

Half Yearly Report | 2015

# 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.





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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.



# Corporate Information

For the Half year ended June 30, 2015







## 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
Talha Ahmed Saeed	Director
Azmat Tarin	President & CEO
Shaukat Tarin	Advisor to the Chairman

## Company Secretary

Uzman Naveed Chaudhary

## Chief Financial Officer

Khurram Khan

## Audit Committee

Tariq Iqbal Khan, FCA	Chairman
Adnan Afridi	Member
Talha Ahmed Saeed	Member
Wajih Zaidi	Secretary

## Risk Committee

Shamsul Hasan	Chairman
Sadeq Sayeed	Member
Faisal Anis Sherwani	Member
Muhammad Atif Kauser	Secretary

### Human Resources Committee

Khalid Aziz Mirza	Chairman
Sadeq Sayeed	Member
Azmat Tarin	Member
Romana Khokhar	Secretary

### Auditors

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

### Legal Advisor

Ghani Law Associates
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### Registered Office

Silkbank Limited  
Silkbank Building, 3rd Floor, 18 - C, Kaghan Road, F-8 Markaz,  
Capital Territory, Islamabad.  
Direct Tel: 051-2287575 | PABX: 051-2287448-49 | Fax No.: 051-2287576  
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)  
CDC House, 99 - B, Block 'B',  
S.M.C.H.S., Main Shahr-e-Faisal  
Karachi-74400.  
Tel: Customer Support Services (Toll Free) 0800-CDCPL (23275)  
Fax: +92-21-34326053  
Email: [info@cdcpak.com](mailto:info@cdcpak.com)  
Website: [www.cdcpakistan.com](http://www.cdcpakistan.com)

# 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.



# Reports and Statements to the Members

For the Half year ended June 30, 2015





...we are looking for a new kind of revolution, which is not a...  
...way. This means we are not only in search for a new...  
...we are also looking for a new kind of revolution...  
...evolution is a process, not an event. We also believe...  
...These have yet profound notions are the foundation...  
...We are visionaries and theorists while at the...  
...daily trials we activists. We tend to love more the...  
...struggle itself manages to fuel us. If we have by...  
...some way for our activism to sustain us, for...  
...we've been able to muster to persevere...  
...organizational theory along...  
...uninterrupted, for...  
...that accom...  
...den...  
...the spoils of r...  
...Somehow, we r...  
...of revolt," as the slogans su...  
...culture and spirit are derived from...  
...that there is something outside us as indi...  
...That motion is, in fact, a social moveme...  
...they are, it's more likely to be by the r...  
...slogan or image, and place it before us...  
...they are made up of icons - or so it wo...  
...But social movements by definitio...  
...those people acknowledge the exist...  
...us.

When we talk about revolution...  
...implement common ideals in the...  
...talking about finally acknowledging...  
...against, as fully and wholly as pr...  
...we relate to it as an adversar...  
...manifests and promotes our

# Directors' Report

For the Half year ended June 30, 2015

## Dear Shareholders,

We are pleased to present the un-audited financial statements of Silkbank Limited for the half year ended June 30, 2015.

## Economic Review

Performance of Pakistan's economy over January-June 2015 (1H2015) was mostly encouraging with low inflation, improving external account outlook and contained fiscal deficit. Consumer Price Index (CPI) inflation in January-June 2015 was 3.0% year on year (YoY) with FY-15 CPI inflation averaging at 4.5% YoY. Moderation in inflation was largely a result of (1) sharp decline in international oil prices and (2) soft commodity prices, whereas external account recorded improvement on lower oil import bill, rising remittances and IMF receipts. As a result, Pakistan's foreign exchange reserves improved to US\$ 18.5 billion in June 2015. As a result, the State Bank of Pakistan (SBP) cut the policy rate by 300 bps to 6.5% during January-June 2015. GDP growth however was lower-than-expected at 4.2% in FY15 with the fiscal deficit contained at around 5% of GDP.



## Banking Sector

Lowering interest rates continued during January-June 2015 and the SBP persisted with monetary easing by a further cut in the discount rate by 250 bps to 7.0% during the period under review, together with the introduction of a 'Target Rate' fixed at 50 bps below the ceiling rate. As a result, banking spreads declined to a ten-year low.

The banking industry's investments grew by 33% YoY to reach Rs. 5,812 billion while Advances showed a growth of 7% YoY reaching Rs. 4,577 billion in June 2015. Total Deposits reached Rs. 9,141 billion during the same period, registering a growth of 13% YoY. Consequently, the investment to deposit ratio reached 64% whereas the asset to deposit ratio for the industry declined to 50%.

## Financial Performance

The Bank has a Loss of Rs. 95.629 million after tax for the half year ended June 30, 2015.

During this period, total deposits of the Bank grew by Rs. 13.779 billion to Rs. 82.549 billion and gross advances increased by Rs. 433.721 million.

Summarized financial performance of Silkbank Limited for the period ended June 30, 2015 is as follows:



Financial Performance - 2015	Rs. in "000"
Loss before tax	(157,257)
Tax - Current	-
Prior	-
Deferred	61,628
Loss after tax	(95,629)
	Rupee
Earnings per share - Basic	(0.04)
Earnings per share - Diluted	(0.03)

The loss after tax of Rs. 95.629 million is mainly because of the one-off provision against assets.

## Business Performance

### Branch Banking

Branch Banking remains one of the most critical business for the Bank, and with over 110,629 customers and approximately 75% of the Bank's deposit base witnessed a deposit growth of 11% which reached Rs. 62,023 million. The Branch Banking Strategy continued to focus on reducing cost of funds by replacing high cost deposits with lower cost CASA deposits which further improved the deposit mix by 1% during the second quarter.

- **All-In-One Account:** All-In-One Account is a novel current account which provides insurance coverage on ATM & over-the-counter cash snatching, mobile phone & vital documents snatching, home burglary as well as allows auto-insurance at as low as 2.5%. The product has 3,053 customers and a deposit base of Rs. 1.5 billion.
- **Business Value Account:** Business Value Account, a current account specifically designed for businessmen and provides inventory insurance for up to Rs.10 million, has now a deposit base of Rs. 0.5 billion with 997 customers.
- **Online Express:** Online Express is a current account which allows unlimited transactions across the country absolutely free, has a total deposit of Rs. 13.7 billion with 67,071 customers. The deposit base for this product grew by Rs. 2.9 billion in the second quarter of 2015.
- **Munafa Rozana:** Munafa Rozana, a unique savings account which pays profit in cash daily, has a deposit base of Rs. 4.1 billion with 7,992 customers. The product's deposit increased by Rs. 0.6 billion in the second quarter of 2015.



### Consumer Banking

#### Unsecured Portfolio

The Unsecured Consumer Loans include Personal Installment Loan, Ready Line and Credit Cards. The initiatives taken and progress made in the second quarter of 2015 are well in line with its overall strategy to ensure budgetary targets. The receivable base for the



Consumer Banking grew by Rs. 700 million in the second quarter from Rs. 9.2 billion at the end of March 2015 to Rs. 9.9 billion at the end of June 2015. Business is strongly focused and is taking various initiatives to effectively improve funded as well as non-funded income.

■ **Personal Loan:** Silkbank Personal Loan is an installment-based loan, which was launched in November 2010 and has 17,903 active customers with a total receivable of Rs. 4.1 billion. After a successful acquisition campaign "Apply for 5 years and pay Mark-up for 4", another aggressive campaign was launched in which a "5% lower rate" was offered on transfer of existing Personal Loans to Silkbank. This campaign is specifically designed to secure market leadership by acquiring customers who already have a good credit history. As part of our strategy and to capitalize on the potential of our existing customer base, Silkbank has increased its focus on loan top-ups, which will help in improving the portfolio yield and retain profitable customers for a longer period of time.

■ **Ready Line:** Silkbank Ready Line is an unsecured running finance facility. The facility was launched in July 2011 and has earned sizeable market share in the last four years. The current outstanding balance stands at Rs. 3.5 billion with 29,681 numbers of active borrowers. To make most of the Eid season a "Spend and Win Eidi" campaign was launched. The campaign received a tremendous response and generated a spend of Rs. 1.06 billion which is 32% higher than the average of first 5 months of 2015.

■ **Credit Cards:** Silkbank Credit Cards continued to register steady growth during the second quarter of 2015. Significant increase in monthly acquisition numbers was witnessed during the second quarter of the year and total cards base stood at 49,113 cards as of June 30, 2015. Ending Net Receivables (ENR) for the Credit Cards business as of June 30, 2015 stood at Rs. 2.23 billion. The Spend Stimulation Unit generated a Rs. 230 million Spend Volume through sale of Installment Plans during this quarter. A 0% APR offer coupled with the "Surprisingly Silkbank" alliances have created a distinct positioning for Silkbank Credit Cards in the market. This has been complimented by the year-round installment plan designed to enhance affordability and help customers to buy electronics and consumer durables on their Silkbank cards.



#### Secured Portfolio

M'Power, a product secured against residential and commercial property, has a total of 597 active borrowers with receivables of Rs. 3.68 billion. Currently, the fresh lending in M'Power is on hold to focus more on high-yielding products.

■ **Home Remittance:** Silkbank is performing phenomenally well in Remittances and is amongst the major players in the market. The business recorded a total of 80,773 transactions and disbursed Rs. 6.57 billion to customers in the second quarter of 2015. Further expansion of the Remittance Business through partnerships with more Exchange Companies is planned.

■ **ADC Business:** Silkbank VISA Debit Card has shown good growth in the second quarter of 2015 with a base now of 94,674 cards. The debit card usage over Point of Sales (POS) and ATM showed a rise of 25.17% and 16.56% respectively as compared to the second quarter 2014. Alternate Distribution Services and e-Delivery channels, such as SMS Alerts, E-Statements and SilkDirect Internet Banking have added value to the product offerings of Silkbank, and enhanced reach and accessibility of banking services to customers. SilkMobile registrations have reached 7,016 customers and new features in the bucket are in a launching phase.

■ **Bancassurance:** Bancassurance business recorded a total revenue

of Rs. 13.49 million during the second quarter of 2015 while the total revenue as of June 30th, 2015, was Rs. 27.50 million.



#### Emaan Islamic Banking

Emaan Islamic Banking has maintained its position as one of the best performing units of the Bank. The unit is continuously striving to improve its CASA-TD ratio which is currently at 67:33 and the core deposits trend during the second quarter of 2015 has also jumped from 28% to 42%. Periodic re-pricing, which is integral in Islamic Banking, has enabled a reduction in Cost of Funds by 90 bps during the second quarter which is currently at 4.5%.

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

As reported earlier, the Bank is in process of issuing 6,410,256,410 rights shares of Rs. 10 billion, at Rs. 1.56 per share (at a discount of Rs. 8.44 per share). Subsequent to obtaining all regulatory approvals, the Bank announced Book Closure for the entitlement of Rights Shares from July 13, 2015 to July 20, 2015 (both days inclusive). In accordance with the process, approved by the Stock Exchanges, the last date of acceptance and payment of shares was August 24, 2015 after which allotment of right shares will be completed before September 11, 2015.

Also as reported earlier, the Bank has already received a Rs. 2.00 billion advance against shares in the subscription account of the Bank, whereas an underwriting commitment of Rs. 6.00 billion, by M/s Arif Habib Limited is also in place, thereby assuring the successful completion of the issue, and increasing the capital base of the Bank to Rs. 16 billion.

#### Credit Rating

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

#### Future Outlook

The Bank has declared a loss in the second quarter of 2015 mainly due to the impact of a provision against assets. Your Directors are confident as reported above that with the injection of capital through the Rights Issue, the Bank will meet its MCR and CAR by the end of Q-3, and with a clear consequent strategy in place, positive results will be seen very quickly.

#### 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.

*Munnawar Hamid*  
Munnawar Hamid, OBE  
Chairman

For and on Behalf of the  
Board of Silkbank Limited

Karachi, August 28, 2015

# Auditors' Review Report to the Members on Interim Financial Information

# Deloitte

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

Telephone +92 (21) 1234 5678  
Fax +92 (21) 1234 5678  
Internet www.deloitte.com

## Introduction

We have reviewed the accompanying condensed interim statement of financial position of Silkbank Limited (the Bank) as at June 30, 2015 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity together with the notes forming part thereof for the half year then ended (here-in-after referred to as the "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

## Scope of Review

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

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information as of and for the half year ended June 30, 2015, is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

## Emphasis of Matter

We draw attention to the following matters:

- a) note 1.3 to the interim financial information which highlights that the Bank has not been able to meet the minimum capital requirement prescribed by the State Bank of Pakistan (SBP) and the capital adequacy ratio of the Bank was short of requirement of 10% applicable to the Bank. 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 was allowed extension until June 30, 2015 by the SBP to meet the capital requirement and has also been allowed relaxation from provisioning against investment and loans and advances as explained in notes 9.1.2, 10.3.2 and 10.3.3 to the interim financial information.
- b) note 12.1 to the interim financial information 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. 4,008 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 assets in future.

- c) As disclosed in note 13 to the interim financial information, which highlights significant increase in the non-banking assets (NBAs) acquired in satisfaction of claims during the period, and such assets amounted to Rs. 7,955 million (net of provision) as at June 30, 2015. Further, as disclosed in note 10.1.1, Musharaka financing arrangements have been terminated subsequent to June 30, 2015, which will further increase the non-banking asset portfolio by Rs. 2,507 million (if nothing else changes during the intervening period), thereby increasing the amount of NBAs to Rs. 10,462 million. We are highlighting this matter owing to significant uncertainty with regard to the disposal and recovery of such assets in near future.

Our conclusion is not qualified in respect of above matters.

### **Other matter**

The figures of the condensed interim profit and loss account and the condensed interim statement of comprehensive income for the quarters ended June 30, 2015 and 2014 have not been reviewed and we do not express a conclusion on them, as we are required to review only the cumulative figures for the half year ended June 30, 2015.

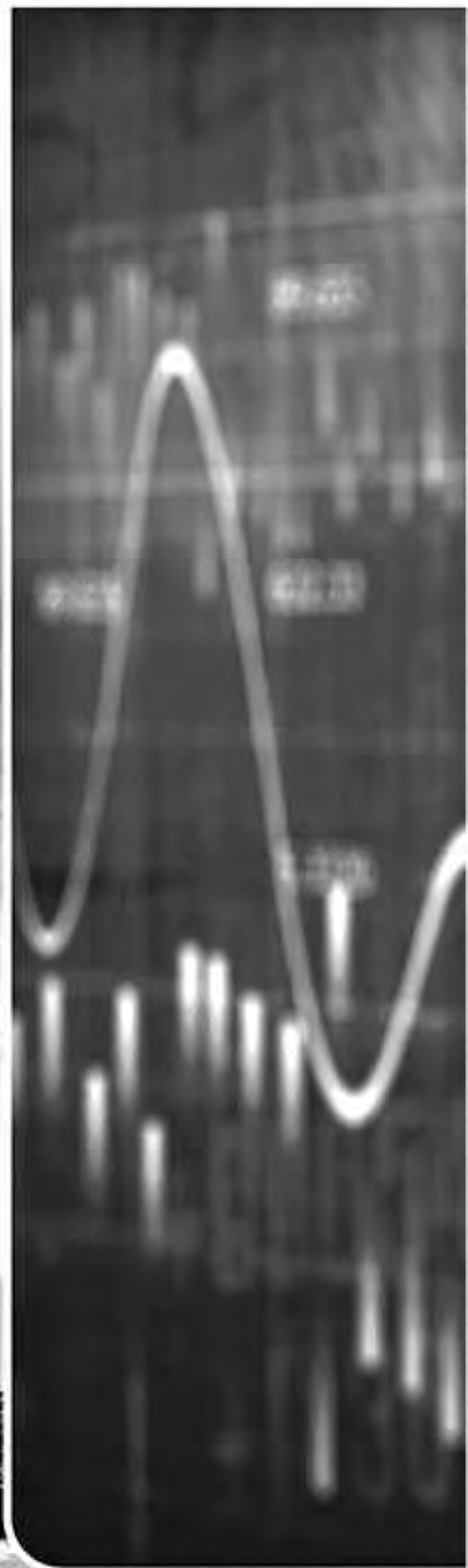
### **Chartered Accountants**

**Engagement Partner:**  
Syed Asad Ali Shah

**Place:** Karachi  
**Date:** August 28, 2015

# Financial Statements

For the Half year ended June 30, 2015






# Condensed Interim Statement of Financial Position

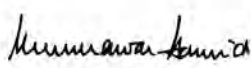
as at June 30, 2015

		June 30, 2015 Un-audited	December 31, 2014 Audited
	Note	----- Rupees in ' 000 -----	
<b>ASSETS</b>			
Cash and balances with treasury banks		5,628,471	5,102,984
Balances with other banks		296,715	139,478
Lendings to financial institutions	8	4,742,054	3,000,000
Investments - net	9	28,764,889	18,105,414
Advances - net	10	58,777,918	58,966,877
Operating fixed assets	11	4,584,249	4,563,290
Deferred tax assets - net	12	4,008,403	3,937,182
Other assets	13	11,804,300	8,833,892
		<b>118,606,999</b>	<b>102,649,117</b>
<b>LIABILITIES</b>			
Bills payable		2,777,667	2,153,091
Borrowings	14	23,224,897	21,742,246
Deposits and other accounts	15	82,549,478	68,770,255
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		15,688	17,105
Deferred tax liabilities		-	-
Other liabilities	16	1,853,077	1,465,593
		<b>110,220,807</b>	<b>94,148,290</b>
<b>NET ASSETS</b>		<b>8,386,192</b>	<b>8,500,827</b>
<b>REPRESENTED BY</b>			
Share capital	17	26,716,048	26,716,048
Discount on issue of right shares		(13,284,674)	(13,284,674)
Reserves		180,134	180,134
Advance against shares subscription	17.5	2,000,000	2,000,000
Convertible preference shares	18	2,200,000	2,200,000
Accumulated loss		(9,546,124)	(9,444,123)
		<b>8,265,384</b>	<b>8,367,385</b>
Surplus on revaluation of assets - net of tax	19	120,808	133,442
		<b>8,386,192</b>	<b>8,500,827</b>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	20		

The annexed notes 1 to 30 form an integral part of these condensed interim financial statements.



Azmat Tarin  
President & CEO



Munnawar Hamid, OBE  
Chairman



Tariq Iqbal Khan  
Director



Shamsul Hasan  
Director

# Condensed Interim Profit and Loss Account - Unaudited

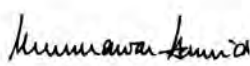
for the Half year ended June 30, 2015

	Note	Quarter ended		Half Year ended	
		June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Rupees in ' 000					
Mark-up / return / interest earned	21	2,172,162	2,303,418	4,502,712	4,533,084
Mark-up / return / interest expensed	22	(1,470,793)	(1,443,445)	(3,019,767)	(2,790,725)
<b>Net mark-up / interest income</b>		<b>701,369</b>	<b>859,973</b>	<b>1,482,945</b>	<b>1,742,359</b>
Reversal / (provision) against non-performing loans and advances - net	10.3	366,588	42,045	236,028	(28,711)
General provision against consumer financing	10.3	(30,919)	(37,402)	(44,512)	(75,235)
Recovery against written off loans		550	(2,399)	3,300	2,691
Provision for diminution in the value of investments - net	9.3	(5,344)	-	(5,344)	-
Impairment in the value of investments	9.4	(10,489)	(16,761)	(24,090)	(129,618)
Bad debts written off directly		-	-	-	-
<b>Net mark-up / interest income after provisions</b>		<b>1,021,755</b>	<b>845,456</b>	<b>1,648,327</b>	<b>1,511,486</b>
<b>NON MARK-UP / INTEREST INCOME</b>					
Fee, commission and brokerage income		262,021	252,131	491,589	417,184
Dividend income		6,293	9,778	19,415	28,646
Income from dealing in foreign currencies		35,727	33,234	108,878	97,088
Gain on sale of securities - net		90,374	37,107	353,278	183,685
Unrealized (loss) / gain on revaluation of investments - held-for-trading		(2,251)	2,385	(2,303)	1,492
Other income		30,097	3,405	100,950	59,505
<b>Total non-mark-up / interest income</b>		<b>422,261</b>	<b>338,040</b>	<b>1,071,807</b>	<b>787,600</b>
<b>NON MARK-UP / INTEREST EXPENSES</b>		<b>1,444,016</b>	<b>1,183,496</b>	<b>2,720,134</b>	<b>2,299,086</b>
Administrative expenses		(1,324,400)	(1,130,316)	(2,525,179)	(2,203,889)
Other (provisions) / reversals - net	23	(349,204)	960	(349,204)	960
Other charges		(2,914)	(18,874)	(3,008)	(18,989)
<b>Total non-mark-up / interest expenses</b>		<b>(1,676,518)</b>	<b>(1,148,230)</b>	<b>(2,877,391)</b>	<b>(2,221,918)</b>
<b>(LOSS) / PROFIT BEFORE TAXATION</b>		<b>(232,502)</b>	<b>35,266</b>	<b>(157,257)</b>	<b>77,168</b>
<b>Taxation</b>					
- Current		-	-	-	-
- Prior		-	-	-	-
- Deferred		87,006	(29,473)	61,628	(4,535)
	12 & 24	<b>87,006</b>	<b>(29,473)</b>	<b>61,628</b>	<b>(4,535)</b>
<b>(LOSS) / PROFIT AFTER TAXATION</b>		<b>(145,496)</b>	<b>5,793</b>	<b>(95,629)</b>	<b>72,633</b>
Rupee					
Earnings per share - basic		(0.05)	0.00	(0.04)	0.03
Earnings per share - diluted		(0.04)	0.00	(0.03)	0.03

The annexed notes 1 to 30 form an integral part of these condensed interim financial statements.



Azmat Tarin  
President & CEO



Munnawar Hamid, OBE  
Chairman



Tariq Iqbal Khan  
Director



Shamsul Hasan  
Director

# Condensed Interim Statement of Comprehensive Income - Unaudited

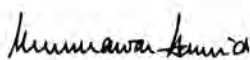
for the Half year ended June 30, 2015

	Quarter ended		Half Year ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Rupees in ' 000				
<b>(Loss) / Profit after taxation</b>	(145,496)	5,793	(95,629)	72,633
<b>Other comprehensive income</b>				
<b>Items that will not be reclassified to profit and loss</b>				
Remeasurement of defined benefit plan	(10,996)	5,231	(10,996)	5,231
Related tax effect	3,849	(1,831)	3,849	(1,831)
	(7,147)	3,400	(7,147)	3,400
<b>Comprehensive income transferred to equity</b>	<b>(152,643)</b>	<b>9,193</b>	<b>(102,776)</b>	<b>76,033</b>
<b>Components of comprehensive income not reflected in equity</b>				
Deficit on revaluation of assets	(63,561)	(642,432)	(18,379)	(594,930)
Deferred tax asset on revaluation of assets	21,976	224,852	5,745	208,225
	(41,585)	(417,580)	(12,634)	(386,705)

The annexed notes 1 to 30 form an integral part of these condensed interim financial statements.



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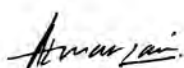


# Condensed Interim Statement of Changes in Equity - Unaudited

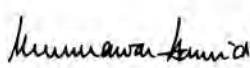
for the Half year ended June 30, 2015

	Share Capital	Discount on Issue of Shares	Statutory Reserves	Advance against Shares Subscription	Convertible Preference Shares	Accumulated Loss	Total Equity
Rupees in '000							
<b>Balance as at January 01, 2014 - Audited</b>	26,716,048	(13,284,674)	162,762	-	2,200,000	(9,526,849)	6,267,287
<b>Total comprehensive income for the half year ended June 30, 2014</b>							
Profit after tax for the half year ended June 30, 2014 - Un-audited	-	-	-	-	-	72,633	72,633
Other comprehensive Income	-	-	-	-	-	3,400	3,400
<b>Total comprehensive income for the half year ended June 30, 2014 - Un-audited</b>	-	-	-	-	-	76,033	76,033
Transfer from surplus on revaluation of fixed assets on account of incremental depreciation- net of tax	-	-	-	-	-	1,860	1,860
<b>Balance as at June 30, 2014 - Un-audited</b>	26,716,048	(13,284,674)	162,762	-	2,200,000	(9,448,956)	6,345,180
<b>Total comprehensive income for the half year ended December 31, 2014</b>							
Profit after tax for the half year ended December 31, 2014 - Un-audited	-	-	-	-	-	14,227	14,227
Other comprehensive Income	-	-	-	-	-	6,118	6,118
<b>Total comprehensive income for the half year ended December 31, 2014</b>	-	-	-	-	-	20,345	20,345
Transfer from surplus on revaluation of fixed assets on account of incremental depreciation- net of tax	-	-	-	-	-	1,860	1,860
Advance against shares subscription	-	-	-	2,000,000	-	-	2,000,000
Transfer to statutory reserves	-	-	17,372	-	-	(17,372)	-
<b>Balance as at December 31, 2014 - Audited</b>	26,716,048	(13,284,674)	180,134	2,000,000	2,200,000	(9,444,123)	8,367,385
<b>Total comprehensive income for the half year ended June 30, 2015</b>							
Loss after tax for the half year ended June 30, 2015 - Un-audited	-	-	-	-	-	(95,629)	(95,629)
Other comprehensive Income	-	-	-	-	-	(7,147)	(7,147)
<b>Total comprehensive income for the half year ended June 30, 2015</b>	-	-	-	-	-	(102,776)	(102,776)
Transfer from surplus on revaluation of fixed assets on account of incremental depreciation - net of tax	-	-	-	-	-	775	775
<b>Balance as at June 30, 2015 - Un-audited</b>	26,716,048	(13,284,674)	180,134	2,000,000	2,200,000	(9,546,124)	8,265,384

The annexed notes 1 to 30 form an integral part of these condensed interim financial statements.



Azmat Tarin  
President & CEO



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Chairman



Tariq Iqbal Khan  
Director



Shamsul Hasan  
Director

# Condensed Interim Cash Flow Statement - Unaudited

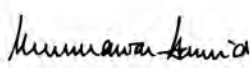
for the Half year ended June 30, 2015

	Note	June 30, 2015	June 30, 2014
Rupees in ' 000			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
(Loss) / Profit before taxation		(157,257)	77,168
Less : Dividend Income		(19,415)	(28,646)
		(176,672)	48,522
<b>Adjustments for non-cash items</b>			
Depreciation		184,756	194,895
Amortization of intangible assets		44,838	41,625
Amortization of premium on investment		28,490	(1,265)
(Reversal) / provision against non-performing loans and advances - net	10.3	(236,028)	28,711
General provision against consumer financing	10.3	44,512	75,235
Provision for diminution / impairment in the value of investments	9.3 & 9.4	29,434	129,618
Unrealized loss / (gain) on revaluation of investments - held for trading	9.1	2,303	(1,492)
Share of profit from associate		(8,443)	(8,436)
Other provisions / (reversals)		324,204	(960)
Gain on sale of property and equipment		(726)	(1,506)
		411,340	456,425
		234,668	504,947
<b>(Increase) / Decrease in operating assets</b>			
Lendings to financial institutions		(1,742,054)	(2,479,495)
Net investments in held-for-trading securities		2,485,524	2,428,762
Advances		380,475	(1,374,968)
Other assets		(3,147,075)	(1,381,793)
		(2,023,130)	(2,807,494)
<b>Increase / (decrease) in operating liabilities</b>			
Bills payable		624,576	(111,852)
Borrowings		1,482,651	(3,613,878)
Deposits		13,779,223	9,516,046
Other liabilities		149,485	(81,837)
		16,035,935	5,708,479
		14,247,473	3,405,932
Income tax paid		(120,476)	(69,804)
<b>Net cash flows from operating activities</b>		14,126,997	3,336,128
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Net investment in available-for-sale securities		(13,212,386)	(3,377,778)
Dividend received		19,355	26,983
Proceeds from sale of property and equipment		27,996	30,870
Net investment in operating fixed assets		(277,823)	(99,115)
<b>Net cash flows used in investing activities</b>		(13,442,858)	(3,419,040)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Finance lease obligation paid		(1,415)	-
<b>Net cash flows used in financing activities</b>		(1,415)	-
<b>Net increase / (decrease) in cash and cash equivalents</b>		682,724	(82,912)
Cash and cash equivalents at beginning of the half year		5,242,462	5,587,879
<b>Cash and cash equivalents at end of the half year</b>	25	5,925,186	5,504,967

The annexed notes 1 to 30 form an integral part of these condensed interim financial statements.



Azmat Tarin  
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Munnawar Hamid, OBE  
Chairman



Tariq Iqbal Khan  
Director



Shamsul Hasan  
Director

# Notes To The Condensed Interim Financial Statements - Unaudited

for the Half year ended June 30, 2015

## 1 STATUS AND NATURE OF BUSINESS

- 1.1 Silkbank Limited ("the Bank") was incorporated in Pakistan on April 04, 1994 as a public limited company under the Companies Ordinance, 1984. The Bank commenced commercial operations on May 07, 1995. The Bank's shares are quoted on all the Stock Exchanges in Pakistan. The Bank is engaged in banking services as described in the Banking Companies Ordinance, 1962. The Bank operates through 88 branches (December 31, 2014: 88 branches) including 10 (December 31, 2014: 10) Islamic banking branches in Pakistan with the registered office located at Silkbank Building, Kaghan Road, F-8 Markaz, Islamabad. The short term and long term credit ratings of the Bank rated by JCR-VIS Credit Rating Company Limited in June 2015 are 'A-2' and 'A-' respectively.
- 1.2 Majority shareholding (82.406%) in the Bank as on June 30, 2015 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 18), issue of right shares for advance against share subscription and additional right shares (as described below and in note 17.5) and unsubscribed rights issue (as described in note 17.4), the majority shareholding of the consortium 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 June 30, 2015, including 'Advance against Shares Subscription' (as allowed by SBP as of December 31, 2014 subject to certain conditions which are not met but still considered to be part of capital by management as they are expected to be met by the end of September 2015) and excluding general reserves of Rs.180.13 million and convertible preference shares of Rs. 2.20 billion, amounted to Rs. 5.89 billion. The shortfall in MCR at half-year end amounted to Rs. 4.11 billion and the CAR of the Bank remained below the prescribed level of 10% as at June 30, 2015. 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:

### Issue of Right Shares

The Bank is in the process of issuance of 6,410,256,410 right shares amounting to Rs. 10 billion. The regulatory approvals in respect of the Rights Issue have been received and the process is likely to be completed by September 15, 2015. For the purpose of Rights Issue, the Bank has entered into Underwriting Agreement with Arif Habib Limited on June 30, 2015 to underwrite the Rights Issue to the extent of 3,846,153,846 ordinary shares making an aggregate amount of Rs. 6 billion on terms and conditions as specified in the Underwriting Agreement.

The Bank has already raised an advance against proposed issue of right shares amounting to Rs. 2 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 the advance for MCR and CAR purposes subject to certain conditions, some of which were to be completed by March 31, 2015. However, the Bank has not been able to comply with these conditions until the date of authorization of issue of this condensed interim financial statements but is considering such advance as part of MCR because in management's view, fulfilment of conditions by March 31, 2015 was by reason of issuance of right shares by that date, which is extended to September 15, 2015 and the Bank has communicated to SBP about the developments related to Rights Issue through various letters.

### Issuance of Convertible Preference Shares

In March 2013, the Bank issued 880 million Convertible Preference Shares (CPS) amounting to Rs. 2.2 billion subject to conditions as fully disclosed in note 18 to the condensed interim financial statements. SBP vide its letter No. BPRD / 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 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.

### 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 issue of Rights Shares and reflect future profitable operations based on various core assumptions such as the sale of non-banking assets acquired in satisfaction of claims, growth in deposits and consumer advances, investment returns, future loan losses, interest rates, costs 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 till June 30, 2015 vide letter no. BPRD / BA&CP-04 / 644 / 8547 / 2015 dated April 13, 2015. Further, the Bank has sought extension from SBP for MCR and CAR requirements till September 30, 2015 in light of the completion of process of the Rights Issue.

# Notes To The Condensed Interim Financial Statements - Unaudited

for the Half year ended June 30, 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 this condensed interim 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 bank from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these condensed interim financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of mark-up thereon.

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

2.3 The financial results of the Islamic Banking branches have been consolidated in these condensed interim financial statements for reporting purposes, after eliminating material inter-branch transactions / balances. Key financial figures of the Islamic Banking branches are disclosed in note 28.

## 3. BASIS OF MEASUREMENT

These condensed interim financial statements comprising of condensed interim statement of financial position, condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity together with explanatory notes have been prepared under the historical cost convention except that certain fixed assets 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.

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

## 4. STATEMENT OF COMPLIANCE

These condensed interim financial statements of the Bank for the half year ended June 30, 2015 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 notified under the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the provisions of and directives issued by SBP and the Securities and Exchange Commission of Pakistan (SECP). In case requirements differ, the provisions of Companies Ordinance, 1984, 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 applicability of IFRS-7 "Financial Instruments: Disclosures" on banks through S.R.O 411(1) / 2008 dated April 28, 2008. Accordingly, the requirements of these standards have not been considered in the preparation of these condensed interim financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.

The disclosures made in these condensed interim financial statements are limited based on the format prescribed by the SBP vide BSD circular letter No. 2 dated May 12, 2004 and International Accounting Standard (IAS) 34, 'Interim Financial Reporting' and do not include all the information required in the annual financial statements. Accordingly, these condensed interim financial statements should be read in conjunction with the annual financial statements of the Bank for the year ended December 31, 2014.

## 5. ACCOUNTING POLICIES

The accounting policies and methods of computation adopted for preparation of these condensed interim financial statements are same as those followed in the preparation of the annual financial statements of the Bank for the year ended December 31, 2014.

## 6. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The basis and methods used for critical accounting estimates and judgments adopted in these condensed interim financial statements are same as those applied in the preparation of the annual financial statements of the Bank for the year ended December 31, 2014.

## 7. FINANCIAL RISK MANAGEMENT

The Bank's financial risk management objectives and policies are consistent with those disclosed in the annual financial statements for the year ended December 31, 2014.

# Notes To The Condensed Interim Financial Statements - Unaudited

for the Half year ended June 30, 2015

	Note	June 30, 2015 Un-audited	December 31, 2014 Audited
		Rupees in ' 000	
<b>8 LENDINGS TO FINANCIAL INSTITUTIONS</b>			
Repurchase agreement lendings (Reverse repo)	8.1	<b>4,742,054</b>	3,000,000
<b>8.1</b>	These are short-term lendings to various financial institutions against federal government securities. These carry mark-up at rates ranging between 6.70% to 7.35% (December 31, 2014: 9.75% to 10.00%) per annum and will mature on various dates latest by August 31, 2015.		

## 9 INVESTMENTS - NET

June 30, 2015 - (Un-audited)			December 31, 2014 - Audited		
Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total

### 9.1 INVESTMENTS BY TYPES:

Note

Rupees in ' 000

#### Held-for-Trading Securities

Pakistan Investment Bonds  
Ordinary Shares of Listed companies

169,315	-	169,315	-	2,500,368	2,500,368
14,582	-	14,582	-	-	-
183,897	-	183,897	-	2,500,368	2,500,368

#### Available-for-Sale Securities

Market Treasury Bills  
Pakistan Investment Bonds  
GOP Ijara Sukuk  
Term Finance Certificates - Listed  
- Unlisted  
Ordinary Shares - Listed  
- Unlisted

9.1.1

9.1.2

7,971,710	9,983,833	17,955,543	3,522,238	6,342,179	9,864,417
384,953	7,473,033	7,857,986	586,897	2,887,536	3,474,433
1,708,271	-	1,708,271	1,106,265	-	1,106,265
55,041	-	55,041	25,000	-	25,000
44,672	-	44,672	12,215	-	12,215
811,359	-	811,359	788,736	-	788,736
5,680	-	5,680	5,680	-	5,680
10,981,686	17,456,866	28,438,552	6,047,031	9,229,715	15,276,746

#### Held-to-Maturity Securities

Shares repurchase (fully provided)

74,910	-	74,910	74,910	-	74,910
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Investment in Associate

80,404	-	80,404	71,961	-	71,961
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#### Investments at Cost

Less : Provisions for diminution in value of Investments

9.3

11,320,897	17,456,866	28,777,763	6,193,902	11,730,083	17,923,985
(89,370)	-	(89,370)	(84,026)	-	(84,026)

#### Investments - net of provision

11,231,527	17,456,866	28,688,393	6,109,876	11,730,083	17,839,959
------------	------------	------------	-----------	------------	------------

Unrealized (loss) / gain on revaluation of

investments - Held for trading  
Surplus / (deficit) on revaluation of  
Available-for-sale securities

19.1

(2,303)	-	(2,303)	-	169,053	169,053
(26,002)	104,801	78,799	(22,217)	118,619	96,402

#### Total Investments

11,203,222	17,561,667	28,764,889	6,087,659	12,017,755	18,105,414
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**9.1.1** These include zero coupon Privately Placed TFCs of Azgard Nine Limited acquired against markup settlement of Rs. 8.8 million on the credit facilities of Azgard Nine Limited. These TFCs are fully provided in these condensed interim financial statements.

**9.1.2** 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. 7.70 per share as at June 30, 2015 resulting in an impairment loss of Rs. 237.636 million.

# Notes To The Condensed Interim Financial Statements - Unaudited

for the Half year ended June 30, 2015

As per the revised SBP letter No. BPRD / BRD-(Policy) / 2014-11546 dated June 27, 2014, 85% of the impairment / provision is required to be recorded up to June 30, 2015 resulting in total impairment of Rs. 201.991 million and charge during the period of Rs. 24.090 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 period would have been lower by Rs. 35.645 million.

	Note	June 30, 2015 Un-audited	December 31, 2014 Audited
----- Rupees in ' 000 -----			
<b>9.2 INVESTMENTS BY SEGMENTS</b>			
<b>Federal Government Securities</b>			
Market Treasury Bills	9.2.1	17,955,543	9,864,417
Pakistan Investment Bonds	9.2.2	8,027,301	5,974,801
GOP Ijara Sukuk		1,708,271	1,106,265
		27,691,115	16,945,483
<b>Fully paid-up ordinary shares</b>			
Listed companies		825,941	788,736
Unlisted companies		5,680	5,680
		831,621	794,416
<b>Term Finance Certificates / Sukuk</b>			
Term Finance Certificates - Listed		55,041	25,000
Term Finance Certificates - Unlisted		44,672	12,215
		99,713	37,215
<b>Other Investments</b>			
Shares repurchase (fully provided)		74,910	74,910
Investment in Associate		90,404	71,961
		155,314	146,871
<b>Investments at Cost</b>			
Less : Provision for diminution in value of investments	9.3	28,777,763	17,923,985
		(89,370)	(84,026)
<b>Investments - net of provision</b>		28,688,393	17,839,959
Unrealized (loss) / gain on revaluation of Held-for-trading securities		(2,303)	169,053
Surplus on revaluation of Available-for-Sale securities	19.1	78,799	96,402
<b>Total Investments</b>		28,764,889	18,105,414

**9.2.1** These include securities having face value of Rs. 67 million (December 31, 2014: Rs. 110 million) 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 18).

**9.2.2** These include securities having face value of Rs. 47.7 million (December 2014: 47.7) pledged with SBP and National Bank of Pakistan as security to facilitate T.T. discounting facility to branches of the Bank.

	June 30, 2015 Un-audited	December 31, 2014 Audited
----- Rupees in ' 000 -----		
<b>9.3 Particulars of provision</b>		
<b>Opening balance</b>	84,026	86,563
Charge for the period / year	8,780	-
Reversals for the period / year	(3,436)	(2,537)
	5,344	(2,537)
Write off	-	-
<b>Closing balance</b>	89,370	84,026

**9.4** During the half year ended June 30, 2015, the Bank recorded impairment on shares amounting to Rs. 24.090 million (June 30, 2014: Rs. 129.618 million).

# Notes To The Condensed Interim Financial Statements - Unaudited

for the Half year ended June 30, 2015

10	ADVANCES - NET	Note	June 30, 2015	December 31, 2014
			Un-audited	Audited
Rupees in '000				
	Loans, cash credits, running finances, etc.			
	In Pakistan		57,238,232	57,868,559
	Outside Pakistan		-	-
	Islamic Financing and related assets	10.1	57,238,232	57,868,559
			6,250,936	5,745,328
	Bills discounted and purchased (excluding treasury bills)			
	Payable in Pakistan		170,061	134,761
	Payable outside Pakistan		324,189	668,491
			494,250	803,252
	<b>Advances - gross</b>		63,983,418	64,417,139
	Provision against non-performing advances - specific	10.3	(4,733,376)	(5,022,650)
	Provision against consumer finance - general	10.3	(472,124)	(427,612)
	<b>Advances - net of provision</b>		58,777,918	58,966,877
10.1	<b>Islamic financing and related assets</b>	27		
	Murabaha financing		2,376,789	2,095,181
	Musharaka financing	10.1.1	2,507,147	3,450,147
	Musawama financing	10.1.2	943,000	-
	Diminishing Musharaka		424,000	200,000
			6,250,936	5,745,328

**10.1.1** It includes Musharaka financing arrangements amounting to Rs. 2,507 million (December 31, 2014: 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. The Bank, based on approval from SBP through letter dated September 11, 2014, had recognised profit to the extent of Rs. 309 million out of which Rs. 40 million were collected until December 31, 2014. Subsequent to June 30, 2015, the Musharaka agreements have been terminated and the uncollected markup income of Rs. 269 million has been suspended in these condensed interim financial statements.

**10.1.2** This represents Deferred Payment Musawammah financing, which have been converted from Musharaka financings (refer note 10.1.1) during the current period. Such financing was entered into by the Bank after externally purchasing the land.

**10.2** Advances include Rs. 7,800 million (December 2014: Rs. 8,222 million) which have been placed under non-performing status as detailed below:

Category of classification - specific	June 30, 2015 (Un-audited)			December 31, 2014 - Audited		
	Classified Advances	Provision required (Domestic)	Provision held	Classified Advances	Provision required (Domestic)	Provision held
Rupees in '000						
Sub-standard	604,867	72,871	72,871	364,371	39,445	39,445
Doubtful	736,430	88,012	88,012	545,927	62,005	62,005
Loss	6,459,140	4,572,453	4,572,453	7,311,649	4,921,200	4,921,200
	7,800,437	4,733,336	4,733,336	8,221,947	5,022,650	5,022,650

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

Note	June 30, 2015 (Un-audited)			December 31, 2014 - Audited		
	Specific	General	Total	Specific	General	Total
Rupees in '000						
<b>Opening balance</b>	5,022,650	427,612	5,450,262	5,131,997	300,210	5,432,207
Charge for the period / year	698,336	44,512	742,848	1,105,665	127,402	1,233,067
Reversals for the period / year	(934,364)	-	(934,364)	(1,026,588)	-	(1,026,588)
Net charge / (reversals) for the period / year	(236,028)	44,512	(191,516)	79,077	127,402	206,479
Amounts written off	(53,246)	-	(53,246)	(188,424)	-	(188,424)
<b>Closing balance</b>	4,733,376	472,124	5,205,500	5,022,650	427,612	5,450,262

# Notes To The Condensed Interim Financial Statements - Unaudited

for the Half year ended June 30, 2015

- 10.3.1** This includes reversal of provision of Rs. 812.29 million against certain non-performing loans due to assignment of their rights to a private company and an individual under 'Debt-Property Swap' transactions (refer note 13.1.1).
- 10.3.2** The State Bank of Pakistan through its various circulars / letters has allowed relaxation to the Bank in maintaining provisioning against exposure of Dewan Group. The relaxation resulted in reduction of Rs. 70.5 million (December 31, 2014: Rs. 224 million) in provision against loans and advances.
- 10.3.3** SBP vide various circulars has amended Prudential Regulations in respect of provisioning against non performing advances under which the benefit of Forced Sale Value (FSV) has been allowed for plant and machinery under charge, pledged stock and mortgaged residential, commercial and industrial properties held as collateral against non-performing loans and advances for five years from the date of classification.

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

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;
- 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 June 30, 2015, enhanced FSV benefit allowed in accordance with above mentioned SBP letter has an after tax impact of Rs. 118 million (December 31, 2014 Rs. 301 million) on accumulated losses, which shall not be available for payment of cash or stock dividend.

As of June 30, 2015, total FSV benefit taken against all loans and advances including enhanced FSV benefit is Rs. 1,226 million - net of tax (December 31, 2014: Rs. 1,351 million - net of tax), which shall not be available for payment of cash or stock dividend.

- 10.4** 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.

## 11. OPERATING FIXED ASSETS

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

	June 30, 2015 (Un-audited)		June 30, 2014 - Un-audited	
	Additions	Disposals	Additions	Disposals
----- Rupees in '000 -----				
Leasehold improvements	33,285	-	4,630	-
Furniture and fixtures	5,365	-	3,354	-
Other equipment	32,403	-	6,311	-
Computers	21,173	810	2,791	822
Vehicles	107,911	66,038	43,239	65,433
	<b>200,137</b>	<b>66,848</b>	<b>60,325</b>	<b>66,255</b>
<b>11.2 Additions to intangible assets</b>				
- Computer software	42,335	-	2,853	-



# Notes To The Condensed Interim Financial Statements - Unaudited

for the Half year ended June 30, 2015

	Note	June 30, 2015 Un-audited	December 31, 2014 Audited
----- Rupees in ' 000 -----			
<b>12 DEFERRED TAX ASSETS - NET</b>			
<b>Deferred tax debits arising in respect of</b>			
Provision against other assets and liabilities		113,471	-
Provision for diminution / impairment in the value of investments		104,206	99,546
Provision against non-performing advances		2,183,979	2,161,928
Unabsorbed tax depreciation		818,567	818,567
Unused tax losses		1,019,597	1,120,313
		<b>4,239,820</b>	<b>4,200,354</b>
<b>Deferred tax credits arising in respect of</b>			
Accelerated tax depreciation		(162,372)	(184,534)
Surplus on revaluation of investments	19.1	(27,579)	(33,741)
Surplus on revaluation of property and equipment	19.2	(25,991)	(25,574)
Remeasurement of defined benefit plan		(15,475)	(19,323)
		<b>(231,417)</b>	<b>(263,172)</b>
		<b>4,008,403</b>	<b>3,937,182</b>

**12.1** The Bank has an aggregate amount of deferred tax asset of Rs. 4,008 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, 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.

	Note	June 30, 2015 Un-audited	December 31, 2014 Audited
----- Rupees in ' 000 -----			
<b>13 OTHER ASSETS</b>			
Income / Mark-up accrued in local currency		2,275,603	2,528,453
Income / Mark-up accrued in foreign currencies		2,816	2,715
Advances, deposits, advance rent and other prepayments		546,977	561,426
Advance taxation		489,394	368,918
Net defined benefit asset		44,211	55,209
Prepaid transaction cost for issue of right shares		120,000	-
Non-Banking assets acquired in satisfaction of claims	13.1	7,769,434	4,822,227
Non-Banking assets acquired in satisfaction of claims with buy back option	13.1	471,352	334,914
		<b>8,240,786</b>	<b>5,157,141</b>
Unrealized gain on forward foreign exchange contracts		48,405	49,655
Others		432,467	220,530
		<b>12,200,659</b>	<b>8,944,047</b>
Less : Provision held against other assets		(396,359)	(110,155)
<b>Other assets - net of provision</b>		<b>11,804,300</b>	<b>8,833,892</b>
<b>13.1</b> Aggregate market value of non-banking assets acquired in satisfaction of claims		<b>9,052,876</b>	<b>5,979,958</b>

**13.1.1** These include properties aggregating to Rs. 2,794.02 million (including registration cost of Rs. 384.05 million) against which debts previously partially / fully provided aggregating to Rs. 1,409.38 million (including mark-up of Rs. 194.28 million) were assigned/sold/novated. The debts have been assigned/sold/novated at the values offered by the seller of the properties. These properties and certain other properties included in non-banking assets acquired in satisfaction of claims are currently un-developed and have been evaluated based on the valuation reports from valuers on Pakistan Banks Association's list of approved valuers.

# Notes To The Condensed Interim Financial Statements - Unaudited

for the Half year ended June 30, 2015

	Note	June 30, 2015 Un-audited	December 31, 2014 Audited
----- Rupees in ' 000 -----			
<b>14 BORROWINGS</b>			
<b>14.1 Details of borrowings secured / unsecured</b>			
<b>Secured</b>			
Borrowings from State Bank of Pakistan (re-finance)		2,542,221	3,199,470
Export refinance scheme		-	382
Long term finance - export oriented projects	14.1.1	18,116,611	11,979,695
Repurchase agreement borrowings		20,858,832	15,179,547
<b>Unsecured</b>			
Call borrowings	14.1.2	2,500,000	6,200,000
Borrowing from other financial institutions		-	185,866
Overdrawn Nostro accounts		66,065	176,833
		2,566,065	6,562,699
		23,224,897	21,742,246

14.1.1 These are short-term borrowings from SBP against federal government securities. These carry mark-up at rate of 6.51% (December 31, 2014: 9.50%) per annum and will mature on various dates latest by July 03, 2015.

14.1.2 These are unsecured short-term borrowings from financial institutions which carry mark-up at 8.25% (December 31, 2014: 9.90% to 13.00%) per annum and will mature upto August 17, 2015.

	June 30, 2015 Un-audited	December 31, 2014 Audited
----- Rupees in ' 000 -----		
<b>15 DEPOSITS AND OTHER ACCOUNTS</b>		
<b>Customers</b>		
Fixed deposits	33,049,532	28,655,490
Savings deposits	19,638,119	18,265,332
Current accounts - non - remunerative	21,696,375	17,889,766
Margin accounts - non - remunerative	805,447	719,372
Others	1,143,858	370,250
	76,333,331	65,900,210
<b>Financial institutions</b>		
Remunerative deposits	6,185,567	2,802,189
Non-remunerative deposits	30,580	67,856
	6,216,147	2,870,045
	82,549,478	68,770,255
<b>16 OTHER LIABILITIES</b>		
Mark-up/ return/ interest payable in local currency	604,552	583,088
Mark-up/ return/ interest payable in foreign currency	15,894	2,325
Un-earned Commission and income on bills discounted	77,215	58,661
Accrued expenses	79,883	86,702
Unrealized loss on forward foreign exchange contracts	43,470	144,015
Branch adjustment account	46,852	38,135
Workers' Welfare Fund (WWF)	39,605	36,975
Payable to defined benefit plan	53,847	91,506
Advance received against future sale of Non Banking Assets	78,130	20,946
Others	613,629	403,240
	1,853,077	1,465,593

# Notes To The Condensed Interim Financial Statements - Unaudited

for the Half year ended June 30, 2015

## 17. SHARE CAPITAL

### 17.1 Authorised capital

June 30, 2015 Un-audited	December 31, 2014 Audited		June 30, 2015 Un-audited	December 31, 2014 Audited
----- No. of shares in '000 -----			----- Rupees in ' 000 -----	
10,500,000	4,000,000	Ordinary shares of Rs.10 each	105,000,000	40,000,000

### 17.2 Issued, subscribed and paid up share capital

June 30, 2015 Un-audited	December 31, 2014 Audited		June 30, 2015 Un-audited	December 31, 2014 Audited
----- No. of shares in '000 -----			----- Rupees in ' 000 -----	
800,315	800,315	Ordinary shares of Rs.10 each Fully paid in cash	8,003,150	8,003,150
100,000	100,000	Ordinary shares of Rs.10 each Fully paid in cash and issued at a discount of Rs. 2.5 per share	1,000,000	1,000,000
1,771,290	1,771,290	Ordinary shares of Rs.10 each Fully paid in cash and issued at a discount of Rs. 7.5 per share	17,712,898	17,712,898
2,671,605	2,671,605		26,716,048	26,716,048

17.3 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 by the year ended 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).

17.4 The Bank had approved issuance of right shares @ 311.00226% on December 2, 2009 at a discount of Rs. 7.5 per share having face value of Rs. 10 each to generate net additional capital of Rs. 7 billion. Out of these right shares, an amount of Rs. 2.572 billion is unsubscribed. SECP has granted three years extension for subscription of the rights, in line with the tenor of convertible preference shares (note 18).

17.5 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 such permission subject to fulfilment of certain conditions with the time period for compliance of two conditions by March 31, 2015. Management considers the advance as part of MCR because in management's view, fulfilment of conditions by March 31, 2015 was by reason of issuance of Right Shares by that date, which is extended to September 15, 2015 and the Bank has communicated to SBP about the developments related to Rights Issue through various letters.

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

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

# Notes To The Condensed Interim Financial Statements - Unaudited

for the Half year ended June 30, 2015

		June 30, 2015 Un-audited	December 31, 2014 Audited
	Note	----- Rupees in ' 000 -----	
<b>19 SURPLUS ON REVALUATION OF ASSETS - NET OF TAX</b>			
Surplus on revaluation of securities	19.1	51,220	62,661
Surplus on revaluation of property and equipment	19.2	69,588	70,781
		<u>120,808</u>	<u>133,442</u>
<b>19.1 Surplus / (deficit) on revaluation of securities</b>			
<b>Federal Government Securities</b>			
Market Treasury Bills		806	15,294
Pakistan Investment Bonds		136,327	132,689
GOP Ijara Sukuk		7,320	(2,334)
<b>Fully paid-up ordinary shares</b>			
Listed companies		(66,724)	(49,251)
<b>Term Finance Certificate, Debentures, Bonds and Participation Term Certificates</b>			
Term Finance Certificates - Listed		687	4
- Unlisted		383	-
Deferred tax asset / (liability) recognised	9.1 / 9.2 12	78,799 (27,579)	96,402 (33,741)
		<u>51,220</u>	<u>62,661</u>
<b>19.2 Surplus on revaluation of property and equipment</b>			
Surplus on revaluation of properties		95,579	96,355
Deferred tax liability recognised	12	(25,991)	(25,574)
		<u>69,588</u>	<u>70,781</u>
<b>20 CONTINGENCIES AND COMMITMENTS</b>			
<b>20.1 Transaction-related contingent liabilities</b>			
Guarantees favoring		-	-
- Government		8,826,412	7,033,057
- Banking companies and other financial institutions		457,944	779,376
- Others		1,831,472	1,594,841
<b>20.2 Trade-related contingent liabilities</b>			
Letters of Credit and Acceptances		3,993,252	4,714,168
<b>20.3 Claims against the bank not acknowledged as debts</b>		250,251	195,088
<b>20.4 Claims against the bank by Competition Commission of Pakistan and Others</b>		35,640	35,640
<b>20.5 Commitments in respect of</b>			
Forward exchange contracts with State Bank of Pakistan, banks and other institutions			
Sale		4,636,882	5,092,390
Purchase		9,947,491	10,461,691
Forward sale of listed equity securities		-	48,534
<b>20.6 Commitments in respect of</b>			
Property civil work and equipment		49,537	66,419
Purchase of hardware / software		35,258	35,801
		<u>84,795</u>	<u>102,220</u>

# Notes To The Condensed Interim Financial Statements - Unaudited for the Half year ended June 30, 2015

- 20.7** 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.
- 20.8** Suits for damages of Rs. 872 billion (December 2014: Rs. 872 billion) have been filed against the Bank by various borrowers / employees in respect of certain disputes relating to loans and advances. The management of the Bank and its legal counsel consider that the suits are a counterblast in no 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. 847.50 billion filed in response to recovery suits previously filed by the Bank stood decreed in favour 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 condensed interim financial statement, execution proceedings initiated by the Bank are in progress in the High Court.

	Note	June 30, 2015 Un-audited	June 30, 2014 Un-audited
----- Rupees in ' 000 -----			
<b>21 MARK-UP / RETURN / INTEREST EARNED</b>			
<b>On loans and advances to:</b>			
Customers		3,501,635	3,826,085
<b>On investments in:</b>			
Held-for-Trading securities		56,049	120,398
Available-for-Sale securities		814,207	545,286
Held-to-Maturity securities		-	-
		<b>870,256</b>	<b>665,684</b>
On deposits with financial institutions		150	128
On call money lendings		109	103
On securities purchased under resale agreements		130,562	41,084
		<b>4,502,712</b>	<b>4,533,084</b>
<b>22 MARK-UP / RETURN / INTEREST EXPENSED</b>			
Deposits		2,091,639	2,197,726
Securities sold under repurchase agreements		494,761	112,932
Call Borrowings		204,539	177,725
Borrowings from SBP under export re-finance scheme		72,048	139,923
SWAP money market expense		153,510	159,204
Others		3,270	3,215
		<b>3,019,767</b>	<b>2,790,725</b>
<b>23. OTHER (PROVISIONS) / REVERSALS - NET</b>			
Provision against other assets	23.1	286,204	-
Other provisions / (reversals)	23.2	63,000	(960)
		<b>349,204</b>	<b>(960)</b>

- 23.1** This represents provision against non-banking assets acquired in satisfaction of claims.
- 23.2** This represents payment of Rs. 25 million to a customer for settlement of claim and provision of Rs. 38 million in respect of a claim from a foreign supplier of the customer decreed by Honorable Peshawar High Court (PHC). The Bank has filed an appeal before the PHC which is pending adjudication. However, management (being prudent) has recorded the provision in these condensed interim financial statements.

**24. TAXATION**

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 years 2003 and 2006 are pending at CIR (A). Management is confident that the outcome of these appeals would be in favor of the Bank.

# Notes To The Condensed Interim Financial Statements - Unaudited

for the Half year ended June 30, 2015

During the period, various orders were passed by the Assessing Officers in respect of tax years 2011-2014 creating a demand aggregating Rs. 58.422 million (including default surcharge of Rs. 17.324 million and penalty of Rs. 2.135 million) under sections 161, 182 and 205 of the Income Tax Ordinance, 2001. The said amount was paid (and recorded as advance tax) and an appeal was filed against the said orders before the Commissioner Inland Revenue. The appeal has been heard and the order is awaited. Management is confident that the demand is likely to be deleted by the Appellate Forum.

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.

	June 30, 2015 Un-audited	June 30, 2014 Un-audited
	----- Rupees in '000 -----	
<b>25 CASH AND CASH EQUIVALENTS</b>		
Cash and balance with treasury banks	5,628,471	5,331,015
Balance with other banks	296,715	173,952
	<b>5,925,186</b>	<b>5,504,967</b>

## 26. RELATED PARTY TRANSACTIONS

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

Transactions with related parties are carried out in the normal course of business at agreed terms other than those transactions which are made under the terms of employment. Majority of the transactions with related parties comprise loans and advances, deposits, issuance of letters of credit 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.

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

	June 30, 2015 - Un-audited			December 31, 2014 - Audited		
	Chief Executive and Directors	Key Management Personnel & Others	Associated Companies & Common Directorship	Chief Executive and Directors	Key Management Personnel & Others	Associated Companies & Common Directorship
	----- Rupees in '000 -----					
<b>Balances</b>						
<b>Loans</b>						
Loans at the beginning of the period / year	3,599	2,742	1,190,282	1,996	4,009	778,814
Loans given during the period / year	1,221	13,998	1,211,076	1,868	20,316	4,320,967
Loans repaid during the period / year	(1,333)	(13,907)	(1,211,802)	(265)	(21,583)	(3,909,499)
<b>Loans outstanding at the end of the period / year</b>	<b>3,487</b>	<b>2,824</b>	<b>1,189,556</b>	<b>3,599</b>	<b>2,742</b>	<b>1,190,282</b>
<b>Deposits</b>						
Deposits at the beginning of the period / year	13,846	136,117	1,492,381	38,022	248,339	109,568
Deposits received during the period / year	181,712	581,799	5,021,855	494,707	1,062,221	2,654,874
Deposits repaid during the period / year	(176,176)	(585,037)	(3,629,714)	(518,883)	(1,174,443)	(1,272,061)
<b>Deposits at the end of the period / year</b>	<b>19,382</b>	<b>132,879</b>	<b>2,884,522</b>	<b>13,846</b>	<b>136,117</b>	<b>1,492,381</b>
<b>Investments- shares</b>						
At the beginning of the period / year	-	-	176,748	-	-	207,475
Investment made during the period / year	-	-	7,964	-	-	67,502
Redeemed / impaired during the period / year	-	-	(31,959)	-	-	(98,229)
<b>Investments at the end of the period / year</b>	<b>-</b>	<b>-</b>	<b>152,753</b>	<b>-</b>	<b>-</b>	<b>176,748</b>

# Notes To The Condensed Interim Financial Statements - Unaudited

for the Half year ended June 30, 2015

	June 30, 2015 - Un-audited			June 30, 2014 - Un-audited		
	Chief Executive and Directors	Key Management Personnel & Others	Associated Companies & Common Directorship	Chief Executive and Directors	Key Management Personnel & Others	Associated Companies & Common Directorship
	----- Rupees in '000 -----					
<b>Transactions</b>						
Short term employees benefits	57,709	159,672	-	54,634	179,607	-
Termination benefits	3,697	12,113	-	4,785	11,594	-
Mark-up earned on loans	149	500	50,985	124	384	25,956
Mark-up paid on deposits	402	2,431	78,716	247	3,752	10,851
Services received / goods supplied	-	69,759	59,968	-	62,627	49,211
Meeting fee of Non-Executive directors	10,373	-	-	12,895	-	-
Share of profit from Associate	-	-	8,443	-	-	8,436

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

## 27 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

	June 30, 2015 - Un-audited			
	Wholesale Banking	Treasury	Consumer / SME Banking	Total
	----- Rupees in '000 -----			
Total income - net of mark up expenses	485,397	646,880	1,422,475	2,554,752
Total non-mark up expenses including provisions	(229,410)	(99,438)	(2,383,161)	(2,712,009)
Profit / (loss) before taxation	255,987	547,442	(960,686)	(157,257)
Taxation				61,628
Loss after taxation				(95,629)
Segment assets (Gross)	40,635,456	36,052,278	47,610,494	124,298,228
Segment non performing loans	4,549,753	-	3,250,684	7,800,437
Segment provision	3,084,028	8,780	2,598,421	5,691,229
Segment liabilities	13,175,641	21,873,877	75,171,289	110,220,807
Segment return on net asset (ROA) (%)	1.96%	14.47%	-7.43%	
Segment cost of funds (COF) (%)	5.42%	10.00%	5.69%	

	June 30, 2014 - Un-audited			
	Wholesale Banking	Treasury	Consumer / SME Banking	Total
	----- Rupees in '000 -----			
Total income - net of mark up expenses	362,369	452,074	1,715,516	2,529,959
Total non-mark up expenses including provisions	(298,277)	(175,984)	(1,978,530)	(2,452,791)
Profit / (loss) before taxation	64,092	276,090	(263,014)	77,168
Taxation				(4,535)
Profit after taxation				72,633
Segment assets (Gross)	42,117,360	20,649,951	40,081,666	102,848,977
Segment non performing loans	5,111,576	-	3,593,429	8,705,005
Segment provision	3,617,173	-	2,061,942	5,679,115
Segment liabilities	15,613,660	6,098,176	69,091,650	90,803,486
Segment return on net asset (ROA) (%)	0.65%	3.83%	-1.73%	
Segment cost of funds (COF) (%)	6.83%	10.28%	6.57%	

# Notes To The Condensed Interim Financial Statements - Unaudited for the Half year ended June 30, 2015

## 28 ISLAMIC BANKING BUSINESS

The Bank is operating with 10 (December 2014 : 10) Islamic Banking branches as of June 30, 2015.

	Note	June 30, 2015 Un-audited	December 31, 2014 Audited
		----- Rupees in ' 000 -----	
<b>A) STATEMENT OF FINANCIAL POSITION</b>			
<b>ASSETS</b>			
Cash and balances with treasury banks		492,098	471,030
Balances with other banks		12,138	4,036
Due from financial institutions		1,054,476	510,194
Investments		1,015,258	800,202
Islamic financing and related assets	10.1 / A-2.1	6,250,936	5,745,328
Operating fixed assets		103,466	109,688
Other assets		1,081,647	2,233,585
<b>Total Assets</b>		<b>10,010,019</b>	<b>9,874,063</b>
<b>LIABILITIES</b>			
Bills payable		1,160,367	104,464
Due to financial institutions		-	26,888
Deposits and other accounts			
-Current accounts		1,508,706	1,839,729
-Saving accounts		963,406	1,410,190
-Term deposits		1,896,006	2,313,292
-Others		62,656	35,000
-Deposits from financial institutions - remunerative		1,807,182	1,041,647
-Deposits from financial institutions - non - remunerative		204	204
Due to head office		2,507,147	2,507,147
Other liabilities		35,984	56,901
<b>Total Liabilities</b>		<b>9,741,658</b>	<b>9,335,462</b>
<b>NET ASSETS</b>		<b>268,361</b>	<b>538,601</b>
<b>REPRESENTED BY</b>			
Islamic banking fund		425,000	425,000
Reserves		-	-
Accumulated (loss) / profit		(163,959)	114,821
		261,041	539,821
Surplus on revaluation of assets		7,320	(1,220)
		<b>268,361</b>	<b>538,601</b>
<b>Contingencies and commitments</b>	A-2.2		
<b>A-2.1 ISLAMIC FINANCING AND RELATED ASSETS</b>			
Murahaba		2,376,789	2,095,181
Musharaka		2,507,147	3,450,147
Musawama financing		943,000	-
Diminishing Musharaka		424,000	200,000
		<b>6,250,936</b>	<b>5,745,328</b>



# Notes To The Condensed Interim Financial Statements - Unaudited for the Half year ended June 30, 2015

## A-2.2 CONTINGENCIES AND COMMITMENTS

### Guarantees favouring

- Government
- Banking companies and other financial institutions
- Others

### Commitments in respect of forward exchange contracts

Forward exchange contracts with State Bank of Pakistan, banks and other institutions

- Sale
- Purchase

June 30, 2015  
Un-audited  
----- Rupees in ' 000 -----  
December 31, 2014  
Audited

	-	-
	-	-
	377,656	350,000
	407,531	-
	611,297	251,297

June 30, 2015  
Un-audited  
----- Rupees in ' 000 -----  
June 30, 2014  
Un-audited

	1,421	1,349
--	-------	-------

## B) REMUNERATION TO SHARIA ADVISOR / BOARD

- C) During the period no charity credited to Charity Fund Account nor any payment made out of it.

## D) PROFIT AND LOSS ACCOUNT

Profit / return earned on financings, investments and placements  
Return on deposits and others dues expensed

### Net spread earned

### Other Income

Fees, commission and brokerage income  
Loss / income from dealing in foreign currencies  
Loss / gain on sale of securities  
Other income

### Total other income

### Other Expenses

Administrative expenses  
(Loss) / profit before tax

	46,716	383,023
	(177,361)	(132,989)
	(130,645)	250,034
	1,648	7,913
	(10,555)	1,729
	(2)	11,958
	1,500	1,433
	(7,409)	23,033
	(138,054)	273,067
	(140,726)	(113,766)
	(278,780)	159,301

## 29 DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on **August 28, 2015** by the Board of Directors of the Bank.

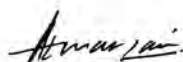
## 30 GENERAL

- 30.1 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:

----- Reclassified -----

Statement	Rupees in (000)	From	To
Profit and loss account	51,337	Other income	Fee, and commission brokerage income

- 30.2 Figures have been rounded off to the nearest thousand rupees except stated otherwise.



Azmat Tarin  
President & CEO



Munnawar Hamid, OBE  
Chairman



Tariq Iqbal Khan  
Director



Shamsul Hasan  
Director

# Branch Network

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## ISLAMIC BANKING

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**Branch Manager**  
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#### LAHORE EAST

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#### LAHORE WEST

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Gujrat Branch,  
B-17/1553-R-R,  
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3535144, 3531472  
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16, Bank Square Market,  
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Mandi Bahauddin Branch,  
7/40, Sultan Plaza,  
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Fortress Stadium Branch,  
13, Bridge Shop,  
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52-L, Gulberg-III,  
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#### MULTAN REGION

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**Acting Branch Manager**  
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# Foreign Correspondents

## Afghanistan

Habib Bank Ltd.

## Argentina

Royal Bank of Scotland  
Deutsche Bank AG

## Australia

JP Morgan  
Westpac Banking Corp.

## Austria

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

## Bahrain

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

## 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.  
Bank of Communication  
Royal Bank of Scotland  
Bank of China  
China Construction Bank  
China Ever Bright Bank  
Deutsche Bank AG  
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-Württemberg  
Suedwestbank AG  
Unicredit  
JP Morgan

## Hungary

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

## Hong Kong

Bank of America  
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.  
Banca 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 S.P.A.  
Unicredit Corporate Banking S.P.A.  
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 Ban of Scotland  
Wells Fargo Bank  
Commerzbank AG

## 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.  
Banco JP Morgan

## 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.  
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  
The Saudi British Bank

## 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 Mediterraneo  
Caja Espana de Inversiones  
Caxia D'estalvis

**Sri Lanka**

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

**Sweden**

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

**Switzerland**

Banque Cantonale 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  
Deutsche Bank 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  
Union Bank of California  
Valley National Bank  
US Bank Minneapolis  
Union Bank NA  
United Bank Ltd.  
Wells Fargo NA

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