately prepared and audited and are not included as a part of these financial statements. Contribution funds are placed in bank account maintained with Silkbank in fixed deposits and Super Saver Scheme at the rate of 10% (2013: 10%).

	Note	December 31, 2014	December 31, 2013
		Rupees in '000	
<b>36.1.1 Amount recognized in the balance sheet:</b>			
Present value of the defined benefit obligation	36.1.2	307,802	251,241
Less: Fair value of the plan assets	36.1.2	(363,011)	(291,806)
Net defined benefit asset	14	<u>(55,209)</u>	<u>(40,565)</u>

### 36.1.2 Movement of present value of defined benefit obligation and fair value of plan assets

	2014		
	Present value of defined benefit obligation	Fair value of plan assets	Total
Rupees in '000			
As at January 1, 2014	251,241	(291,806)	(40,565)
Current service cost	49,355	-	49,355
Interest cost / (income)	33,010	(36,547)	(3,537)
Company contributions	-	(45,819)	(45,819)
Benefits paid	(25,898)	25,898	-
Remeasurements recognised in other comprehensive income:			
Gain due to change in financial assumptions	(3,503)	-	(3,503)
Loss due to changes in experience adjustment	3,597	-	3,597
Return on plan assets excluding amounts included in interest income	-	(14,737)	(14,737)
	<u>94</u>	<u>(14,737)</u>	<u>(14,643)</u>
<b>As at December 31, 2014</b>	<b>307,802</b>	<b>(363,011)</b>	<b>(55,209)</b>



# Notes to the Financial Statements

for the year ended December 31, 2014

	2013		Total
	Present value of defined benefit obligation	Fair value of plan assets	
	Rupees in '000		
As at January 1, 2013	233,640	(262,753)	(29,113)
Current service cost	53,162	-	53,162
Interest cost / (income)	30,024	(33,320)	(3,296)
Company contributions	-	(49,866)	(49,866)
Benefits paid	(33,227)	33,227	-
Remeasurements recognised in other comprehensive income:			
Loss due to change in financial assumptions	940	-	940
Loss due to change in demographic assumptions	687	-	687
Gain due to changes in experience adjustment	(33,985)	-	(33,985)
Return on plan assets excluding amounts included in interest income	-	20,906	20,906
	(32,358)	20,906	(11,452)
As at December 31, 2013	251,241	(291,806)	(40,565)
		December 31, 2014	December 31, 2013
	Note	Rupees in '000	
<b>36.1.3 Amount recognised in the profit and loss account:</b>			
Current service cost		49,355	53,162
Net interest		(3,537)	(3,296)
	29	45,818	49,866
<b>36.1.4 Movement of defined benefit asset:</b>			
Net defined benefit asset at the beginning of the year		(40,565)	(29,113)
Charge for the year	36.1.3	45,818	49,866
Remeasurements - gains recognized in OCI during the year	36.1.2	(14,643)	(11,452)
Contribution by bank	36.1.2	(45,819)	(49,866)
Net defined benefit asset at the end of the year		(55,209)	(40,565)
<b>36.1.5 Actual return on plan assets</b>		51,284	12,414
<b>36.1.6 Principal actuarial assumption</b>			
Discount factor used (% per annum)		10.50%	12.75%
Expected increase in eligible pay (% per annum)*		9.50%	11.75%
Normal retirement age (years)		60 years	60 years

\* Salary increments were assumed to be given on 1st January each year.

**36.1.7** The discount rate of 10.50% (per annum compound) is representative of yields on Pakistan Investment Bonds and high quality term finance certificates.

**36.1.8** The expected charge for the year 2015 is Rs. 53.32 million.

**36.1.9** 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%	(291,175)	326,320
Salary growth rate	1%	327,807	(289,554)



# Notes to the Financial Statements

for the year ended December 31, 2014

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.

	December 31, 2014	December 31, 2013
	Rupees in '000	
<b>36.1.10 Composition of fair value of plan assets</b>		
Pakistan Investment Bonds	44,500	204,592
Term Finance Certificate	26,183	37,773
Cash and cash equivalents	49,445	40,842
Term Deposits	231,465	8,599
National Investment Trust Units	11,418	-
	<u>363,011</u>	<u>291,806</u>

## 36.2 Defined Contribution Plan

As disclosed in note 6.10.1, the Bank operates an approved funded contributory provident fund (the 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 in bank account maintained with Silkbank in fixed deposits and Super Saver Scheme at the rates of 15% and 10% (2013: 15% and 10%), respectively.

	Note	December 31, 2014	December 31, 2013
		Rupees in '000	
Bank's contribution for the year	29	<u>60,904</u>	<u>59,960</u>

## 37 COMPENSATION OF DIRECTORS AND EXECUTIVES

	2014	2013	2014	2013	2014	2013
	President / Chief Executive		Executive Directors		Executives	
	Rupees in '000					
Managerial remuneration	32,727	30,556	15,699	25,667	519,140	497,451
Charge for defined benefit plan	2,726	2,545	1,255	2,138	39,309	41,438
Contribution to defined contribution plan	2,726	2,545	1,255	2,138	39,309	41,438
Rent and house maintenance	16,363	15,278	7,850	12,833	259,571	248,727
Medical	3,273	3,056	1,570	2,567	51,913	49,745
Conveyance	6,545	6,111	3,140	5,133	103,827	99,490
Bonus and others	8,559	2,479	3,831	1,924	161,186	95,950
	<u>72,919</u>	<u>62,570</u>	<u>34,600</u>	<u>52,400</u>	<u>1,174,255</u>	<u>1,074,239</u>
Number of persons remained at the end of the year	1	1	-	1	387	370

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

\*This represents bank's executive director other than president who resign during the current year.

## 38 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.



# Notes to the Financial Statements

for the year ended December 31, 2014

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

The fair value of fixed term loans and advances, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to absence of current and active market for similar assets and liabilities. Loans and advances are reduced for any impairment against non-performing advances determined in accordance with the Bank's accounting policy and Prudential Regulations as detailed in notes 6.5 and 11.3.

The effective yield / interest rates, maturity and repricing profile are stated in notes 42.2.3 and 42.3.1 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 repriced.

## 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.

	Wholesale Banking	Treasury	Consumer/SME Banking	Total
	Rupees in '000			
<b>2014</b>				
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 / (loss) before taxation	110,567	738,404	(717,556)	131,415
Taxation				(44,555)
Net Income after taxation				86,860
Segment Assets (Gross)	41,084,035	23,653,685	43,555,840	108,293,560
Segment Non Performing Advances	4,874,843	-	3,347,104	8,221,947
Segment Provision Required	3,244,330	-	2,400,113	5,644,443
Segment Liabilities	11,078,404	19,166,437	63,903,449	94,148,290
Segment Return on net Assets (ROA) (%)	0.49%	7.34%	-2.32%	
Segment Cost of funds (%)	7.03%	13.21%	6.15%	
<b>2013</b>				
Total income - net	526,617	611,269	2,346,450	3,484,336
Total expenses	(933,249)	(168,737)	(3,910,428)	(5,012,414)
Net (loss) / income before taxation	(406,632)	442,532	(1,563,978)	(1,528,078)
Taxation				371,516
Net Income after taxation				(1,156,562)
Segment Assets (Gross)	42,540,974	16,862,578	37,995,568	97,399,120
Segment Non Performing Advances	6,236,754	-	3,635,232	9,871,986
Segment Provision Required	3,725,666	-	1,903,259	5,628,925
Segment Liabilities	13,159,390	9,581,491	62,354,126	85,095,007
Segment Return on net Assets (ROA) (%)	-1.42%	5.37%	-5.19%	
Segment Cost of funds (%)	6.71%	13.28%	5.92%	

\* These includes Islamic banking business (for details refer Annexure II).

39.1 As disclosed in note 6.16.1, the Bank has presented segment information in three different segments. Segment named "Treasury" was introduced in the current year and accordingly comparative figures were also rearranged.



# Notes to the Financial Statements

for the year ended December 31, 2014

## 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 Bank, companies where directors of the Bank also hold directorship, associates, key employees, entities that have key management personnel in common, defined 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 of loans and advance, deposits, issuance of letter of credits and guarantees.

Advances for house building, conveyance and for personal use have also been provided to the staff and executives at reduced rates in accordance with the employment and pay policy and such advances have not been disclosed in the following schedule. Facility of group life insurance and hospitalization insurance is also provided to staff and executives. In addition to this, executives of the Bank have been provided with Bank maintained cars.

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:

	December 31, 2014			December 31, 2013		
	CEO & Directors	Key management personnel & Others	Associated companies & common directorship	CEO & Directors	Key management personnel & Others	Associated companies & common directorship
	Rupees in '000					
<b>Balances</b>						
<b>Loans</b>						
Loans outstanding at beginning of the year	1,996	4,009	778,814	1,871	20,560	57,918
Loans given during the year	1,868	20,316	4,320,967	250	29,393	3,844,544
Loans repaid / adjusted during the year	(265)	(21,583)	(3,909,499)	(125)	(45,944)	(3,123,648)
<b>Loans outstanding at the end of the year</b>	<b>3,599</b>	<b>2,742</b>	<b>1,190,282</b>	<b>1,996</b>	<b>4,009</b>	<b>778,814</b>
<b>Deposits</b>						
Deposits at beginning of the year	38,022	248,339	109,568	13,726	178,411	142,790
Deposits received during the year	494,707	1,062,221	2,654,874	509,817	1,647,050	1,268,140
Deposits repaid / adjusted during the year	(518,883)	(1,174,443)	(1,272,061)	(485,521)	(1,577,122)	(1,301,362)
<b>Deposits at the end of the year</b>	<b>13,846</b>	<b>136,117</b>	<b>1,492,381</b>	<b>38,022</b>	<b>248,339</b>	<b>109,568</b>
<b>Investments - Shares</b>						
Investments at the beginning of the year	-	-	207,475	-	-	-
Investment made during the year	-	-	67,502	-	-	284,354
Investments redeemed / impaired / adjusted during the year	-	-	(98,229)	-	-	(76,879)
<b>Investments at the end of the year</b>	<b>-</b>	<b>-</b>	<b>176,748</b>	<b>-</b>	<b>-</b>	<b>207,475</b>
<b>Transactions</b>						
Short term employment benefits	99,556	344,282	-	105,532	372,771	-
Termination benefits	7,963	22,579	-	9,367	28,360	-
Mark-up earned on advances	256	831	93,104	250	1,754	105,256
Mark-up paid on deposits	1,404	5,133	60,098	2,155	5,945	7,823
Services rendered / goods received	-	132,410	68,272	-	124,815	138,410
Meeting fee of Non-executive directors	23,711	-	-	26,285	-	-
Share of profit from Associate	-	-	9,392	-	-	14,548

40.1 Deposits of employees' Provident Fund and employees' Gratuity Fund amount to Rs. 776 million (2013: 84 million) and carry mark-up at the rates ranging from 10% to 15% (2013: 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



# Notes to the Financial Statements

for the year ended December 31, 2014

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.

## 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 23.07% 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 un expected 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 has 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% of the risk weighted assets of the Bank. The capital of the Bank (net of losses and discount on shares) as of December 31, 2014, including 'Advance against Shares Subscription' as allowed by SBP and excluding general reserves of Rs.180.13 million and convertible preference shares of Rs. 2.20 billion, amounted to Rs. 5.99 billion and CAR of 9.14%.

In order to meet the shortfall from required CAR of 10% and MCR of Rs.10 billion and to improve the financial condition of the Bank, the Bank and Sponsors of the Bank have taken the steps as mentioned in note 1.3.

The Capital Adequacy Ratio of the Bank is subject to the Basel III capital adequacy guidelines stipulated by the State Bank of Pakistan through its circular 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	2019
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	<b>10.00%</b>	<b>10.00%</b>	<b>10.00%</b>	<b>10.00%</b>	<b>10.00%</b>	<b>10.00%</b>	<b>10.00%</b>
*CCB	-	-	0.25%	0.65%	1.275%	1.90%	2.50%
<b>Total Capital plus CCB</b>	<b>10.00%</b>	<b>10.00%</b>	<b>10.25%</b>	<b>10.65%</b>	<b>11.28%</b>	<b>11.90%</b>	<b>12.50%</b>

\*(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.

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



# Notes to the Financial Statements

for the year ended December 31, 2014

revaluation of fixed assets and securities up to a maximum of 45% of the balance and (20% of the remaining revaluation reserves of 55%) and foreign exchange translation reserves after all regulatory adjustments applicable on Tier-2.

Banking operations are categorized as either trading book or banking book and risk-weighted assets are determined according to specified requirements of the State Bank of Pakistan 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 (ECAIs) 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 were categorized as unrated.

Exposures	2014				
	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 Rating 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	CCC+ and Below	CCC+ and Below	CCC+ and Below	Caa1 and Below	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, 2014

	Note	December 31, 2014	December 31, 2013
		Rupees in '000	
<b>Note 41.2 Capital Adequacy Ratio (CAR)</b>			
<b>Rows # Common Equity Tier 1 capital (CET1): Instruments and reserves</b>			
1 Fully Paid-up Capital		28,716,048	26,716,048
2 Balance in Share Premium Account		-	-
3 Reserve for issue of Bonus Shares		-	-
4 Discount on Issue of shares		(13,284,674)	(13,284,674)
5 General/ Statutory Reserves		180,134	162,762
6 Gain/(Losses) on derivatives held as Cash Flow Hedge		-	-
7 Unappropriated/unremitted profits/ (losses)	41.2.5	(10,322,060)	(10,404,786)
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 <b>CET 1 before Regulatory Adjustments</b>		5,289,448	3,189,350
10 Total regulatory adjustments applied to CET1	41.2.1	1,116,038	586,207
11 <b>Common Equity Tier 1</b>		4,173,410	2,603,143
<b>Additional Tier 1 (AT 1) Capital</b>			
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 <b>AT1 before regulatory adjustments</b>		2,200,000	2,200,000
18 Total regulatory adjustment applied to AT1 capital	41.2.2	28,785	31,290
19 Additional Tier 1 capital after regulatory adjustments		2,171,215	2,168,710
20 <b>Additional Tier 1 capital recognised for capital adequacy</b>		1,138,203	780,943
21 <b>Tier 1 Capital (CET1 + admissible AT1) (11+20)</b>		5,311,613	3,384,086
<b>Tier 2 Capital</b>			
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		427,612	300,210
27 Revaluation Reserves (net of taxes)		-	-
28 of which: Revaluation reserves on fixed assets		531,282	440,105
29 of which: Unrealised gains / losses on AFS		35,090	231,716
30 Foreign Exchange Translation Reserves		-	-
31 Undisclosed/Other Reserves (if any)		-	-
32 <b>T2 before regulatory adjustments</b>		993,984	972,031
33 Total regulatory adjustment applied to T2 capital	41.2.3	28,785	31,290
34 Tier 2 capital (T2) after regulatory adjustments		965,199	940,741
35 Tier 2 capital recognised for capital adequacy		965,199	940,741



# Notes to the Financial Statements

for the year ended December 31, 2014

	Note	December 31, 2014	December 31, 2013
		Rupees in '000	
36	Portion of Additional Tier 1 capital recognized in Tier 2 capital	1,033,013	881,459
37	<b>Total Tier 2 capital admissible for capital adequacy</b>	<b>1,998,212</b>	<b>1,822,200</b>
38	<b>TOTAL CAPITAL (T1 + admissible T2) (21+37)</b>	<b>7,309,825</b>	<b>5,206,286</b>
39	<b>Total Risk Weighted Assets (RWA)</b>	<b>41.5</b>	<b>79,961,633</b>
	<b>Capital Ratios and buffers (in percentage of risk weighted assets)</b>		
40	<b>CET1 to total RWA</b>	<b>5.22%</b>	<b>3.46%</b>
41	<b>Tier-1 capital to total RWA</b>	<b>6.64%</b>	<b>4.50%</b>
42	<b>Total capital to total RWA</b>	<b>9.14%</b>	<b>6.93%</b>
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)		
	<b>National minimum capital requirements prescribed by SBP</b>		
48	<b>CET1 minimum ratio</b>	<b>5.50%</b>	<b>5.00%</b>
49	<b>Tier 1 minimum ratio</b>	<b>7.00%</b>	<b>6.50%</b>
50	<b>Total capital minimum ratio</b>	<b>10.00%</b>	<b>10.00%</b>

Regulatory Adjustments and Additional Information	2014		2013
	Amount	Amount subject to Pre - Basel III treatment*	Amount

## Note 41.2.1 Common Equity Tier 1 capital: Regulatory adjustments

1	Goodwill (net of related deferred tax liability)			
2	All other intangibles (net of any associated deferred tax liability)	328,524		407,851
3	Shortfall in provisions against classified assets	-		178,356
4	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	224,063	1,120,313	-
5	Defined-benefit pension fund net assets	-		-
6	Reciprocal cross holdings in CET1 capital instruments of banking, financial and insurance entities	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)	-		-



# Notes to the Financial Statements

for the year ended December 31, 2014

Note	December 31,	December 31,
	2014	2013
	Rupees in ' 000	
	Amount	Amount
14	487,464	-
15	-	-
16	1,163	-
17	29,690	-
18	-	-
19	-	-
20	-	-
21	-	586,207
22	1,116,038	586,207
<b>Note 41.2.2 Additional Tier-1 &amp; Tier-1 Capital: regulatory adjustments</b>		
23	-	-
24	-	-
25	-	-
26	-	-
27	-	-
28	28,785	31,290
29	-	-
30	28,785	31,290
<b>Note 41.2.3 Tier 2 Capital: regulatory adjustments</b>		
31	28,785	31,290
32	-	-
33	-	-
34	-	-
35	-	-
36	28,785	31,290







# Notes to the Financial Statements

for the year ended December 31, 2014

Step I	Balance sheet of the published financial statements	Under regulatory scope of consolidation
NOTE 41.3 Capital Structure Reconciliation	As at December 31, 2014	
	Rupees in '000	
<b>Assets</b>		
Cash and balances with treasury banks	5,102,984	5,102,984
Balanced with other banks	139,478	139,478
Lending to financial institutions	3,000,000	3,000,000
Investments	18,105,414	18,105,414
Advances-net	58,966,877	58,966,877
Operating fixed assets	4,563,290	4,563,290
Deferred tax assets	3,937,182	3,937,182
Other assets	8,833,892	8,833,892
<b>Total assets</b>	<b>102,649,117</b>	<b>102,649,117</b>
<b>Liabilities and Equity</b>		
Bills payable	2,153,091	2,153,091
Borrowings	21,742,246	21,742,246
Deposits and other accounts	68,770,255	68,770,255
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	17,105	17,105
Deferred tax liabilities	-	-
Other liabilities	1,465,593	1,465,593
<b>Total liabilities</b>	<b>94,148,290</b>	<b>94,148,290</b>
Share capital/ Head office capital account	26,716,048	26,716,048
Advance against proposed issue of right shares	2,000,000	2,000,000
Discount on issue of right shares	(13,284,674)	(13,284,674)
Reserves	180,134	180,134
Convertible preference shares	2,200,000	2,200,000
Unappropriated/ Unremitted profit/ (losses)	(9,444,123)	(9,444,123)
<b>Total Equity</b>	<b>8,367,385</b>	<b>8,367,385</b>
Surplus on revaluation of assets	133,442	133,442
<b>Total liabilities and equity</b>	<b>102,649,117</b>	<b>102,649,117</b>
<b>Step II</b>		
<b>Assets</b>		
Cash and balances with treasury banks	5,102,984	5,102,984
Balanced with other banks	139,478	139,478
Lending to financial institutions	3,000,000	3,000,000
Investments	18,105,414	18,105,414
of which: Non-significant investments in the capital instruments of banking, financial and insurance entities exceeding 10% threshold	-	-
of which: significant investments in the capital instruments issued by banking, financial and insurance entities exceeding regulatory threshold	-	-
of which: Mutual Funds exceeding regulatory threshold	-	-
of which: reciprocal crossholding of capital instrument (separate for CET1, AT1, T2)	45,134	45,134
of which: others (mention details)	-	-



# Notes to the Financial Statements

for the year ended December 31, 2014

## Step II

	Balance sheet of the published financial statements	Under regulatory scope of consolidation
	As at December 31, 2014	
	Rupees in '000	
Advances	58,966,877	58,966,877
shortfall in provisions/ excess of total EL amount over eligible provisions under IRB	-	-
general provisions reflected in Tier 2 capital	427,612	427,612
Fixed Assets	4,563,290	4,563,290
Deferred Tax Assets	3,937,182	3,937,182
of which: DTAs that rely on future profitability excluding those arising from temporary differences	1,120,313	1,120,313
of which: DTAs arising from temporary differences exceeding regulatory threshold	2,816,869	2,816,869
Other assets	8,833,892	8,833,892
of which: Goodwill	-	-
of which: Intangibles	-	-
of which: Defined-benefit pension fund net assets	-	-
<b>Total assets</b>	<b>102,649,117</b>	<b>102,649,117</b>
<b>Liabilities &amp; Equity</b>		
Bills payable	2,153,091	2,153,091
Borrowings	21,742,246	21,742,246
Deposits and other accounts	68,770,255	68,770,255
Sub-ordinated loans	-	-
of which: eligible for inclusion in AT1	-	-
of which: eligible for inclusion in Tier 2	-	-
Liabilities against assets subject to finance lease	17,105	17,105
Deferred tax liabilities	-	-
of which: DTLs related to goodwill	-	-
of which: DTLs related to intangible assets	-	-
of which: DTLs related to defined pension fund net assets	-	-
of which: other deferred tax liabilities	-	-
Other liabilities	1,465,593	1,465,593
Total liabilities	<b>94,148,290</b>	<b>94,148,290</b>
Share capital	28,716,048	28,716,048
of which: amount eligible for CET1	28,716,048	28,716,048
of which: amount eligible for AT1	-	-
Discount on issue of right shares	(13,284,674)	(13,284,674)
Reserves	180,134	180,134
of which: portion eligible for inclusion in CET1(provide breakup)	180,134	180,134
of which: portion eligible for inclusion in Tier 2	-	-
Convertible preference shares	2,200,000	2,200,000
Unappropriated profit/ (losses)	(9,444,123)	(9,444,123)
Minority Interest	-	-
of which: portion eligible for inclusion in CET1	-	-
of which: portion eligible for inclusion in AT1	-	-
of which: portion eligible for inclusion in Tier 2	-	-
Surplus on revaluation of assets	133,442	133,442
of which: Revaluation reserves on Fixed Assets	62,661	62,661
of which: Unrealised Gains / Losses on AFS	70,781	70,781
In case of Deficit on revaluation (deduction from CET1)	-	-
<b>Total liabilities &amp; Equity</b>	<b>102,649,117</b>	<b>102,649,117</b>



# Notes to the Financial Statements

for the year ended December 31, 2014

Basel III Disclosure Template (with added column)	Component of regulatory capital reported by bank Rupees in '000	Source based on reference number from step 2
<b>Step III</b>		
<b>Common Equity Tier 1 capital (CET1): Instruments and reserves</b>		
1 Fully Paid-up Capital/ Capital deposited with SBP	28,716,048	
2 Balance in Share Premium Account	(13,284,674)	(s)
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)	(10,322,060)	(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)
<b>8 CET 1 before Regulatory Adjustments</b>	<b>5,289,448</b>	
<b>Common Equity Tier 1 capital: Regulatory adjustments</b>		
9 Goodwill (net of related deferred tax liability)	-	(j) - (o)
10 All other intangibles (net of any associated deferred tax liability)	328,524	(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)	224,063	{(h) - (r)} * x%
13 Defined-benefit pension fund net assets	-	{(l) - (q)} * x%
14 Reciprocal cross holdings in CET1 capital instruments	45,134	(d)
15 Cash flow hedge reserve	-	
16 Investment in own shares/ CET1 instruments	-	
17 Securitization gain on sale	-	
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)	487,464	(l)
23 Amount exceeding 15% threshold	-	
24 of which: significant investments in the common stocks of financial entities	1,163	
25 of which: deferred tax assets arising from temporary differences	29,690	
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)	1,116,038	
<b>31 Common Equity Tier 1</b>	<b>4,173,410</b>	
<b>Additional Tier 1 (AT 1) Capital</b>		
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	-	
<b>37 AT1 before regulatory adjustments</b>	<b>2,200,000</b>	



# Notes to the Financial Statements

for the year ended December 31, 2014

Basel III Disclosure Template (with added column)	Component of regulatory capital reported by bank Rupees in '000	Source based on reference umber from step 2
<b>Step III</b>		
<b>Additional Tier 1 Capital: regulatory adjustments</b>		
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)
42 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	(ad)
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	28,785	
44 Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	
45 Total of Regulatory Adjustment applied to AT1 capital (sum of 38 to 44)	28,785	
46 Additional Tier 1 capital	2,171,215	
47 <b>Additional Tier 1 capital recognised for capital adequacy</b>	1,138,203	
48 <b>Tier 1 Capital (CET1 + admissible AT1) (31+47)</b>	5,311,613	
<b>Tier 2 Capital</b>		
49 Qualifying Tier 2 capital instruments under Basel III plus any related share premium	-	
50 Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)	-	(n)
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	566,372	
55 of which: Revaluation reserves on fixed assets	531,282	portion of (aa)
56 of which: Unrealised Gains / Losses on AFS	35,090	
57 Foreign Exchange Translation Reserves	-	(v)
58 Undisclosed/Other Reserves (if any)	993,984	
59 <b>T2 before regulatory adjustments</b>	993,984	
<b>Tier 2 Capital: regulatory adjustments</b>		
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	28,785	
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)	28,785	
66 Tier 2 capital (T2)	965,199	
67 Tier 2 capital recognised for capital adequacy	965,199	
68 Excess Additional Tier 1 capital recognized in Tier 2 capital	1,033,013	
69 Total Tier 2 capital admissible for capital adequacy	1,998,212	
70 <b>TOTAL CAPITAL (T1 + admissible T2) (48+69)</b>	7,309,825	



# Notes to the Financial Statements

## for the year ended December 31, 2014

### Note 41.4 MAIN FEATURES TEMPLATE OF REGULATORY CAPITAL INSTRUMENTS

#### Disclosure template for main features of regulatory capital instruments

	Main Features	Common Shares	Instrument - 2
1	Issuer	Silk Bank	Silk Bank
2	Unique identifier (eg KSE Symbol or Bloomberg identifier etc.)	SILK	
3	Governing law(s) of the instrument	SECP	SECP
	Regulatory treatment		
4	Transitional Basel III rules	Common Equity Tier I	Additional Tier-1
5	Post-transitional Basel III rules	Common Equity Tier I	Additional Tier-1
6	Eligible at solo/ group / group & solo	-	-
7	Instrument type	Ordinary Shares	PNCPS
8	Amount recognised in regulatory capital (Currency in PKR thousands, as of reporting date)	Rs. (Thousand) 28,716,048	Rs. (Thousand) 2,200,000
9	Par value of instrument	PKR 10	PKR 2.50
10	Accounting classification	Shareholders' Equity	Shareholders' Equity
11	Original date of issuance	1994	28-Mar-13
12	Perpetual or dated		
13	Original maturity date	-	3 years after issuance
14	Issuer call subject to prior supervisory approval		Yes
15	Optional call date, contingent call dates and redemption amount	-	After one year
16	Subsequent call dates, if applicable	-	-
	Coupons / dividends		
17	Fixed or floating dividend/ coupon	-	Fixed
18	coupon rate and any related index/ benchmark	-	-
19	Existence of a dividend stopper	-	-
20	Fully discretionary, partially discretionary or mandatory	-	-
21	Existence of step up or other incentive to redeem	-	-
22	Noncumulative or cumulative	-	Noncumulative
23	Convertible or non-convertible	-	Convertible
24	If convertible, conversion trigger (s)	-	Upon expiry of 3 years
25	If convertible, fully or partially	-	-
26	If convertible, conversion rate	-	3.7
27	If convertible, mandatory or optional conversion	-	Optional
28	If convertible, specify instrument type convertible into	-	Common Equity
29	If convertible, specify issuer of instrument it converts into	-	-
30	Write-down feature	-	-
31	If write-down, write-down trigger(s)	-	-
32	If write-down, full or partial	-	-
33	If write-down, permanent or temporary	-	-
34	If temporary write-down, description of write-up mechanism	-	-
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	-	-
36	Non-compliant transitioned features	-	-
37	If yes, specify non-compliant features	-	-



# Notes to the Financial Statements

for the year ended December 31, 2014

## 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 2014	December 31 Year	December 31 Year	December 31 Year
<b>Credit Risk</b>				
<b>On-Balance sheet</b>				
<u>Portfolios subject to standardized approach (Simple or Comprehensive)</u>				
e.g. Cash & cash equivalents				
Sovereign				
Public Sector entities				
Banks	29,638	30,221	296,375	302,205
Corporate	3,350,375	3,018,818	33,503,750	30,188,183
Retail	1,298,159	1,114,361	12,981,585	11,143,607
Residential Mortgages	57,927	57,660	579,270	576,598
Past Due loans	341,253	550,342	3,412,529	5,503,419
Deferred tax asset	90,772	-	907,718	-
Operating Fixed Assets	423,477	428,370	4,234,766	4,283,701
Other assets	1,065,963	1,013,233	10,659,625	10,132,331
<u>Portfolios subject to Internal Rating Based (IRB) Approach</u>				
e.g. Corporate, Sovereign, Corporate, Retail, Securitization etc.				
Off-Balance sheet				
Non-market related				
e.g. Financial guarantees, acceptances, performance related commitments, trade related etc.	363,464	345,913	3,634,643	3,459,131
Market related				
e.g. Foreign Exchange contracts/ derivatives etc.	4,984	4,721	49,838	47,212
Equity Exposure Risk in the Banking Book				
Under simple risk weight method				
e.g. Listed, Unlisted	367	1,545	3,672	15,450
Under Internal models approach				
<u>Market Risk</u>				
<u>Capital Requirement for portfolios subject to Standardised Approach</u>				
Interest rate risk	136,316	53,495	1,363,163	534,954
Equity position risk	138,135	340,105	1,381,348	3,401,051
Foreign Exchange risk	4,366	4,108	43,663	41,076
<u>Capital Requirement for portfolios subject to Internal Models Approach</u>				
Operational Risk	690,969	554,625	6,909,688	5,546,254
<u>Capital Requirement for operational risks</u>				
<b>TOTAL</b>	<b>7,996,163</b>	<b>7,517,517</b>	<b>79,961,633</b>	<b>75,175,172</b>

Capital Adequacy Ratios	December 31, 2014		December 31, 2013	
	Required	Actual	Required	Actual
CET1 to total RWA	5.50%	5.22%	5.00%	3.47%
Tier-1 capital to total RWA	7.00%	6.64%	6.50%	4.50%
Total capital to total RWA	10.00%	9.14%	10.00%	7.65%



# Notes to the Financial Statements

for the year ended December 31, 2014

## 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.

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



# Notes to the Financial Statements

for the year ended December 31, 2014

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.



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## 42.1.4 Segmental information

### 42.1.4.1 Segments by class of business

	December 31, 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	21.2%
	<b>64,417,139</b>	<b>100%</b>	<b>68,770,255</b>	<b>100%</b>	<b>30,057,005</b>	<b>100%</b>

	December 31, 2013					
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Chemical and pharmaceuticals	3,391,110	5.5%	1,255,933	1.8%	223,015	0.8%
Agribusiness	161,593	0.3%	22,525	0.0%	14,778	0.1%
Cement	253,180	0.4%	773,252	1.1%	287,099	1.1%
Sugar	1,509,782	2.5%	2,577	0.0%	235,186	0.9%
Textile	6,819,295	11.1%	278,338	0.4%	539,003	2.0%
Footwear and leather garments	423,023	0.7%	291,871	0.4%	38,829	0.1%
Automobile / transportation equipment	751,265	1.2%	13,867	0.0%	199,111	0.7%
Electronics and electrical appliances	1,172,063	1.9%	21,887	0.0%	354,058	1.3%
Power (Electricity), Gas, Water, Sanitary	994,226	1.6%	98,690	0.1%	445,384	1.7%
Financial	2,036,306	3.3%	1,538,091	2.2%	13,257,069	49.5%
Insurance	-	0.0%	398,816	0.6%	-	0.0%
Individuals	7,935,064	12.9%	37,013,455	53.3%	-	0.0%
Exports / Imports & Trading	3,440,163	5.6%	451,300	0.6%	604,218	2.3%
Hotel & Resorts	1,450,441	2.4%	365,496	0.5%	74,868	0.3%
Telecommunications	683,240	1.1%	583,229	0.8%	355,521	1.3%
Real Estate	3,687,999	6.0%	-	0.0%	-	0.0%
Others	26,760,979	43.5%	26,324,125	37.9%	10,153,304	37.9%
	<b>61,469,729</b>	<b>100%</b>	<b>69,433,452</b>	<b>100%</b>	<b>26,781,443</b>	<b>100%</b>



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## 42.1.4.2 Segment by sector

	December 31, 2014					
	Advances (Gross)		Deposits		Contingencies and commitments	
	Rupees in '000 (Note 11)	Percent	Rupees in '000 (Note 17)	Percent	Rupees in '000 (Note 23)	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%
	<b>64,417,139</b>	<b>100%</b>	<b>68,770,255</b>	<b>100%</b>	<b>30,057,005</b>	<b>100%</b>

	December 31, 2013					
	Advances (Gross)		Deposits		Contingencies and commitments	
	Rupees in '000 (Note 11)	Percent	Rupees in '000 (Note 17)	Percent	Rupees in '000 (Note 23)	Percent
Public / Government	-	0%	10,434,405	15%	7,897,923	29%
Private	61,469,729	100.0%	58,999,047	85%	18,883,520	71%
	<b>61,469,729</b>	<b>100%</b>	<b>69,433,452</b>	<b>100%</b>	<b>26,781,443</b>	<b>100%</b>

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

	December 31, 2014		December 31, 2013	
	Classified Advances	Specific Provision	Classified Advances	Specific Provision
	Rupees in ' 000			
Agribusiness	104,316	46,767	190,916	134,759
Textile	1,652,153	1,307,324	2,449,761	1,354,349
Chemical and pharmaceuticals	553,825	413,308	624,364	396,723
Cement	54,289	48,860	54,289	48,860
Footwear and leather garments	143,554	113,125	150,302	109,361
Automobile and transportation equipment	767,052	501,336	1,079,091	519,031
Electronics and electrical appliances	836,110	538,836	817,352	719,071
Exports / Imports	558,573	300,835	703,213	292,136
Financial	81,373	81,373	89,520	89,520
Services	216,661	120,358	544,851	221,040
Individuals	1,412,450	753,924	1,155,793	488,159
Others	1,841,591	796,604	2,012,534	758,988
	<b>8,221,947</b>	<b>5,022,650</b>	<b>9,871,986</b>	<b>5,131,997</b>

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

	December 31, 2014		December 31, 2013	
	Classified Advances	Specific Provision	Classified Advances	Specific Provision
	Rupees in ' 000			
Public / Government	-	-	-	-
Private	8,221,947	5,022,650	9,871,986	5,131,997
	<b>8,221,947</b>	<b>5,022,650</b>	<b>9,871,986</b>	<b>5,131,997</b>



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## 42.1.4.5 Geographical segment analysis

	December 31, 2014			
	Profit/(Loss) before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	Rupees in '000			
Pakistan	131,415	102,649,117	8,500,827	30,057,005
	December 31, 2013			
	Rupees in '000			
Pakistan	(1,528,078)	91,770,195	6,675,188	26,781,443

## 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

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	December 31, 2014			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	Rupees in '000			
Pakistan Rupee	100,639,770	86,936,412	(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
	<b>102,649,117</b>	<b>94,148,290</b>	<b>-</b>	<b>8,500,827</b>

	December 31, 2013			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	Rupees in '000			
Pakistan Rupee	89,589,810	76,516,226	(6,440,428)	6,633,156
United States Dollar	1,853,136	6,958,576	5,121,350	15,910
Great Britain Pound	195,213	844,011	664,074	15,276
Japanese Yen	-	1,135	2,006	871
Euro	126,986	775,059	652,998	4,925
Other currencies	5,050	-	-	5,050
	<b>91,770,195</b>	<b>85,095,007</b>	<b>-</b>	<b>6,675,188</b>

## 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	
December 31, 2014											
Rupees in '000											
<b>On-balance sheet financial instruments</b>											
<b>Assets</b>											
Cash and balances with treasury banks	0.00%	5,102,984	1,270,627	-	-	-	-	-	-	-	3,832,357
Balances with other banks		139,478	-	-	-	-	-	-	-	-	139,478
Lendings to financial institutions	10.08%	3,000,000	2,400,000	-	800,000	-	-	-	-	-	-
Investments - net	9.39%	18,121,708	265,846	81,285	4,557,921	6,123,956	2,446,688	206,801	55,449	3,586,636	817,126
Advances - net	12.40%	58,965,877	1,935,513	33,071,354	9,114,613	5,390,259	817,346	96,552	593,104	3,565,396	1,031,892
Other assets		8,833,892	-	-	-	-	-	-	-	-	8,833,892
		<b>94,164,939</b>	<b>5,872,986</b>	<b>33,152,639</b>	<b>14,272,534</b>	<b>11,514,215</b>	<b>3,264,034</b>	<b>303,353</b>	<b>645,553</b>	<b>7,132,032</b>	<b>1,031,892</b>
<b>Liabilities</b>											
Bills payable		2,153,091	-	-	-	-	-	-	-	-	2,153,091
Borrowings	9.45%	21,742,246	16,411,661	4,574,939	578,613	-	-	-	-	-	176,833
Deposits and other accounts	8.27%	68,770,268	5,535,540	26,439,944	7,738,302	9,839,483	44,123	79,532	54,485	-	18,039,846
Liabilities against assets subject to finance lease		17,105	285	570	655	1,711	3,421	3,421	6,842	-	-
Other liabilities		1,465,593	-	-	-	-	-	-	-	-	1,465,593
		<b>94,165,290</b>	<b>21,947,486</b>	<b>31,014,453</b>	<b>8,317,970</b>	<b>9,841,194</b>	<b>47,544</b>	<b>82,953</b>	<b>61,327</b>	<b>-</b>	<b>22,835,363</b>
<b>On-balance sheet gap</b>		<b>16,648</b>	<b>(16,074,500)</b>	<b>2,138,186</b>	<b>5,954,564</b>	<b>1,673,021</b>	<b>3,216,490</b>	<b>220,400</b>	<b>587,226</b>	<b>7,132,032</b>	<b>1,031,892</b>
Total Yield / Interest Risk Sensitivity Gap		<b>16,648</b>	<b>(16,074,500)</b>	<b>2,138,186</b>	<b>5,954,564</b>	<b>1,673,021</b>	<b>3,216,490</b>	<b>220,400</b>	<b>587,226</b>	<b>7,132,032</b>	<b>1,031,892</b>
Cumulative Yield / Interest Risk Sensitivity gap		<b>(16,074,500)</b>	<b>(13,936,314)</b>	<b>(7,981,750)</b>	<b>(6,308,729)</b>	<b>(3,092,239)</b>	<b>(2,871,839)</b>	<b>(2,284,513)</b>	<b>4,847,419</b>	<b>5,879,311</b>	<b>16,648</b>



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December 31, 2013												
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												
<b>On-balance sheet financial instruments</b>												
<b>Assets</b>												
Cash and balances with treasury banks	0.00%	5,361,895	1,567,829	-	-	-	-	-	-	-	-	3,794,066
Balances with other banks		226,184	-	-	-	-	-	-	-	-	-	226,184
Lendings to financial institutions	9.47%	446,859	446,859	-	-	-	-	-	-	-	-	-
Investments - net	8.43%	14,853,257	1,188,798	8,386,345	2,127,898	228,806	289,603	472,815	140,442	162,888	-	1,856,264
Advances - net	10.95%	58,037,522	2,969,039	29,270,129	8,034,200	6,431,998	98,560	98,560	180,120	3,463,007	952,850	4,830,039
Other assets		8,314,048	-	-	-	-	-	-	-	-	-	8,314,048
		83,239,565	6,072,525	37,656,474	10,161,898	6,660,804	388,163	569,176	333,562	3,625,895	952,850	16,820,421
<b>Liabilities</b>												
Bills payable		2,747,400	-	-	-	-	-	-	-	-	-	2,747,400
Borrowings	8.09%	11,351,978	4,953,525	5,369,822	699,907	26,853	-	-	-	-	-	321,868
Deposits and other accounts	5.94%	60,483,452	6,358,605	26,715,430	6,726,798	12,013,186	65,325	3,835	1,192	42,142	-	17,505,039
Other liabilities		1,532,180	-	-	-	-	-	-	-	-	-	1,532,180
		85,095,007	11,322,130	32,086,052	7,426,705	12,040,039	65,325	3,835	1,192	42,142	-	22,107,567
<b>On-balance sheet gap</b>		(1,855,442)	(5,249,605)	(5,570,422)	(2,734,863)	(5,379,235)	(320,838)	(565,340)	(332,370)	(3,583,751)	952,850	(5,287,166)
<b>Total Yield / Interest Risk Sensitivity Gap</b>		(1,855,442)	(5,249,605)	(5,570,422)	(2,734,863)	(5,379,235)	(320,838)	(565,340)	(332,370)	(3,583,751)	952,850	(5,287,166)
<b>Cumulative Yield / Interest Risk Sensitivity gap</b>			(5,249,605)	(320,817)	(3,055,810)	(2,323,425)	(2,002,587)	(1,437,247)	(1,104,877)	(2,478,874)	(3,431,724)	(1,865,442)

## 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 minimise 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.



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	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
<b>Rupees in '000</b>										
<b>Assets</b>										
Cash and balances with treasury banks	5,102,984	977,320	30,415	193,842	3,901,407	-	-	-	-	-
Balances with other banks	139,478	139,478	-	-	-	-	-	-	-	-
Lendings to financial institutions	3,000,000	2,400,000	-	600,000	-	-	-	-	-	-
Investments - net	18,105,414	257,899	24,973	4,557,921	6,785,302	2,471,692	313,781	127,410	3,566,536	-
Advances - net	58,986,877	4,876,252	7,046,421	5,207,775	6,727,644	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	3,937,162	-	-	-	776,650	743,750	1,386,000	1,030,762	-	-
Other assets	8,833,892	3,134,412	820,546	4,790,596	298,365	-	-	-	-	-
	<b>102,649,117</b>	<b>12,356,572</b>	<b>8,294,786</b>	<b>16,910,816</b>	<b>19,699,782</b>	<b>23,714,640</b>	<b>4,436,136</b>	<b>9,400,389</b>	<b>7,770,013</b>	<b>1,707,303</b>
<b>Liabilities</b>										
Bills payable	2,153,091	2,153,091	-	-	-	-	-	-	-	-
Borrowings	21,742,248	16,448,687	4,714,745	578,814	-	-	-	-	-	-
Deposits and other accounts	68,770,255	8,890,231	7,453,188	8,856,026	11,469,555	2,301,130	6,012,362	11,820,145	5,834,497	5,933,111
Liabilities against assets subject to finance lease	17,105	296	871	850	1,711	3,420	3,420	6,641	-	-
Other liabilities	1,465,993	906,853	314,404	97,675	46,838	48,837	48,988	-	-	-
	<b>94,148,299</b>	<b>28,399,148</b>	<b>12,482,916</b>	<b>9,833,371</b>	<b>11,820,104</b>	<b>2,353,287</b>	<b>6,064,768</b>	<b>11,826,986</b>	<b>5,834,497</b>	<b>5,933,111</b>
<b>Net assets</b>	<b>8,500,827</b>	<b>(16,043,576)</b>	<b>(4,188,130)</b>	<b>6,377,145</b>	<b>7,539,678</b>	<b>21,361,253</b>	<b>(1,628,632)</b>	<b>(2,526,597)</b>	<b>1,835,516</b>	<b>(4,225,808)</b>
Share capital	26,716,048									
Discount on issue of shares	(13,284,674)									
Reserves	180,134									
Advance against shares subscription	2,000,000									
Convertible preference shares	2,200,000									
Accumulated loss	(9,444,123)									
Surplus on revaluation of assets - net of tax	133,442									
	<b>8,500,827</b>									

December 31, 2013

	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
<b>Rupees in '000</b>										
<b>Assets</b>										
Cash and balances with treasury banks	5,361,695	1,023,328	32,121	202,181	4,104,085	-	-	-	-	-
Balances with other banks	226,184	226,184	-	-	-	-	-	-	-	-
Lendings to financial institutions	448,859	448,859	-	-	-	-	-	-	-	-
Investments - net	14,853,257	3,051,188	8,429,732	2,120,628	209,639	281,258	466,287	136,491	157,997	-
Advances - net	56,037,522	5,580,288	7,778,775	3,953,089	6,709,534	16,304,207	3,140,110	7,003,047	4,275,043	1,293,320
Operating fixed assets	4,691,552	586,444	586,444	586,444	586,444	586,444	586,444	1,172,868	-	-
Deferred tax assets - net	3,839,078	-	-	-	-	959,769	959,769	1,919,540	-	-
Other assets	6,314,048	1,800,297	304,062	3,569,302	667,387	-	-	-	-	-
	<b>91,770,195</b>	<b>12,717,588</b>	<b>17,131,134</b>	<b>10,377,624</b>	<b>12,306,219</b>	<b>16,131,686</b>	<b>5,152,610</b>	<b>10,221,996</b>	<b>4,434,040</b>	<b>1,293,320</b>
<b>Liabilities</b>										
Bills payable	2,747,400	2,747,400	-	-	-	-	-	-	-	-
Borrowings	11,381,975	5,286,593	5,369,622	699,907	26,853	-	-	-	-	-
Deposits and other accounts	69,433,452	9,819,734	7,510,792	7,820,944	13,613,586	2,206,584	5,726,319	11,488,300	5,724,258	5,722,932
Other liabilities	1,632,160	931,861	386,561	97,656	18,607	48,928	49,077	-	-	-
	<b>85,095,007</b>	<b>18,564,578</b>	<b>13,266,075</b>	<b>8,618,707</b>	<b>13,659,246</b>	<b>2,255,512</b>	<b>5,775,396</b>	<b>11,498,303</b>	<b>5,724,258</b>	<b>5,722,932</b>
<b>Net assets</b>	<b>6,675,188</b>	<b>(5,846,990)</b>	<b>3,865,059</b>	<b>1,758,917</b>	<b>(1,353,027)</b>	<b>15,876,173</b>	<b>(622,786)</b>	<b>(1,256,337)</b>	<b>(1,290,218)</b>	<b>(4,429,612)</b>
Share capital	26,716,048									
Discount on issue of shares	(13,284,674)									
Reserves	162,782									
Convertible preference shares	2,200,000									
Accumulated loss	(9,526,849)									
Surplus on revaluation of assets - net of deferred tax	407,901									
	<b>6,675,188</b>									



# Notes to the Financial Statements

for the year ended December 31, 2014

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

		December 31, 2014									
		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									
<b>Assets</b>											
Cash and balances with treasury banks	5,102,984	5,102,984	-	-	-	-	-	-	-	-	-
Balances with other banks	139,478	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	6,785,302	2,471,692	313,781	127,410	3,566,636	-	
Advances - net	68,996,877	4,876,252	7,048,421	5,207,776	6,727,644	19,928,787	2,165,944	7,101,373	4,203,377	1,707,930	
Operating fixed assets	4,663,290	570,411	570,411	570,411	570,411	570,411	570,411	570,411	1,140,824	-	
Deferred tax assets - net	3,937,182	-	-	-	-	984,296	984,296	984,296	-	-	
Other assets	8,833,892	3,134,412	620,546	4,780,586	298,368	-	-	-	-	-	
	<b>102,649,117</b>	<b>16,481,236</b>	<b>8,264,351</b>	<b>15,716,674</b>	<b>14,381,725</b>	<b>23,955,186</b>	<b>4,034,432</b>	<b>10,338,197</b>	<b>7,770,013</b>	<b>1,707,930</b>	
<b>Liabilities</b>											
Bills payable	2,153,091	2,153,091	-	-	-	-	-	-	-	-	
Borrowings	21,742,246	16,448,887	4,714,745	576,614	-	-	-	-	-	-	
Deposits and other accounts	66,770,255	45,011,790	8,092,570	7,738,382	6,839,483	44,123	78,532	54,545	-	-	
Liabilities against assets subject to finance lease	17,105	288	571	886	1,711	3,420	3,420	8,841	-	-	
Other liabilities	1,465,893	806,853	314,404	97,675	48,838	48,837	48,986	-	-	-	
	<b>94,148,290</b>	<b>64,520,617</b>	<b>11,032,290</b>	<b>8,415,647</b>	<b>8,890,032</b>	<b>96,380</b>	<b>131,938</b>	<b>81,396</b>	<b>-</b>	<b>-</b>	
<b>Net assets</b>	<b>8,500,827</b>	<b>(8,039,381)</b>	<b>(2,767,939)</b>	<b>7,301,027</b>	<b>4,491,693</b>	<b>23,858,806</b>	<b>3,902,494</b>	<b>10,276,811</b>	<b>7,770,013</b>	<b>1,707,930</b>	
Share capital	26,716,048	-	-	-	-	-	-	-	-	-	
Discount on issue of shares	(13,284,674)	-	-	-	-	-	-	-	-	-	
Reserve	180,134	-	-	-	-	-	-	-	-	-	
Advance against shares subscription	2,000,000	-	-	-	-	-	-	-	-	-	
Convertible preference shares	2,200,000	-	-	-	-	-	-	-	-	-	
Accumulated loss	(8,444,123)	-	-	-	-	-	-	-	-	-	
Surplus on revaluation of assets - net of tax	133,442	-	-	-	-	-	-	-	-	-	
	<b>8,500,827</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	

		December 31, 2013									
		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									
<b>Assets</b>											
Cash and balances with treasury banks	5,361,695	5,361,695	-	-	-	-	-	-	-	-	
Balances with other banks	226,184	226,184	-	-	-	-	-	-	-	-	
Lendings to financial institutions	446,899	446,899	-	-	-	-	-	-	-	-	
Investments - net	14,853,257	3,051,166	8,429,732	2,120,625	209,689	251,265	466,267	136,497	157,987	-	
Advances - net	56,037,522	5,590,285	7,697,738	3,953,089	6,789,671	16,304,207	3,140,111	7,003,047	4,276,043	1,293,328	
Operating fixed assets	4,691,552	586,444	586,444	586,444	586,444	586,444	586,444	1,172,888	-	-	
Deferred tax assets - net	3,839,078	-	-	-	-	959,789	959,789	1,819,540	-	-	
Other assets	6,314,045	1,803,297	354,978	3,509,302	646,471	-	-	-	-	-	
	<b>91,770,195</b>	<b>17,055,955</b>	<b>17,068,892</b>	<b>10,169,463</b>	<b>8,232,255</b>	<b>18,131,685</b>	<b>5,152,811</b>	<b>10,231,966</b>	<b>4,434,040</b>	<b>1,293,328</b>	
<b>Liabilities</b>											
Bills payable	2,747,400	2,747,400	-	-	-	-	-	-	-	-	
Borrowings	11,381,375	5,285,593	5,369,622	899,907	26,853	-	-	-	-	-	
Deposits and other accounts	68,433,452	44,495,981	6,084,932	6,728,798	12,013,186	66,325	3,208	43,336	-	-	
Other liabilities	1,532,180	931,851	385,951	97,856	18,807	48,928	49,077	-	-	-	
	<b>86,095,007</b>	<b>53,460,825</b>	<b>11,810,054</b>	<b>7,524,561</b>	<b>12,088,967</b>	<b>119,250</b>	<b>50,872</b>	<b>43,336</b>	<b>-</b>	<b>-</b>	
<b>Net assets</b>	<b>6,675,188</b>	<b>(16,404,870)</b>	<b>5,258,798</b>	<b>2,644,902</b>	<b>(3,856,712)</b>	<b>18,012,432</b>	<b>5,099,639</b>	<b>10,188,631</b>	<b>4,434,040</b>	<b>1,293,328</b>	
Share capital	26,716,048	-	-	-	-	-	-	-	-	-	
Discount on issue of shares	(13,284,674)	-	-	-	-	-	-	-	-	-	
Reserve	162,762	-	-	-	-	-	-	-	-	-	
Convertible preference shares	2,200,000	-	-	-	-	-	-	-	-	-	
Accumulated loss	(9,526,849)	-	-	-	-	-	-	-	-	-	
Surplus on revaluation of assets - net of tax	407,901	-	-	-	-	-	-	-	-	-	
	<b>6,675,188</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	

## 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.

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.



# Notes to the Financial Statements

for the year ended December 31, 2014

## 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, 2014 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	50,917	Advances - net	Other assets
Statement of financial position	30,121	Other liabilities	Other assets
Profit and loss account	90,884	Other income	Fee, commission and brokerage income

## 46 Date Of Authorization For Issue

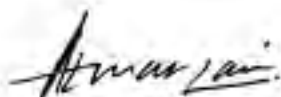
The financial statements were authorized for issue on February 25, 2015 by the Board of Directors of the Bank.

## 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 the financial statements except in case of statement of financial position and Profit and Loss account.

47.3 Figures have been rounded off to the nearest thousand rupee except stated otherwise.



Azmat Tarin  
President & CEO



Tariq Iqbal Khan  
Director



Adnan Afridi  
Director



Shamsul Hasan  
Director



# Statement of Written-off Loan

for the year ended December 31, 2014

SILKBANK LIMITED

ANNEXURE - I

STATEMENT OF WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF FIVE HUNDRED THOUSAND RUPEES OR ABOVE PROVIDED DURING THE YEAR ENDED DECEMBER 31, 2014

Rupees in '000

Date	Party Name	Address	Name of the individuals / Partners/Directors (with C.N.I.C. No.)	Father's / Husband Name	Amount Outstanding at the beginning of the year				Principal Written-off	Interest / Mark-up 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												
7-Jan-14	DOSSANI STEEL IMPEX	51- NISHTER ROAD, (BRANDRETH ROAD), LAHORE	MUHAMMAD ARIF DOSSANI CNIC: 35202-2677917-1	S/O YOUNUS QASIM	1,133	5,086	-	6,219	-	5,086	-	6,086
7-Jan-14	FINE BEARING STORE	51- NISHTER ROAD, (BRANDRETH ROAD), LAHORE	MIAN SAGHEER ASLAM CNIC: 35200-1427446-9	MIAN MUHAMMAD ASLAM	5,000	869	-	5,869	-	869	-	869
20-Jan-14	GREENER MACHINES	20-KM MAIN SHEIKHUPURA ROAD LAHORE	MAJJEEN YASIN CNIC: 35202-6099420-1 GAULLIA MAJJEEN YASIN CNIC: 35202-9877395-4	MUHAMMAD YASEEN W/O MAJJEEN YASIN	9,400	1,604	-	11,004	-	1,504	-	1,504
3-Feb-14	ANIMAR TEXTILE PVT LTD	18-KM, MULTAN ROAD, LAHORE	KHAWAJA BELAL AHMAD CNIC: 270-49-082190 MST. SAMEENA BELAL CNIC: 270-54-176953	S/O KH. GHULLAM MOHYUDDIN W/O KHAWAJA BELAL AHMED	22,312	4,528	-	26,838	-	4,528	-	4,528
24-Mar-14	SHEIKHOO COOKING OIL MILLS (PVT) LTD	CHEEHONKI MALIYAN JOYIAN WALA MORE, SHEIKHPURA ROAD LAHORE	NAWAB UMAIR ALI KHAN CNIC: 35201-3903173-5 MRS ROSHNA QASIM CNIC: 35202-3951070-4 MRS. PERVEEN RASHEED MR. ISHRAT ALI QURESHI CNIC: 276-82-104359 MRS. NAYYAR QURESHI CNIC: 276-82-407943	NAWAB JEHANGIR ALI KHAN SYED ALI QASIM GILANI MUHAMMAD RASHEED SHARAFAT ALI QURESHI ISHRAT ALI QURESHI	10,891	841	-	11,732	1,891	841	-	2,732
31-Mar-14	ABDUL MAJID KHAKWANI	HOUSE # 109, STREET # 12, CALVARY GROUND, LAHORE.	ABDUL MAJID KHAKWANI CNIC: 35201-1632034-7	S/O ABDUL MAALIK KHAKWANI	9,499	3,700	-	13,199	2,999	3,700	-	6,699
30-Apr-14	KASHIF OIL MILLS	SURAJ KUND ROAD, MULTAN.	MIAN ABDUL MAJEEB CNIC: 36302-0483300-9	HAJI UMAR DIN	759	565	-	1,324	-	530	-	530
30-Jun-14	CARVAN GODDS TRANSPORT	159 - CIRCULAR ROAD, OUTSIDE AKBARI GATE, LAHORE	NAUMAN MALIK CNIC: 35202-2969453-9	S/O MALIK PERVAIZ	13,995	1,869	-	21,864	-	1,869	-	1,869
30-Jun-14	AZIZ UL HAQ QURESHI	AWAN-E-KARKUNAN-E-TEHRIK-E-PAKISTAN, SHAHRAH E-QUAID-E-AZAM, LAHORE	AZIZ UL HAQ QURESHI CNIC: 35201-6782478-7	MUHAMMAD SAEED QURESHI	14,278	3,715	-	17,993	778	3,715	-	4,493
30-Jun-14	J.P. PLASTIC	9-KM, SHEIKHUPURA ROAD, LAHORE HOTEL STOP.	REHAN MALIK CNIC: 35202-2969482-1 SHAHEENA REHAN MALIK CNIC: 35202-6449644-4 ZEESHAN MALIK CNIC: 35202-9596129-9	S/O MALIK PERVAIZ W/O REHAN MALIK S/O MALIK PERVAIZ	33,967	4,667	-	38,634	-	4,667	-	4,667
30-Jun-14	SANA ULLAH PVT LTD.	T NO 4-BUND ROAD SANDA KALAN LAHORE.	SANA ULLAH CNIC: 35201-53789987 SHANAZ QAISARA CNIC: 35202-88633960 KHALID RASHID CNIC: 34301-17370891	S/O ABDUL RASHID W/O SANA ULLAH S/O ABDUL RASHID	49,659	14,730	-	64,389	-	12,970	-	12,970
30-Jun-14	CARVAN ENTERPRISES	66-H, GULBERG III, LAHORE,	ZEESHAN MALIK CNIC: 35202-9396129-9	S/O MALIK PERVAIZ	50,000	4,387	-	54,387	33,862	4,387	-	38,349
30-Jun-14	TOYOTA GUJRANWALA MOTORS	OPP. JALALI TOWN, QILA OHND BY PASS, G.T. ROAD, GWA.	JAVED MUZZAFFAR BUTT CNIC: 35202-2370549-1 MUZZAFFAR JAVED BUTT CNIC: 35202-7374922-7 RAHEEM MUZZAFFAR CNIC: 35202-2388756-7 IMTIAZ AFTAB CNIC: 35202-9741060-9 AYSHA BAWAR HAYAT CNIC: 35202-2949041-4 YASMIN JAVED CNIC: 35202-6097768-2	S/O MUZZAFFAR HUSSAIN S/O JAVED MUZZAFFAR BUTT S/O AFTAB MUZZAFFAR S/O AFTAB MUZZAFFAR W/O BAWAR HAYAT W/O JAVED MUZZAFFAR BUTT	299,973	49,883	-	349,336	-	35,836	-	38,836
12-Aug-14	AL-QAIM PETROLEUM SERVICE	MAIN GHIMBER ROAD OPPOSITE MINI AIRPORT GUJRAT	MUHAMMAD NAEEM CNIC: 34201-0601671-7 MUHAMMAD NADEEM CNIC: 34201-0530545-9	MR. MUHAMMAD YOUNUS MR. MUHAMMAD YOUNUS	9,995	1,811	-	11,807	-	1,811	-	1,811

Contd.



# Statement of Written-off Loan

for the year ended December 31, 2014

Rupees in '000

Date	Party Name	Address	Name of the individuals / Partners/Directors (with C.N.I.C. No.)	Father's / Husband Name	Amount Outstanding at the beginning of the year				Principal Written-off	Interest / Mark-up 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												
20-Aug-14	ALI & SAMEER INTERNATIONAL	HEAD OFF: 2, KARACHI CHAMBER, 1ST FLOOR, HASRAT MOHANI ROAD, KARACHI.	MOIZ ALI ASIF CNIC: 33100-1064338-3 ARIF SAEED PARACHA CNIC: 42301-2408172-5	ASIF SAEED PARACHA AHMED SAEED PARACHA	30,301	13,238	-	43,539	27,801	13,238	-	41,039
2-Sep-14	MULTICORE CABLE	136 ABID CHAMBERS, TEMPLE ROAD, LAHORE.	SHEKH TAHR AHMAD MUNIR CNIC: 20027-5257254-6	SHEKH NOOR AHMAD MUNIR	5,865	-	-	5,865	2,866	-	-	2,866
30-Oct-14	UNION INDUSTRIES PVT LTD.	B-46, ESTATE AVENUE, SITE, KARACHI.	MUHAMMAD JAVED HABIB CNIC: 42301-1176752-3 MIRZA KAMRAN ALI KHAN CNIC: 42301-1791582-5	ABDUL HABIB AHMED ZULFIQAR ALI KHAN	30,485	3,041	-	33,526	30,485	3,041	-	33,526
28-Nov-14	FARHAN TRADING	SUITE # 36- 37, 1ST FLOOR, GULBERG CENTRE, MAIN BOULEVARD, GULBERG-III, LAHORE	FARHAN RAZZAQ (PROPRIETOR) CNIC: 35201-5305777-7	ABDUL RAZZAQ	28,600	12,063	-	40,663	28,600	12,063	-	40,663
28-Dec-14	TAYYBA TRADERS	27-C/1, DAVIS ROAD, LAHORE	MUHAMMAD ASGHAR SHEKH CNIC: 35200-1457444-7 MRS. ASMA ASGHAR CNIC: 35200-1405943-6	HAJI MUHAMMAD ISMAIL W/D MUHAMMAD ASGHAR SHEKH	8,489	1,034	-	9,523	-	1,033	-	1,033
28-Dec-14	MEHAR DASTGIR LEATHER & FOOTWEAR INDUSTRY	SHAHEED YOUNIS ROAD, MULTAN	KHAWAJA MUHAMMAD YOUSAF CNIC: 36302-0458568-3 KHAWAJA M. ABDULLAH CNIC: 36302-9279957-8 KHAWAJA M. ABDUL REHMAN JAMI CNIC: 36302-3799833-7	KHAWAJA GHULAM DASTAGIR KHAWAJA GHULAM DASTAGIR KHAWAJA MUHAMMAD YOUNIS	1,855	562	-	2,417	1,355	662	-	1,817
31-Dec-14	ARIF RAHIM	E/28 MAIN WALTON ROAD, LAHORE.	ARIF RAHIM CNIC: 35201-6255777-5	MIRZA ABDUL RAHIM	10,488	2,571	-	13,059	-	925	-	325
31-Dec-14	BEADON HYGIENIC PRODUCTS PVT LTD	537-B, SLINDER INDUSTRIAL ESTATE, RAWIND ROAD, LAHORE.	SYED ATHER CNIC: 35201-1587734-3 SYED TAHR ALI CNIC: 35201-1587760-3 SYED AZFAR ALI CNIC: 35201-1587751-3 SYED KAMRAN ALI CNIC: 35201-3202378-1 SYED MOHSIN ALI CNIC: 35201-1444261-7 SYED SARWAT ALI CNIC: 35201-1587735-1 UME-FARWA CNIC: 35201-3153141-8 UME-LAILA AZHAR CNIC: 35201-1272407-8	SYED AZHAR ALI SYED AZHAR ALI SYED AZHAR ALI SYED AZHAR ALI SYED SARWAT ALI SYED IMAD ALI W/D MUHAMMAD TAQI AKBAR D/O SYED AZHAR ALI	95,864	17,478	-	113,342	-	17,342	-	17,342
31-Dec-14	HARJIM TEXTILE	REGISTERED OFFICE: 145-E-I, GULBERG-III, LAHORE HOUSE # 24-K, MODEL TOWN, LAHORE	CH. NAEEM GULZAR CNIC: 35202-3020481-3 CH. MAZHAR SHAKEEL CNIC: 34603-6324577-9 MRS. SHAKEELA NAEEM CNIC: 35202-3263963-8 MR. GULRAIZ BHALLI CNIC: 34603-3801110-1 MRS. REHANA ABBAS CNIC: 35202-2463452-8 MRS. SEERAT ZAINAB BHALLI CNIC: 34603-5410998-8	S/O CH. GULZAR MUHAMMAD S/O CH. INAYAT ULLAH, BALLI W/O CH. NAEEM GULZAR S/O CH. INAYAT ULLAH BHALLI W/O GHULAM ABBAS W/D MUHAMMAD HAQ BHALLI	41,545	26,954	-	68,499	-	26,954	-	26,954
31-Oct-14	SUMERA KALSOOM /AYESHA TRADERS	H # 15, WALATABAD COLONY, MULTAN	SUMAIRA KALSOOM CNIC: 36302-3132050-2	NAVEED HUSSAIN	5,399	2,982	-	8,381	-	3,111	-	5,111
30-Dec-14	HAJI AYYUB NOOR & SONS	STREET # 2-ALLAH DITTA STREET #2, PEDO ROAD, KOT LAKHPAT, LAHORE	AYUB NOOR CNIC: 35202-1808127-8 RUKHSANA AYUB CNIC: 35202-7017149-6	NOOR MUHAMMAD MUHAMMAD AYUB	65,485	3,807	-	69,292	-	5,578	-	5,578
25-Feb-14	SAEED BUKSH (PVT) LIMITED	3-R MM ALAM ROAD, GULBERG II	ASIM A BUKSH CNIC: 35202-6702980-9	SAEED AHMED BUKSH	12,500	3,897	-	16,397	-	1,569	-	1,569
31-Oct-14	ADWENTERRRES	258-E, SATELLITE TOWN, RAWALPINDI.	MUHAMMAD ILLYAS QURESHI CNIC: 37405-0520882-1	MUHAMMAD ILLYAS	500	133	-	633	500	196	-	696

Contd.



# Statement of Written-off Loan

for the year ended December 31, 2014

Rupees in '000

Date	Party Name	Address	Name of the individuals / Partners/Directors (with C.N.I.C. No.)	Father's / Husband Name	Amount Outstanding at the beginning of the year				Principal Written-off	Interest Mark-up written-off	Other Financial Relief Provided	Total (5+6+7+8-9-10-11)
					Principal	Interest / Mark-up	Other	Total (5+6+7+8)				
1	2		3	4	5	6	7	8	9	10	11	12
15-Dec-14	SAK ENTERPRISES	655-G, FAISAL TOWN, LAHORE	SHAFAT ALI KHAN CNIC: 35202-9901915-1	KANWAR LIAQUAT ALI KHAN	5,987	3,393	-	9,390	997	3,393	-	4,390
26-Mar-14	WALI LIVESTOCK & AGRA PRODUCTS	DELAWALA CENTRE, DC-2, BLOCK-B, KEHKASHAN, CLIFTON, KARACHI	SYED PERVAIZ HUSSAIN CNIC: 42301-0984858-5	SYED DILDAR HUSSAIN	1,233	938	-	2,171	-	585	-	585
23-Mar-14	BHATTI TRADING COMPANY	MAIN SHEIKHUPURA ROAD NAZD KHIALI PULI MOHALLAH SALAMAT PURA GUJRANWALA	MR. IKRAM BHATTI CNIC: 34101-6645697-5	GULZAR AHMED	2,700	1,043	-	3,743	-	973	-	973
7-Mar-14	FRONTIER PHARMACEUTICALS (PVT) LTD	INDUSTRIAL ESTATE, JAMRUD ROAD, PESHAWAR	MR. RIAZ AHMED CNIC: 17301-7394957-9	MUHAMMAD AHMAD	-	541	-	541	-	541	-	541
14-May-14	FABRILINE	PECO ROAD LAHORE OPPOSITE	AZ-FAR MUZAFFAR CNIC: 35202-9550251-5	S/O M. MUZAFFAR	-	3,245	-	3,245	-	3,245	-	3,245
29-Apr-14	MADNI MOTORS	OFFICE NO.910, 9TH FLOOR, TOWER-B,	GULSHAN FARAZ CNIC: 42101-1839247-5	ABDUL HAMEED GULSHAN	-	1,550	-	1,550	-	1,550	-	1,550
10-Feb-14	R. IDEA SHOES	MUSHTAQ COLONY, KOTLI PIR REHMAN ROAD, BEGUM PURA PAKISTAN MINT, LAHORE	MUHAMMAD RASHID HANIF CNIC: 35202-2190512-9	MUHAMMAD HANIF	7,664	3,161	-	10,825	4,964	2,808	-	7,272
14-Feb-14	Riaz Ul Hassan Siddique	HOUSE # C-141 BLOCK # BLK-10 NEAR AISHA MANZIL STREET F B AREA KARACHI	Riaz Ul Hassan Siddique CNIC: 42101-1624733-1	MUHAMMAD ABDUL SALAM SIDDIQUI	1,449	308	-	1,757	1,449	308	-	1,757
6-Feb-14	FAISAL MEHMOOD	H # 01 BLOCK # : RIVER VIEW COOPERATIVE STREET LAHORE	FAISAL MEHMOOD CNIC: 37302-7214421-1	MEHMOOD AKHTER AKMAL	1,368	544	-	1,912	241	544	-	785
4-Jun-14	M SAEED	167 KAREEM STREET, ALLAMA IQBAL TOWN, LAHORE	M SAEED CNIC: 35202-5715051-7	MIAN ALLAH DIN	1,543	496	-	2,039	394	496	-	760
23-May-14	RAJA FAISAL AZIZ BHATTI	HOUSE# 28-A, CIVIL LINES,	RAJA FAISAL AZIZ BHATTI CNIC: 37405-9771787-5	RAJA ABDUL AZIZ BHATTI	-	1,958	-	1,958	-	1,958	-	1,958
24-Jun-14	Haji Karim Baksh	39 A, COMMERCIAL ZONE ALLAMA IQBAL TOWN LAHORE	Haji Karim Baksh CNIC: 35202-3723020-5	MEHMOOD AHMED BUKSH	-	8,483	-	8,483	-	8,483	-	8,483
9-Oct-14	ZAHID LATIF	528 B, STATE LIFE HOUSING SOCIETY, LAHORE	ZAHID LATIF CNIC: 35201-1613082-3	MUHAMMAD LATIF	1,377	629	-	2,006	177	629	-	806
31-Dec-14	MIRZA NADEEM MUNAWAR BAIG	H# 3 STREET No 1 CAVALARY GROUND LAHORE	MIRZA NADEEM MUNAWAR BAIG CNIC: 35201-6900486-5	MIRZA MUNAWAR	1,240	337	6	1,583	1,240	337	-	1,577
31-Dec-14	SYED NAFEES UL HASSAN ZAIDI	H# 17 MOHNI ROAD LAHORE	SYED NAFEES UL HASSAN ZAIDI CNIC: 35202-3432958-7	SYED MUZAHIR HUSSAIN ZAIDI	424	92	5	521	424	92	-	516
31-Dec-14	SAJJAD MEHDI	F-755, BLOCK 18, F B AREA, KARACHI	SAJJAD MEHDI CNIC: 42101-9012058-7	MEHDI NAWAZ	631	126	6	763	631	126	-	757
31-Dec-14	LAEEQ AHMED	FLAT # 25-G ASKARI-Y MALIR CANTT KARACHI	LAEEQ AHMED CNIC: 42101-3621683-9	MUHAMMAD SAEED KHAN	481	179	9	669	481	179	-	660
31-Dec-14	SYED TAHIR AHMED	R-365 SHAMSI VILLA LANDHI-2 KARACHI	SYED TAHIR AHMED CNIC: 42201-4724241-9	SYED MANZOOR AHMED	501	175	8	684	501	175	-	676
31-Dec-14	PARVEEN AFZAAL	84-K, MUSA PARK, GARI SHAO, LAHORE	PARVEEN AFZAAL CNIC: 35202-8497319-0	MUHAMMAD AFZAAL	470	98	10	578	470	98	-	568
31-Dec-14	ZAHID AZHAR SIDDIQUI	470, BLOCK-L, JOHAR TOWN, LAHORE	ZAHID AZHAR SIDDIQUI CNIC: 35302-5650713-3	MUHAMMAD AZHAR UD DIN	612	78	10	700	612	78	-	680
31-Dec-14	MUHAMMAD NAVEED ASLAM	27 STREET-1 QAYUMABAD KORANGI ROAD KARACHI	MUHAMMAD NAVEED ASLAM CNIC: 38401-0198726-7	MUHAMMAD ASLAM	673	51	9	733	673	51	-	724
28-Oct-14	Iqteedar Ali	539 . . . BLOCK H, PHASE 5,	Iqteedar Ali CNIC: 35202-1653694-7	CHUADHRY BARKAT ALI	-	10,283	-	10,283	-	10,283	-	10,283
21-Nov-14	Muhammad Kashif	177/12, STREET, NABI BUXSH, GULSHANABAD	Muhammad Kashif CNIC: 34101-6901838-1	MUHAMMAD HANIF BUTT	-	5,496	-	5,496	-	5,496	-	5,496
13-Nov-14	Mian Kashif Zuban	H # 69, . . . BLOCK V,	Mian Kashif Zuban CNIC: 35201-1225713-3	MIAN MUHAMMAD ZUBAIR	-	7,917	-	7,917	-	7,917	-	7,917

Contd.



# Statement of Written-off Loan

for the year ended December 31, 2014

Rupees in '000

Date	Party Name	Address	Name of the individuals / Partners/Directors (with C.N.I.C. No.)	Father's / Husband Name	Amount Outstanding at the beginning of the year				Principal Written-off	Interest / Mark-up written-off	Other Financial Relief Provided	Total (5+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
<b>Write Off of Rs. 500,000 and above</b>												
11-Dec-14	Sharjeel Ahmed	218, STREET # 2 B, JUDICIAL COLONY, (ECHS)	Sharjeel Ahmed CNIC: 37405-5400918-1	MUHAMMAD SHAFIQUE	-	563	-	563	-	563	-	563
30-Dec-14	Haji Ijaz Ahmed Nadeem	580, B, SETTELLITE, TOWN	Haji Ijaz Ahmed Nadeem CNIC: 34101-2339829-3	HAJI MUHAMMAD SHARIF	-	1,103	-	1,103	-	1,098	-	1,098
30-Dec-14	Bina Yameen Zubair	A-371, BLOCK 5, KDA SCHEME 24, GULSHAN-E-IQBAL	Bina Yameen Zubair CNIC: 42201-0510160-0	MOHAMMAD YAMIN ZUBAIR	-	1,259	-	1,259	-	1,228	-	1,228
30-May-14	T.P Corporation	C-01, Tech Town, Canal Road, Faisalabad	Tariq Hameed Puri CNIC: 33100-2210978-7	Abdul Hameed Puri	29,652	1,026	-	30,678	-	2,407	-	2,407
6-Aug-14	Toweliers Limited	WSA-30 & 31, Block 1 Federal B Area Karachi	Ms Mahjabeen Obaid CNIC: 42301-6191762-2	Obaid Ali	150,501	-	-	150,501	30,363	-	-	30,363
					<b>1,069,265</b>	<b>240,685</b>	<b>63</b>	<b>1,330,013</b>	<b>174,234</b>	<b>225,973</b>	<b>-</b>	<b>400,207</b>



# Emaan Islamic Banking Business

for the year ended December 31, 2014

Islamic Banking Business 

Annexure - II

The Bank is operating 10 Islamic Banking branches at the end of 2014 (2013 : 10)

	Note	December 31, 2014	December 31, 2013
		Rupees in ' 000	
<b>A) STATEMENT OF FINANCIAL POSITION</b>			
<b>ASSETS</b>			
Cash and balances with treasury banks		471,030	267,001
Balances with other banks		4,036	5,447
Due from financial institutions		510,194	1,476,641
Investments		800,202	740,697
Islamic financing and related assets	A-2.1	5,745,328	3,637,083
Operating fixed assets		109,688	127,745
Other assets		2,233,585	707,962
<b>Total Assets</b>		<b>9,874,063</b>	<b>6,962,576</b>
<b>LIABILITIES</b>			
Bills payable		104,464	72,091
Due to financial institutions		26,888	-
Deposits and other accounts			
- Current accounts		1,839,729	923,636
- Saving accounts		1,410,190	822,502
- Term deposits		2,313,292	1,824,708
- Others		35,000	-
- Deposit from financial institutions - remunerative		1,041,647	379,876
- Deposits from financial institutions - non - remunerative		204	3,069
Due to head office		2,507,147	2,507,147
Other liabilities		56,901	62,774
<b>Total Liabilities</b>		<b>9,335,462</b>	<b>6,595,803</b>
<b>NET ASSETS</b>		<b>538,601</b>	<b>366,773</b>
<b>REPRESENTED BY</b>			
Islamic banking fund		425,000	425,000
Reserves		-	-
Accumulated profit / (loss)		114,821	(62,525)
		539,821	362,475
(Deficit) / Surplus on revaluation of assets / net		(1,220)	4,298
		<b>538,601</b>	<b>366,773</b>
<b>A-2.1 Islamic financing and related assets</b>			
Financing / Investment Receivables			
Murahaba		2,095,181	454,936
Musharaka		3,450,147	3,182,147
Diminishing Musharaka		200,000	-
		<b>5,745,328</b>	<b>3,637,083</b>
<b>A-2.2 CONTINGENCIES AND COMMITMENTS</b>			
<b>Guarantees favouring</b>			
- Government		-	-
- Banking companies and other financial institutions		-	-
- Others		350,000	-
<b>Commitments in respect of forward exchange contracts</b>			
Forward exchange contracts with State Bank of Pakistan, banks and other institutions			
- Sale		-	-
- Purchase		251,297	-



# Emaan Islamic Banking Business

for the year ended December 31, 2014

		<b>Annexure - II</b>	
		December 31, 2014	December 31, 2013
		Rupees in ' 000	
<b>B)</b>	<b>REMUNERATION TO SHARIA ADVISOR / BOARD</b>	2,623	2,420
<b>C)</b>	During the period no charity credited to Charity Fund Account nor any payment made out of it.		
<b>D)</b>	<b>PROFIT AND LOSS ACCOUNT</b>	<b>Note</b>	
	Profit / return earned on financings, investments and placements	708,063	417,503
	Return on deposits and others dues expensed	(316,425)	(222,959)
	<b>Net spread earned</b>	391,638	194,544
	<b>Other income</b>		
	Fees, commission and brokerage income	13,439	3,322
	Income / (loss) from dealing in foreign currencies	1,593	(3,372)
	Gain on sale of securities	11,965	4,978
	Other income	1,285	628
	<b>Total other income</b>	28,282	5,556
	<b>Other Expenses</b>		
	Administrative expenses	(242,541)	(236,943)
	Other charges	(33)	(99)
	<b>Total other expenses</b>	(242,574)	(237,042)
	<b>Profit / (loss) before taxation</b>	177,346	(36,942)

## E) DISCLOSURES

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

Emaan Islamic Banking, the Islamic Banking Division (IBD) of Silkbank Ltd., 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) authorizes 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 Mudaraba, where the Mudarib is permitted to commingle its own funds with the funds received on the basis of the Mudaraba, and to comply with the regulations of the SBP on creation of an Islamic Banking Fund (the "IBF"), Silk Bank has created an Islamic Banking Fund of Rs. 425 Million and deposited the same in its common Mudaraba pool.

### Risk & Rewards 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 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.



# Emaan Islamic Banking Business

for the year ended December 31, 2014

## **Avenues/sectors of economy/business where Mudaraba-based deposits have been deployed.**

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

## **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 utilizing 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**

2014

General Depositors Pool	Mudarib Share - net of Hiba and including the Mudarib Fee (000)	Mudarib Share - net of Hiba and including the Mudarib Fee (%)	Amount of Mudarib share transferred to depositors through Hiba (000)	Net Mudarib Share transferred to depositors through Hiba (%)	Profit Rate and Weightages announcement period	Mudarib 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%

2013

General Depositors Pool	Mudarib Share - net of Hiba and including the Mudarib Fee (000)	Mudarib Share - net of Hiba and including the Mudarib Fee (%)	Amount of Mudarib share transferred to depositors through Hiba (000)	Net Mudarib Share transferred to depositors through Hiba (%)	Profit Rate and Weightages announcement period	Mudarib share transferred to depositors through Hiba (%)	Profit Rate earned (%)	Profit Rate distributed (%)
Common Mudaraba Pool	102,792	31.56%	31,609	30.75%	Monthly	23.52%	10.02%	7.66%







# Highlights and Achievements

For the year ended December 31, 2014









# Milestones and Achievements



## Business Growth

- The Bank declared an Operating Profit of **Rs. 499 million** and a profit before tax of **Rs. 131 million** in 2014
- The total earnings of Silkbank increased by **49%** over the last year, with net mark-up income higher by **60%** over the previous year
- Silkbank's deposit mix showed a positive improvement with CASA deposit's increasing to **57.4%** from 54.9% in the previous year
- The Bank's balance sheet spread improved from 2.24% in 2013 to **3.42%** in 2014
- Silkbank was also successful in reducing its non-performing loans portfolio by **Rs. 1.6 billion** from the previous year-end figures

## Consumer Banking

- The momentum in Personal Loans & Running Finance facility was maintained with a combined year end 2014 ENR of **Rs. 6.9 billion** vs. Rs. 5.0 billion in 2013

**SILKBANK READY LINE**

*When your cash runs out, count on us...*

- 2014 ENR growth of **Rs. 1.9 billion** against a target of Rs. 1.75 billion
- Margin at **Rs. 751 million** vs. budget target of Rs. 726 million
- Non-Funded Income at **Rs. 98 million** against budget of Rs. 76 million



## Credit Cards

- In 2014 Ending Net Receivable (ENR) registered a growth of **89%** with ENR of **Rs. 1.88 billion** against Rs. 993 million at the end of 2013
- Strong and consistent growth in new cards acquisition. The total Cards in Force (CIF) stood at **34,986** as of December 31, 2014
- Focus remained on "Balance Transfer at 0% APR", Booked **Rs. 783 million** in 2014
- Discounts at key merchant outlets enhanced card presence, boosting Retail spend and building brand image
- Growth in key performance indicators for Credit Cards business translated into a **21%** positive variance for EBIT against the budgeted figure for 2014



## Emaan Islamic Banking

- Grew the deposit portfolio by **Rs. 1.6 billion (21%)** in 2014 vs last year
- Funded facility of **Rs. 400 million** to our client for participation in 3G and 4G auction
- Advances stand at **Rs. 6.3 billion** in 2014 vs. Rs. 3.6 billion in 2013
- Funded facilities increased by **Rs. 2.7 billion**, a growth of **75%** in 2014



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## Alternate Delivery Channels

- Increase of VDC customer-base by **16,509** for the year 2014
- VISA Debit Card retail spending increased by **45.3%** to **Rs. 931.83 million** in 2014
- ATM transactions increased by **10.93%** from Rs. 1.30 million in 2013 to **Rs. 1.44 million** in 2014
- ADC Services Enrolments for the year:
  - SMS Enrolments: **8,054**
  - E-statement Enrolments: **1,269**
  - Internet Banking Enrolments: **3,209**

## Investment Banking

- Successfully closed **Rs. 1.5 billion** syndicated facility for Avari Hotel
- Received CFA Society, Pakistan's "**Transaction of the Year**" award for Preference share issue



## Special Assets Management

- The Special Assets Management Group (SAMG) of the Bank once again exceeded expectations and contributed a net amount of **Rs. 1.631 billion** to the P&L Account. With a total NPL reduction and mark-up recovery of **Rs. 2.531 billion**, the SAMG team was able to reduce NPL by **Rs. 1.650 billion**

## People Management

- Dedicated approximately **22,000 hours** to training
- Revamped the Learning and Development curriculum to introduce needs-specific programmes
- Participated in Banking Forum's Compensation & Benefits Survey to align Bank's compensation and grading structure with the industry

## Customer Service & Quality

- The Mystery Shopping Programme score, a nationwide independent survey of customer frontline experience in top banks of Pakistan, stands at **91%**



## Productivity

- Renegotiated rentals and undertook relocation of premises to rationalize costs
- 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

- SilkMobile - Mobile Banking Platform
- Customer Call Back Confirmation (CBC) & recording setup for branches
- Outbound Calling & Recording setup – Sales & Marketing
- Computer Based Training (CBT) & Staff Examination system
- Tab based Verification Management System
- Collections System for Consumer Products
- Expansion in Bank's ATM Network



# Fulfilling our Responsibility

As a part of our commitment towards a better society and a better country, we at Silkbank recognize our social responsibilities and aim to play a leading role within the bank. We measure our success not only in terms of financial criteria, but also by supporting the community that we serve. Our thinking and implementation of CSR objective is evident from our balanced approach, which integrates CSR elements into our strategic planning and our day-to-day business activities.



## TCF Career counseling session

At Silkbank, we recognize our social responsibilities and aim to play a leading role in making a genuine and tangible difference in people's lives. Silkbank gives special attention to the Education front, helping the under-privileged children of Pakistan reach their full potential. In collaboration with The Citizens Foundation (TCF), which is a professionally managed, non-profit organization working to improve education in Pakistan, Silkbank participated in its Career Counseling Sessions. It was heartening to see that more than 22 Silkbank staff members volunteered for the same and made this a huge success.



THE CITIZENS FOUNDATION



## SOS Children's Village

To help the community of thousands of deprived children and parents, Silkbank supports and aids Healthcare Facilities at SOS Children's Village.



## Children Health & Education foundation

Nothing satisfies our sense of Corporate Social Responsibility more than empowering women and providing education opportunities for children. To fulfill our goals of women empowerment and education, Silkbank feels extremely proud to work hand in hand with Children Health and Education Foundation (CHAEF) in providing exclusive primary healthcare services and quality primary education to the under-privileged people of Pakistan.



## Karachi Women's Swimming Association

Silkbank has also been an avid supporter of promoting sports across the country. Silkbank sponsored the Karachi Women's Swimming Championship held at Karachi Gymkhana in 2014.



## St. Anthony Church

Silkbank participated in this year's St. Anthony Church charity event, as our aim is to provide financial assistance to under-privileged people.





## AIIESEC, Youth to business forum

AIIESEC is a global, non-political, independent, not-for-profit organization run by students and fresh graduates from institutions of higher education. Silkbank is proud to have worked with AIIESEC for addressing world issues through the management of its members. The organization helped the youth turn theory into practice and created a global network of like minded individuals.



**AIIESEC**

## Marie Adelaide Leprosy Centre

Silkbank in collaboration with Marie Adelaide Leprosy (MALC) supported a Fund Raiser Gala on November 30, 2014 for community development, curing leprosy, blindness and tuberculosis.



## The Patients Aid Foundation

The Patient Aid Foundation hopes to institutionalize its efforts to provide a committed structure within the largest government hospital, aiming towards restoring and revamping wards and medical equipment. They aim to create channels through which affordable and free tests, scans and medicines are made available to under-privileged. We supported their charity musical event in 2014.



## Lahore Gymkhana Golf Club

Silkbank is keen in supporting sports activities across the country. Silkbank participated in Golf Championship at the Lahore Gymkhana Golf Club in 2014.



## British Women Association

Silkbank participated in this year's Annual Charity Bazaar giving its proceeds to KASHIF THALESSEMIA CARE CENTRE to enhance public awareness towards eradicating thalassemia.



## Bahria Town Pvt. Ltd. Cricket Tournament

Silkbank being a keen promoter of sports, specially sponsored Bahria Town Cricket Tournament to support regional cricket in Pakistan.



## Blood Donation Drive

A joint effort was made by Silkbank and Fatimid Foundation to run a blood donation drive in Karachi. Blood Donation Camps were established in Silkbank Head Offices at I. I. Chundrigar Road and Shahrah-e-Faisal in 2014. It was encouraging to see terrific turnover of Silkbank staff to support the cause of blood donation for the thalassemia patients.





# Shareholding Information

For the year ended December 31, 2014









# Additional Shareholders' Information

as at December 31, 2014

## COMBINED PATTERN OF CDC & PHYSICAL SHAREHOLDINGS AS AT DECEMBER 31, 2014

No.	Categories/Sub-Categories of Shareholders	Number of Shares Held	Category-Wise No. of Folios/ CDC	Category-Wise Shares Held	Percentage
01	<b>DIRECTORS AND THEIR SPOUSE(S) AND MINOR CHILDREN</b>		11	123,040,833	4.61
	Munnawar Hamid, OBE	3,699			
	Azmat Tarin	20,013,115			
	Adnan Afridi	1,000			
	Khalid Aziz Mirza	500			
	Sadeq Sayeed	102,817,019			
	Tariq Iqbal Khan	5,000			
	Shamsul Hasan	500			
	Farah Naz Tarin w/o Mr. Azmat Tarin	200,000			
02	<b>ASSOCIATED COMPANIES, UNDERTAKING AND RELATED PARTIES</b>		8	1,976,735,553	73.99
	NOMURA EUROPEAN INVESTMENT LIMITED	356,676,342			
	BANK MUSCAT S.A.O.G.	315,776,969			
	INTERNATIONAL FINANCE CORPORATION	702,689,067			
	*SHAUKAT FAYAZ AHMAD TARIN	601,593,175			
03	<b>EXECUTIVES</b>		14	6,790,138	0.25
04	<b>PUBLIC SECTOR COMPANIES AND CORPORATIONS</b>		5	11,858,152	0.44
05	<b>BANKS, DEVELOPMENT FINANCE INSTITUTIONS, NON-BANKING FINANCE COMPANIES, INSURANCE COMPANIES, TAKAFUL, MODARABAS AND PENSION FUNDS</b>		7	2,449,540	0.09
06	<b>MUTUAL FUNDS</b>		2	19,393,004	0.72
07	<b>FOREIGN COMPANIES</b>		3	20,715,832	0.78
08	<b>GENERAL PUBLIC - Foreign</b>		7	4,100,990	0.15
09	<b>GENERAL PUBLIC - Local</b>		6364	269,435,774	10.09
10	<b>OTHERS</b>		86	237,085,011	8.87
	<b>TOTAL</b>		<b>6,507</b>	<b>2,671,604,827</b>	<b>100</b>
	<b>SHAREHOLDERS HOLDING TEN PERCENT OR MORE VOTING INTEREST IN THE BANK</b>				
	<b>TOTAL PAID-UP CAPITAL OF THE BANK</b>	<b>2,671,604,827 shares</b>			
	<b>10% OF THE PAID-UP CAPITAL OF THE BANK</b>	<b>267,160,483 shares</b>			
	<b>NAME(S) OF SHAREHOLDER(S)</b>	<b>NO. OF SHARES HELD</b>		<b>PERCENTAGE</b>	
	*SHAUKAT FAYAZ AHMAD TARIN	601,593,175		22.52%	
	INTERNATIONAL FINANCE CORPORATION	702,689,067		26.30%	
	NOMURA EUROPEAN INVESTMENT LIMITED	356,676,342		13.35%	
	BANK MUSCAT S.A.O.G.	315,776,969		11.82%	

\*This does not include one hundred and two million (102,000,000) shares of Mr. Shaukat Tarin, kept in repo transaction.



# Pattern of Shareholding

as at December 31, 2014

No. of Shareholders	Shareholdings' Slab		Total Shares Held
490	1	to 100	15,191
640	101	to 500	250,241
658	501	to 1000	612,346
1688	1001	to 5000	5,215,285
904	5001	to 10000	7,610,033
333	10001	to 15000	4,324,182
281	15001	to 20000	5,291,810
228	20001	to 25000	5,372,172
109	25001	to 30000	3,133,809
77	30001	to 35000	2,567,020
77	35001	to 40000	2,978,558
55	40001	to 45000	2,356,716
171	45001	to 50000	8,494,752
27	50001	to 55000	1,429,563
53	55001	to 60000	3,133,038
20	60001	to 65000	1,260,426
26	65001	to 70000	1,788,384
31	70001	to 75000	2,292,073
15	75001	to 80000	1,186,679
19	80001	to 85000	1,572,267
11	85001	to 90000	981,097
7	90001	to 95000	649,093
130	95001	to 100000	12,984,174
19	100001	to 105000	1,941,668
16	105001	to 110000	1,740,742
8	110001	to 115000	906,938
13	115001	to 120000	1,548,608
12	120001	to 125000	1,486,783
10	125001	to 130000	1,283,094
6	130001	to 135000	803,900
8	135001	to 140000	1,111,080
5	140001	to 145000	713,886
31	145001	to 150000	4,624,030
5	150001	to 155000	772,000

No. of Shareholders	Shareholdings' Slab		Total Shares Held
3	155001	to 160000	478,730
5	160001	to 165000	817,242
5	165001	to 170000	840,544
3	170001	to 175000	518,710
5	175001	to 180000	879,971
5	180001	to 185000	911,924
5	185001	to 190000	943,149
2	190001	to 195000	382,000
34	195001	to 200000	6,791,000
5	200001	to 205000	1,015,868
7	205001	to 210000	1,456,000
6	210001	to 215000	1,286,228
2	215001	to 220000	436,686
2	220001	to 225000	450,000
2	225001	to 230000	458,000
2	230001	to 235000	462,095
3	235001	to 240000	716,000
1	240001	to 245000	242,000
8	245001	to 250000	1,998,000
2	250001	to 255000	508,500
3	265001	to 270000	807,100
5	270001	to 275000	1,367,544
2	275001	to 280000	557,951
1	280001	to 285000	281,000
2	285001	to 290000	574,930
2	290001	to 295000	582,892
12	295001	to 300000	3,600,000
3	300001	to 305000	907,469
3	305001	to 310000	927,000
2	310001	to 315000	628,500
2	325001	to 330000	653,309
1	335001	to 340000	336,936
4	345001	to 350000	1,400,000
1	355001	to 360000	358,500



# Pattern of Shareholding

as at December 31, 2014

No. of Shareholders	Shareholdings' Slab	Total Shares Held
2	365001 to 370000	736,175
2	370001 to 375000	750,000
8	395001 to 400000	3,200,000
3	400001 to 405000	1,206,961
1	405001 to 410000	405,500
2	410001 to 415000	822,002
1	415001 to 420000	416,244
1	430001 to 435000	435,000
3	445001 to 450000	1,350,000
1	450001 to 455000	454,059
2	460001 to 465000	925,082
2	465001 to 470000	935,500
1	470001 to 475000	475,000
1	475001 to 480000	480,000
1	485001 to 490000	486,500
22	495001 to 500000	10,997,500
2	500001 to 505000	1,003,292
1	515001 to 520000	516,441
1	530001 to 535000	532,248
1	540001 to 545000	543,000
2	545001 to 550000	1,100,000
1	550001 to 555000	552,608
1	565001 to 570000	570,000
1	570001 to 575000	575,000
3	575001 to 580000	1,733,737
4	595001 to 600000	2,400,000
1	605001 to 610000	610,000
1	625001 to 630000	630,000
1	645001 to 650000	650,000
2	650001 to 655000	1,304,056
2	670001 to 675000	1,341,313
1	695001 to 700000	700,000
3	700001 to 705000	2,109,644
1	705001 to 710000	709,000

No. of Shareholders	Shareholdings' Slab	Total Shares Held
2	710001 to 715000	1,423,465
1	725001 to 730000	727,000
1	745001 to 750000	750,000
2	765001 to 770000	1,540,000
1	785001 to 790000	790,000
1	790001 to 795000	795,000
3	795001 to 800000	2,400,000
1	810001 to 815000	815,000
1	845001 to 850000	850,000
1	855001 to 860000	856,000
1	860001 to 865000	861,781
1	865001 to 870000	866,000
1	895001 to 900000	900,000
1	910001 to 915000	915,000
1	955001 to 960000	960,000
1	960001 to 965000	964,000
1	970001 to 975000	975,000
5	995001 to 1000000	5,000,000
2	1000001 to 1005000	2,001,681
1	1020001 to 1025000	1,025,000
1	1075001 to 1080000	1,076,041
1	1095001 to 1100000	1,100,000
1	1125001 to 1130000	1,128,477
1	1145001 to 1150000	1,150,000
1	1195001 to 1200000	1,200,000
1	1200001 to 1205000	1,200,475
1	1205001 to 1210000	1,206,000
1	1255001 to 1260000	1,259,833
2	1320001 to 1325000	2,649,943
1	1335001 to 1340000	1,338,000
1	1345001 to 1350000	1,346,905
1	1365001 to 1370000	1,367,000
1	1470001 to 1475000	1,474,500
1	1500001 to 1505000	1,500,100



No. of Shareholders	Shareholdings' Slab	Total Shares Held
1	1515001 to 1520000	1,516,727
1	1550001 to 1555000	1,552,921
1	1570001 to 1575000	1,573,445
1	1610001 to 1615000	1,611,559
1	1645001 to 1650000	1,650,000
1	1745001 to 1750000	1,747,116
1	1810001 to 1815000	1,810,788
1	1825001 to 1830000	1,829,000
1	2040001 to 2045000	2,042,791
1	2045001 to 2050000	2,048,500
1	2135001 to 2140000	2,136,000
1	2285001 to 2290000	2,287,756
1	2370001 to 2375000	2,374,752
1	2405001 to 2410000	2,409,000
1	2895001 to 2900000	2,900,000
1	2990001 to 2995000	2,991,000
1	3105001 to 3110000	3,108,500
1	3295001 to 3300000	3,300,000
1	3310001 to 3315000	3,314,733
1	3560001 to 3565000	3,565,000
1	3655001 to 3660000	3,659,500
1	3685001 to 3690000	3,690,000
1	4065001 to 4070000	4,065,500
1	5695001 to 5700000	5,700,000
1	6175001 to 6180000	6,179,000
1	6280001 to 6285000	6,283,209
1	6835001 to 6840000	6,838,154
1	6995001 to 7000000	7,000,000
1	7000001 to 7005000	7,000,432
1	7195001 to 7200000	7,200,000
2	9995001 to 10000000	20,000,000
1	13170001 to 13175000	13,174,061
1	13690001 to 13695000	13,693,004
1	16465001 to 16470000	16,467,577

No. of Shareholders	Shareholdings' Slab	Total Shares Held
1	16585001 to 16590000	16,587,000
1	19215001 to 19220000	19,216,691
1	19865001 to 19870000	19,868,500
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	252060001 to 252065000	252,061,010
1	253995001 to 254000000	254,000,000
1	315775001 to 315780000	315,776,969
1	356675001 to 356680000	356,676,342
1	702685001 to 702690000	702,689,067
<b>6507</b>		<b>2,671,604,827</b>



# Branch Network

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## ISLAMABAD REGION

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Islamabad.  
Tel: (051) 2608116, 2608075,  
2608077-79  
Fax: (051) 2653987

**Zainab Khan**  
Branch Manager  
E-11 Markaz Branch,  
Plot No. 3, E-11/3 Markaz, Islamabad.  
Tel: (051) 2228750, 2228746-48  
Fax: (051) 2228749

**Atif Kamal**  
Branch Manager  
Dadyal Branch,  
Plot No. 315, Reput Plaza,  
Main Rawalpindi Road,  
Opp. Old Tehsil Headquarter Hospital,  
Dadyal (AJK).  
Tel: (05827) 465741, 465736-8  
Fax: (05827) 465739

**Muhammad Bilal Zahoor**  
Branch Manager  
Jhelum Branch,  
Plot No. 8, Paswal Plaza,  
G.T.S. Square, Jhelum City, Jhelum.  
Tel: (0544) 624971, 623973-75  
Fax: (0544) 623976

**Ammar Ahmed**  
Branch Manager  
Westridge Branch,  
Plot No. 48B-491,  
Westridge Bazar Road,  
Westridge-1, Rawalpindi.  
Tel: (051) 5491544, 5491540-2  
Fax: (051) 5491543

**Asif Siddique Butt**  
Area/Branch Manager  
Bahria Town Branch,  
Plot No. 91, Civic Centre, Bahria Town,  
Rawalpindi.  
Tel: (051) 5731705, 5731702-3  
Fax: (051) 5731704

**Naveed Qaiser**  
Branch Manager  
Hazro Branch,  
Plot No. B-III, 382/A,  
Allah Wala Chowk,  
Circular Road, Mohallah Abdul Hazro,  
Tel: (057) 2313296, 2313292-94  
Fax: (057) 2313295

## LAHORE EAST

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

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

**Najam Faiz**  
Area/Branch Manager  
Peco Road Branch,  
57-1, B/1 Township,  
Peco Road, Lahore.  
Tel: (042) 35125404-6, 35125400,  
35125401  
Fax: (042) 35125403

**Haider Rehman**  
Branch Manager  
Allama Iqbal Town Branch,  
6-Hunza Block, Allama Iqbal Town,  
Lahore.  
Tel: (042) 37809309, 37809014-15  
Fax: (042) 37805866

**Sheikh Mobin Rafiq**  
Branch Manager  
Thokar Niaz Baig Branch,  
7-B, Judicial Colony, Raiwind Road,  
Thokar Niaz Baig, Lahore.  
Tel: (042) 35314045-46, 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, 37420096  
Fax: (042) 37420048

**Muhammad Ghufuran**  
Area/Branch Manager  
Kotwali Road Branch,  
Kotwali Road, Faisalabad.  
Tel: (041) 2619973, 2643604  
Fax: (041) 2619984

**Nadeem Altaf**  
Branch Manager  
Sheikhupura Branch,  
Sharif Plaza,  
Main Lahore-Sargodha Road,  
Sheikhupura.  
Tel: (058) 3813529, 3812665  
Fax: (058) 3810059

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

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



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

**Ghulam Rasool**  
**Branch Manager**  
Raiwind Branch,  
Railway Road,  
Adjacent Red Chili Restaurant,  
Raiwind.  
Tel: (042) 35393815, 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, 35188520  
Fax: (042) 35188527

#### LAHORE WEST

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

**Nawazish Ali Hashmi**  
**Branch Manager**  
Gujranwala Branch  
Plot No. 100 & 102,  
Mohallah Bhatia Nagar,  
Near PSO Petrol Pump, G.T. Road,  
Gujranwala.  
Tel: (055) 3250214, 3731269,  
3856268-70  
Fax: (055) 3856271

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

**Chaudhary Gulzar Hussain**  
**Branch Manager**  
Gujrat Branch,  
B-17/1553-R-R,  
Near Eidgah Masjid,  
G. T. Road, Gujrat.  
Tel: (053) 3531466, 3536262,  
3535144, 3531472  
Fax: (053) 3531732

**Ayesha Hameed**  
**Branch Manager**  
Gulberg Branch,  
97-A/D-1, P.E.C. Building,  
Liberty Roundabout,  
Gulberg-III, Lahore.  
Tel: (042) 35878010-11, 35878351  
Fax: (042) 35878012

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

**Priority Banking Branch**  
**Sajjad Ahmad Qureshi**  
**Area/Branch Manager**  
Defence Branch,  
320, Block-Z, Commercial Area,  
Phase-III, Lahore.  
Tel: (042) 35693080, 35692930-33  
Fax: (042) 35693010

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

**Tausief Ul Islam**  
**Branch Manager**  
Mandi Bahauddin Branch,  
7/40, Sultan Plaza,  
Chowk Bab-e-Farooq  
Mandi Bahauddin.  
Tel: (0546) 507060, 507054-55  
Fax: (0546) 507059

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

**Ramiz Hassan Farooqui**  
**Branch Manager**  
L-Block Gulberg Branch,  
52-L, Gulberg-III,  
Kalma Chowk, Lahore.  
Tel: (042) 35857131-33, 35857245  
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**Asif Kamal**  
**Branch Manager**  
Cavalry Ground Branch,  
20-Commercial Area,  
Cavalry Ground, Lahore.  
Tel: (042) 36610273-6, 36610280  
Fax: (042) 36610277

**Imran Ejaz**  
**Branch Manager**  
Batapur Branch,  
Main G. T. Road,  
Batapur Lahore Lines, Lahore.  
Tel: (042) 36580381-83  
Direct: (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.  
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Fax: (062) 2877531

**Afshan Noreen**  
**Branch Manager**  
Dera Ghazi Khan Branch,  
Block-13, Hospital Chowk,  
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Dera Ghazi Khan.  
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Fax: (064) 2466683

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

**Zulfiqar Ali Nasir**  
**Branch Manager**  
Sahiwal Branch,  
Khasra No. 4988, Khawet No. 07,  
Kharooni No. 07, Jail Road,  
Civil Lines, Sahiwal.  
Tel: (040) 4222642, 4224184  
Fax: (040) 4222915

**Adil Jatoi**  
**Branch Manager**  
Sukkur Branch,  
Husaini 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

#### ISLAMIC BANKING BRANCHES

**Sohail Rana Janjua**  
**Branch Manager**  
Shahrah-e-Faisal Branch,  
47-A, Dar-ul-Aman Housing  
Society, P.E.C.H.S., Block-7/8,  
Shahrah-e-Faisal, Karachi.  
Mob: 0332-2432004  
Tel: (021) 34533106-9, 34523099,  
34521766  
Fax: (021) 34533110

**Abdul Basit Siddiqui**  
**Branch Manager**  
Clifton Branch,  
Showroom No. 1, Plot No. D-69,  
Block-7, Clifton, Karachi.  
Mob: 0333-2136906  
Tel: (021) 35371841-42  
Fax: (021) 35371839

**Anjum Rafiq**  
**Branch Manager**  
Madina Town Branch,  
6C-Z-101, Susan Road,  
Madina Town, Faisalabad.  
Mob: 0300-8668591  
Tel: (041) 8503411-13, 8503414  
Fax: (041) 8503416

**Muhammad Kaleem Sabir**  
**Area Manager**  
T-Block, D.H.A.,  
88 Sector CCA, Block-T,  
Phase-II C, D.H.A., Lahore.  
Mob: 0332-4420230  
Tel: (042) 35748849, 35748850,  
35707636  
Fax: (042) 35707637

**Khawaja Mansoor**  
**Branch Manager**  
Gulberg Mini Market, Q Block  
6-Q Block, Gulberg-II, Lahore.  
Mob: 0321-8463969  
Tel: (042) 35751536-7, 35752855  
Fax: (042) 35764076

**Sonia Usman**  
**Branch Manager**  
F-8 Markaz Branch,  
Plot No. 18-C, Kaghan Road,  
Islamabad.  
Mob: 0302-5001500  
Tel: (051) 2287450, 2287455-57  
Fax: (051) 2287454

**Mohsin Ali**  
**Branch Manager**  
Chaklala Scheme-III Branch,  
Plot No. 46, Commercial Area,  
Chaklala Scheme-III, Rawalpindi.  
Mob: 0331-5049497  
Tel: (051) 5766147, 5766151-52,  
5153953  
Fax: (051) 5766150

**Junaid Waheed**  
**Branch Operation Manager**  
Quetta Branch,  
M. A. Jinnah Road, Quetta.  
Mob: 0333-7801152  
Tel: (081) 2866201-03  
Fax: (081) 2866204

**Qazi Basharat-ul-Haq**  
**Branch Manager**  
Abbottabad Branch,  
Plot No. 7838,  
Opp. Daewoo Terminal, Mandian,  
Mansehra Road, Abbottabad. KPK.  
Mob: 0345-9553384  
Dir: (0992) 385975  
PABX: (0992) 385978-79  
Fax: (0992) 385976

**Junaid Ali Durrani**  
**Branch Manager**  
Mardan Branch,  
Silkbank Building, Mall Road,  
Saddar Bazar, Mardan.  
Mob: 0300-5776345  
Tel: (0937) 867555, 867554, 867455  
Fax: (0937) 867556





# Foreign Correspondents

## Afghanistan

Habib Bank Ltd.

## Argentina

The Royal Bank of Scotland  
Deutsche Bank AG

## Australia

JP Morgan  
Westpac Banking Corp.

## Austria

The Royal Bank of Scotland  
Raiffeisen Bank International AG  
Unicredit Bank Austria  
Deutsche Bank AG  
Commerzbank

## Bahrain

Arab Investment Bank  
Al Baraka Islamic Bank  
BMI Bank Bsc  
Habib Bank Ltd  
United Bank Ltd  
National Bank of Pakistan

## Bangladesh

Habib Bank Ltd.  
Bank Al Falah

## Belgium

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

## Brazil

Deutsche Bank AG

## Bulgaria

Citibank  
United Bulgarian Bank

## Canada

Habib Canadian Bank  
Royal Bank of Scotland

## China

Agricultural Bank of China  
Commerzbank Ag  
Bank of Jiangsu Co Ltd  
Royal Bank of Scotland  
Bank of China  
China Construction Bank  
China Ever Bright Bank  
Industrial and Comm'l Bank of China  
Laishang Bank Co. Ltd  
JP Morgan  
Shenzhen Development Bank Co Ltd  
Bank of New York Mellon  
Wells Fargo Bank  
West LB AG

## Czech Republic

Commerzbank Ag  
Royal Bank of Scotland

## Denmark

Danske Bank A/S

## Egypt

Mashreqbank Psc  
Al Baraka Bank Egypt

## Finland

Skandinaviska Enskilda Banken

## France

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

## Germany

Commerzbank Ag  
Danske Bank  
Deutsche Bank AG  
National Bank of Pakistan  
SEB AG  
Landesbank Baden-Wuerttemberg  
Suedwestbank AG  
Unicredit  
JP Morgan

## Hungary

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

## Hong Kong

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

## India

Mashreqbank  
Royal Bank of Scotland  
Deutsche Bank AG  
JP Morgan

## Indonesia

Royal Bank of Scotland  
JP Morgan  
Deutsche Bank AG

## Ireland

National Irish Bank

## Italy

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  
Iccrea Banca  
Deutsche Bank AG  
Intesa Sanpaolo  
Mizuho Corporate Bank Ltd  
Unicredit Banca SPA  
Unicredit Corporate Banking SPA  
UBI Banca  
Cassa di Risparmio in Bologna  
Veneto Banca SPCA

## Japan

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

## Kazakhstan

BTA Bank JSC

## Kuwait

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

## Korea

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

## Kosovo

Raiffeisen Bank

## Lebanon

Habib Bank Ltd

## Malaysia

Citibank NA  
Royal Bank of Scotland  
JP Morgan

## Mexico

Banco Del Bajio S.A

## Mauritius

Habib Bank Ltd  
Mauritius Commercial Bank Ltd

## Morocco

Attijariwafa Bank

## Nepal

Himalayan Bank Ltd

## Netherlands

Commerzbank  
Royal Bank of Scotland  
Deutsche Bank AG  
Habib Bank Ltd.  
Hollandsche Bank Unie NV  
Royal Bank of Scotland  
BNP Paribas Fortis Nederland NV

## Norway

Nordea Bank Norge Asa  
DNB Nor Bank ASA

## New Zealand

Westpac Banking Corporation

## Oman

Habib Bank Ltd  
Oman International Bank  
Bank Muscat

## Poland

Nordea Bank Polska SA  
Royal Bank of Scotland  
Deutsche Bank AG

## Philippines

JP Morgan  
Mizuho Corporate Bank

## Portugal

Banco BPI SA  
Deutsche Bank AG

## Qatar

United Bank Limited  
Doha Bank  
BNP Paribas Fortis  
Mashreqbank Psc

## Romania

Piraeus Bank

## Russia

Citibank  
Commerzbank

## Saudi Arabia

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

## Singapore

Royal Bank Of Scotland  
Bank of America  
DBS Bank  
Commerzbank AG  
Deutsche Bank AG  
Citibank NA  
BNP Paribas Fortis Bank  
Habib Bank Ltd  
J P Morgan



Mizuho Corporate Bank  
National Bank of Kuwait  
Rabo bank  
Sumitomo Mitsui Banking Corporation Ltd  
West LB AG  
UBAF

#### **South Africa**

Habib Overseas Bank Ltd  
HBZ Bank Ltd  
FirstRand Bank

#### **Serbia**

Unicredit Bank

#### **Slovakia**

Commerzbank AG

#### **Spain**

Commerzbank  
Fortis Bank S.A.  
Banco Popular Espanol, S.A.  
Bankinter SA  
Caja de Ahorros del Mediterraneo  
Banco de Caja Espana  
Caixa Bank SA  
Banco Sabadell

#### **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 Voudoise  
Habib Bank AG Zurich  
BNP Paribas Fortis Bank  
Credit Agricole ( Suisse ) SA  
Habibsons Bank  
Royal Bank of Scotland  
United Bank AG  
Citibank NA  
Commerzbank AG

#### **Taiwan**

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

#### **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 NA  
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 NA  
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  
TD Bank NA  
Union Bank of California  
Valley National Bank  
US Bank Minneapolis  
Union Bank NA  
United Bank Ltd  
Wells Fargo NA

#### **Vietnam**

JP Morgan  
Deutsche Bank AG









Affix  
Correct  
Postage

**SILKBANK** 



**Form of Proxy**  
Annual General Meeting



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 Tuesday, March 24, 2015 and/or adjournment thereof.

As witness my/our hand(s) seal this on the \_\_\_\_\_ day of \_\_\_\_\_ 2015.

Signed by the said \_\_\_\_\_

In presence of

1. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

2. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Folio No. CDC Account No.  
\_\_\_\_\_

Signature on  
Revenue Stamp  
of Appropriate Value

**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, I. I. Chundrigar Road, Karachi.

☎ 111-100-777 🌐 [www.silkbank.com.pk](http://www.silkbank.com.pk) 📘 /silkbankpk