

# Delivering Excellence



# Delivering Excellence

Service Excellence remains a differentiating factor for Silkbank. As an integral part of our Corporate Mission, a service culture is driven across all facets of the organization. We endeavor to deliver superior service by connecting with our customers and identifying their needs and delivering superior products and services to satisfy those needs. By investing in continuous training of our staff, we focus on enhancing and refining their skill-set, which allows them to efficiently deliver on our Vision of being the "Benchmark of Excellence in Premier Banking".





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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 3<sup>rd</sup> Quarter ended September 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 Shahzad Ahmed Tarin	President & CEO
Shaukat Tarin	Advisor to the Chairman

## Company Secretary

Uzman Naveed Chaudhary

## Chief Financial Officer

Khurram Khan

## Audit Committee

Tariq Iqbal Khan, FCA	Chairman
Adnan 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 Shakra-e-Faisal,  
Karachi-74400.  
Tel. No.: Customer Support Services (Toll-Free) 0800-CDCPL (23275)  
Fax. No.: +92-21-34326053  
Email: [info@cdcpak.com](mailto:info@cdcpak.com)  
Website: [www.cdcpakistan.com](http://www.cdcpakistan.com)

# Reports and Statements to the Members

For the 3<sup>rd</sup> Quarter ended September 30, 2015





...art allows to estimate to the full a  
 company, and in its divisions separ-  
 act more precisely immediate pro-  
 the company at the account of pres-  
 investigation of growth.  
 period to do next, raise a  
 increase incomes of direct sales, reduce  
 ation, strengthen sale divisions, carry out

...we are looking for a new kind of revolution, which  
 way. This means we are not only in search for  
 eology, we are also looking for a new kind of r-  
 evolution is a process, not an event. We also accep-  
 These basic yet profound notions are the foundation  
 We are visionaries and theorists while at the  
 daily trials as activists. We tend to lose more the  
 struggle itself manages to fuel us. If we have to  
 some way for our activism to sustain us, for  
 we've been able to muster to sustain us, for  
 organizational theory alone  
 uninterrupted, for  
 that accom-  
 den-  
 Somehow, we  
 "as the slogans su-  
 that culture and spirit are derived from  
 that there is something outside us as indi-  
 That motion is, in fact, a social movement  
 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 p-  
 we relate to it as an adversar-  
 manifests and promotes our

# Directors' Report

For the 3<sup>rd</sup> Quarter ended September 30, 2015

Dear Shareholders,

We are pleased to present the un-audited financial statements of Silkbank Limited for the third quarter ended September 30, 2015.

## Economic Review

International crude oil prices continued to plunge during the period under review, which has continued to add optimism in the economic landscape of the country and the outlook for the external account has improved during the year. Consumer Price Index (CPI) numbers have also continued to decelerate in-line with declining oil prices and the average CPI during 2015 till date was 2.54% Year on Year (YoY) compared to 8.1% in the corresponding period last year. With multiple inflows from privatization transactions and IMF tranches, FX reserves are now touching almost the US\$ 20 billion mark with further inflows expected during the remainder of the year. In the backdrop of this strengthening macro situation, State Bank of Pakistan (SBP) has cut its policy rate by 350 bps during the year.



## Banking Sector

With declining policy rates and other SBP regulatory changes, introducing a 'Target Rate' fixed 50 bps below the ceiling rate as the new Policy Rate, banking spreads for the first eight months declined to an eleven-year low. The banking industry's investments grew by 44% YoY to reach Rs. 6,293 billion, while advances grew 4% YoY reaching Rs. 4,566 billion during August 2015 and the total Deposits increased to Rs. 9,020 billion during the same period, registering a growth of 11% YoY. As a consequence, Investment to Deposit Ratio reached 72% but Asset to Deposit Ratio (ADR) for the industry declined to 50% on account of a limited loan book expansion in scheduled Banks. Non Performing Loans (NPLs) for the industry increased to Rs. 630 billion as of June 2015, compared to Rs. 609 billion in December 2014 and the net NPL ratio in June 2015 stood at 2.69%.

## Financial Performance

The Bank has posted an after tax profit of Rs. 30.1 million in the third quarter of 2015. However, for the nine months ended September 30, 2015, the Bank has incurred a loss of Rs. 65.5 million mainly due to a one-off provision against assets recorded in June, 2015.

During this period, total deposits of the Bank grew by Rs. 10.841 billion to Rs 79.611 billion and gross advances increased by Rs. 984.467 million.

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



Financial Performance - 2015	Rs. in "million"
Loss before tax	(116.519)
Tax - Current	-
Prior	-
Deferred	51.013
Loss after tax	(65.506)
Earnings per share - Basic	Rupee (0.02)
Earnings per share - Diluted	(0.01)

## Business Performance

### Branch Banking

Branch Banking remains one of the most critical businesses for the Bank, with over 126,320 customers and approximately 75% of the Bank's deposit base as of September 30, 2015. During the third quarter, Branch Banking crossed Rs. 60 billion and further improved the deposit mix by 1% during the period.

- **All-In-One Account:** All-In-One Account is a novel 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 a rate as 2.5%. The product now has 3,197 customers and a deposit base of Rs. 1.3 billion.
- **Business Value Account:** Business Value Account, a current account specifically designed for businessmen which provides inventory insurance for up to Rs. 10 million, now has a deposit base of Rs. 0.5 billion with 1,003 customers.
- **Online Express:** Online Express, a current account which allows unlimited transactions across the country absolutely free, now has a total deposit of Rs. 13.6 billion with 70,081 customers.
- **Munafa Rozana:** Munafa Rozana is a unique savings account which pays profit in cash daily, has a deposit base of Rs. 4.1 billion with 8,236 customers.



## Consumer Banking

### Unsecured Portfolio

Unsecured Consumer Business includes Personal Installment Loan, Ready Line and Credit Cards, for which the receivables base has crossed the Rs. 10 billion landmark at the end of third quarter of 2015.

- **Personal Loan:** Silkbank Personal Loan is an installment-based loan, which was launched in November 2010 and now has 18,787 active customers with a total receivable of Rs. 4.6 billion. In order to achieve acquisition targets, two innovative campaigns were launched during the third quarter of 2015. The first campaign offered a processing fee waiver of 50% to already matured customers if they wished to re-apply for a Silkbank Personal Loan and in the second campaign, a reduced rate was offered to customers wishing to transfer their existing loan from peer banks to Silkbank using our BTF facility. To capitalize on the potential of the existing customer base, focus increased on loan top-ups to help improve portfolio yield and retain profitable customers for a longer period of time.
- **Ready Line:** Silkbank Ready Line is an unsecured running finance facility and now has an outstanding balance of Rs. 3.8 billion with 25,248 of active borrowers. To make the most of the Eid / holiday season, "Spend and Win Eidi" and "Spend and Win Motorbike" campaigns were launched which received a strong response.
- **Credit Cards:** Silkbank Credit Cards continued to register steady growth during the third quarter of 2015 and the total cards base now stands at 57,009 cards with an Ending Net Receivables (ENR) of Rs. 2.29 billion. The Spend Stimulation Unit generated a Rs. 2.30 billion Spend Volume through sale of Installment Plans during this quarter.



### Secured Portfolio

M<sup>Power</sup>, a product secured against residential and commercial property, has a total of 570 active borrowers with receivables of Rs. 3.57 billion. Currently, the fresh lending in M<sup>Power</sup> is on hold to focus more on high-yielding products.

- **Home Remittance:** The Bank is performing phenomenally well in Remittances and is amongst the major players in the market. The business recorded a total of 83,324 transactions and disbursed Rs. 6.65 billion to customers in the third quarter of 2015. Further expansion of the Remittance Business through partnerships with more Exchange Companies is in progress.
- **ADC Business:** The Silkbank VISA Debit Card has shown good growth in the third quarter with a base now of 101,423 cards. The debit card usage over Point of Sales (POS) and ATM showed an increase of 21.09% and 16.77% respectively as compared to the third quarter of 2014. Alternate Distribution Services and e-delivery channels, such as SMS Alerts, E-statements & SilkDirect Internet Banking have added value to the product offerings of the Bank as well as an enhanced reach and accessibility of banking services to customers. SilkMobile registrations have reached 7,867 customers with the introduction of new features such as Quick Pay and Stop Cheque payment.
- **Bancassurance:** During the third quarter of 2015, Bancassurance business recorded a total revenue of Rs. 10.4 million, taking the total revenue of the Bancassurance business to Rs. 37.8 million for the nine months ending September 30, 2015.



## Emaan Islamic Banking

Emaan Islamic Banking has maintained its position as one of the best performing units of the Bank, and the unit has improved its CASA-TD ratio which is currently at 67:33. In the monetary easing scenario, the business team has managed its portfolio very efficiently with the total Deposits reaching Rs 5.6 billion and an Asset book of Rs. 4.6 billion. In addition, the Division has maintained excellent service standards as one of the best service providers in the Bank.

## 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). We are now pleased to further inform you that the Bank has received approx Rs. 4.9 billion in the subscription account of the Bank from the Prospective Investors, Directors and General Public. The Bank has also credited the right shares to the general public into their respective CDC account/ sub accounts maintained with the CDC and issued share certificates to physical shareholders against paid letter of rights. Moreover, the Board in its meeting held in August 2015, has allocated Unpaid Rights of approx Rs. 1.1 billion to Mr. Shaukat Tarin, to subscribe either personally or through any other investor as he deems fit and called upon the Underwriters to pick up the unsubscribed Rights amounting to Rs. 4.0 billion. The Bank has further submitted documents in respect of Fit & Proper Test (FPT) of prospective Investors / Sponsors / Underwriter to the SBP and is awaiting approval of the same. The Bank is confident of completion of the Rights Issue in the near future.

## 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".

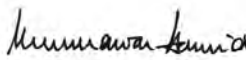
## Future Outlook

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 the year and consequently improve performance.

## Acknowledgement

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

For and on Behalf of the  
Board of Silkbank Limited  
Karachi, October 29, 2015

  
Munnawar Hamid, OBE  
Chairman

# Financial Statements

For the 3<sup>rd</sup> Quarter ended September 30, 2015







# Condensed Interim Statement of Financial Position

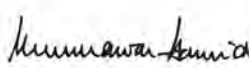
as at September 30, 2015

		September 30, 2015 Un-audited	December 31, 2014 Audited
	Note	----- Rupees in ' 000 -----	
<b>ASSETS</b>			
Cash and balances with treasury banks		6,516,008	5,102,984
Balances with other banks		171,085	139,478
Lendings to financial institutions		2,147,487	3,000,000
Investments - net	8	27,430,585	18,105,414
Advances - net	9	58,332,315	58,966,877
Operating fixed assets		4,536,939	4,563,290
Deferred tax assets - net		4,055,525	3,937,182
Other assets		14,305,955	8,833,892
		<b>117,495,879</b>	<b>102,649,117</b>
<b>LIABILITIES</b>			
Bills payable		1,939,588	2,153,091
Borrowings		23,020,286	21,742,246
Deposits and other accounts	10	79,611,748	68,770,255
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		14,927	17,105
Deferred tax liabilities		-	-
Other liabilities	11	3,401,204	1,465,593
		<b>107,987,753</b>	<b>94,148,290</b>
<b>NET ASSETS</b>			
		<b>9,508,126</b>	<b>8,500,827</b>
<b>REPRESENTED BY</b>			
Share capital	12	34,368,599	26,716,048
Discount on issue of right shares		(19,743,427)	(13,284,674)
Reserves		180,134	180,134
Advance against shares subscription	12.5	2,005,239	2,000,000
Convertible preference shares	13	2,200,000	2,200,000
Accumulated loss		(9,516,001)	(9,444,123)
		<b>9,494,544</b>	<b>8,367,385</b>
Surplus on revaluation of assets - net of tax	14	13,582	133,442
		<b>9,508,126</b>	<b>8,500,827</b>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	15		

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



Azmat Tarin  
President & CEO



Munnawar Hamid, OBE  
Chairman



Tariq Iqbal Khan  
Director



Shamsul Hasan  
Director

# Condensed Interim Profit and Loss Account - Unaudited

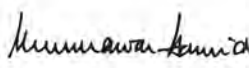
For the Nine Months Ended September 30, 2015

	Note	Quarter ended		Nine months ended	
		September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Rupees in '000					
Mark-up / return / interest earned	16	2,278,650	2,510,883	6,781,362	7,043,967
Mark-up / return / interest expensed	17	(1,458,821)	(1,533,402)	(4,478,588)	(4,324,127)
<b>Net Mark-up / Interest Income</b>		<b>819,829</b>	<b>977,481</b>	<b>2,302,774</b>	<b>2,719,840</b>
Reversal / (provision) against non-performing loans and advances - net	9.3	46,622	(60,145)	282,650	(88,856)
General provision against consumer financing	9.3	(18,285)	(28,617)	(60,797)	(103,852)
Recovery against written off loans		481	997	3,781	3,688
Reversal / (provision) for diminution in the value of investments - net		-	2,537	(5,344)	2,537
Impairment in the value of investments		(914)	(26,049)	(25,004)	(155,667)
Bad debts written off directly		-	-	-	-
<b>Net mark-up / interest income after provisions</b>		<b>849,733</b>	<b>866,204</b>	<b>2,498,060</b>	<b>2,377,690</b>
<b>NON - MARK-UP / INTEREST INCOME</b>					
Fee, commission and brokerage income		262,667	234,644	754,256	651,828
Dividend income		12,412	10,534	31,827	39,180
Income from dealing in foreign currencies		30,689	54,552	139,567	151,640
Gain on sale of securities - net		269,673	73,955	622,951	257,640
Unrealized gain / (loss) on revaluation of investments - held-for-trading		2,841	(2,037)	538	(545)
Other income		19,731	19,122	120,681	78,627
<b>Total non-mark-up / interest income</b>		<b>598,013</b>	<b>390,770</b>	<b>1,669,820</b>	<b>1,178,370</b>
		<b>1,447,746</b>	<b>1,256,974</b>	<b>4,167,880</b>	<b>3,556,060</b>
<b>NON MARK-UP / INTEREST EXPENSES</b>					
Administrative expenses		(1,383,051)	(1,216,295)	(3,908,230)	(3,420,184)
Other provisions		(2,101)	-	(351,305)	-
Other charges		(21,856)	(2,206)	(24,864)	(20,235)
<b>Total non-mark-up / interest expenses</b>		<b>(1,407,008)</b>	<b>(1,218,501)</b>	<b>(4,284,399)</b>	<b>(3,440,419)</b>
<b>PROFIT / (LOSS) BEFORE TAXATION</b>		<b>40,738</b>	<b>38,473</b>	<b>(116,519)</b>	<b>115,641</b>
<b>Taxation</b>					
- Current		-	-	-	-
- Prior		-	-	-	-
- Deferred		(10,615)	(9,841)	51,013	(14,376)
		(10,615)	(9,841)	51,013	(14,376)
<b>PROFIT / (LOSS) AFTER TAXATION</b>		<b>30,123</b>	<b>28,632</b>	<b>(65,506)</b>	<b>101,265</b>
----- Rupee -----					
Earnings per share - basic		0.01	0.01	(0.02)	0.04
Earnings per share - diluted		0.01	0.01	(0.01)	0.03

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



Azmat Tarin  
President & CEO



Munnawar Hamid, OBE  
Chairman



Tariq Iqbal Khan  
Director



Shamsul Hasan  
Director

# Condensed Interim Statement of Comprehensive Income - Unaudited

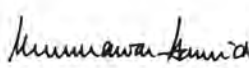
For the Nine Months Ended September 30, 2015

	<u>Quarter ended</u>		<u>Nine months ended</u>	
	<u>September 30, 2015</u>	<u>September 30, 2014</u>	<u>September 30, 2015</u>	<u>September 30, 2014</u>
	<u>Rupees in ' 000</u>			
<b>Profit / (Loss) after Taxation</b>	<b>30,123</b>	28,632	<b>(65,506)</b>	101,265
<b>Other comprehensive income</b>				
<i>Items that will not be reclassified to profit and loss</i>				
Remeasurement of defined benefit plan	-	-	(10,996)	5,231
Related tax effect	-	-	3,849	(1,831)
	-	-	(7,147)	3,400
<b>Comprehensive income transferred to equity</b>	<b>30,123</b>	28,632	<b>(72,653)</b>	104,665
<b>Components of comprehensive income not reflected in equity</b>				
Deficit on revaluation of assets	(164,963)	(110,012)	(183,342)	(704,942)
Deferred tax asset on revaluation of assets	57,737	38,504	63,482	246,729
	<b>(107,226)</b>	(71,508)	<b>(119,860)</b>	(458,213)

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



Azmat Tarin  
President & CEO



Munnawar Hamid, OBE  
Chairman



Tariq Iqbal Khan  
Director



Shamsul Hasan  
Director

# Condensed Interim Statement of Changes in Equity - Unaudited

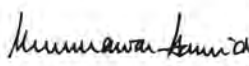
For the Nine Months Ended September 30, 2015

	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 nine months ended September 30, 2014</b>							
Profit after tax for the nine months ended September 30, 2014 - Un-audited	-	-	-	-	-	101,265	101,265
Other comprehensive Income	-	-	-	-	-	3,400	3,400
<b>Total comprehensive income for the nine months ended September 30, 2014</b>	-	-	-	-	-	104,665	104,665
Transfer from surplus on revaluation of fixed assets on account of incremental depreciation- net of tax	-	-	-	-	-	2,790	2,790
<b>Balance as at September 30, 2014 - Un-audited</b>	26,716,048	(13,284,674)	162,762	-	2,200,000	(9,419,394)	6,374,742
<b>Total comprehensive income for the quarter ended December 31, 2014</b>							
Loss after tax for the quarter ended December 31, 2014 - Un-audited	-	-	-	-	-	(14,405)	(14,405)
Other comprehensive income	-	-	-	-	-	6,118	6,118
<b>Total comprehensive income for the quarter ended December 31, 2014</b>	-	-	-	-	-	(8,287)	(8,287)
Transfer from surplus on revaluation of fixed assets on account of incremental depreciation- net of tax	-	-	-	-	-	930	930
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 nine months ended September 30, 2015</b>							
Loss after tax for the nine months ended September 30, 2015 - Un-audited	-	-	-	-	-	(65,506)	(65,506)
Other comprehensive Income	-	-	-	-	-	(7,147)	(7,147)
<b>Total comprehensive income for the nine months ended September 30, 2015</b>	-	-	-	-	-	(72,653)	(72,653)
Share subscription money for issuance of right shares	-	-	-	1,199,037	-	-	1,199,037
Issuance of right shares	7,652,551	(6,458,753)	-	(1,193,798)	-	-	-
Transfer from surplus on revaluation of fixed assets on account of incremental depreciation - net of tax	-	-	-	-	-	775	775
<b>Balance as at September 30, 2015 - Un-audited</b>	34,368,599	(19,743,427)	180,134	2,005,239	2,200,000	(9,516,001)	9,494,544

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



Azmat Tarin  
President & CEO



Munnawar Hamid, OBE  
Chairman



Tariq Iqbal Khan  
Director



Shamsul Hasan  
Director

# Condensed Interim Cash Flow Statement - Unaudited

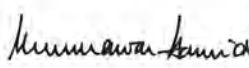
For the Nine Months Ended September 30, 2015

	Note	September 30, 2015	September 30, 2014
		Rupees in ' 000	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
(Loss) / Profit before taxation		(116,519)	115,641
Less : Dividend Income		(31,827)	(39,180)
		(148,346)	76,461
<b>Adjustments for non-cash items</b>			
Depreciation		271,177	291,232
Amortization of intangible assets		66,121	62,858
Amortization of premium on investments		54,900	(2,867)
(Reversal) / provision against non-performing loans and advances - net	9.3	(282,650)	88,856
General provision against consumer financing	9.3	60,797	103,852
Provision for diminution / Impairment in the value of investments		30,348	155,667
Unrealized (gain) / loss on revaluation of investments - held-for-trading	8.1	(538)	545
Share of profit from associate		(8,443)	(8,017)
Other provisions		326,305	-
(Gain) / loss on sale of property and equipment		(1,112)	506
		516,905	692,632
		368,559	769,093
<b>Decrease / (Increase) in operating assets</b>			
Lendings to financial institutions		852,513	(525,024)
Net investments in held-for-trading securities		(4,985,323)	2,447,263
Advances		856,415	(3,790,322)
Other assets		(5,609,141)	(1,617,631)
		(8,885,536)	(3,485,714)
<b>(Decrease) / Increase in operating liabilities</b>			
Bills payable		(213,503)	398,128
Borrowings		1,278,040	687,313
Deposits		10,841,493	6,975,044
Other liabilities		1,897,612	(76,174)
		13,803,642	7,984,311
Income tax paid		5,286,865	5,267,690
		(152,213)	(97,940)
<b>Net cash flows from operating activities</b>		5,134,452	5,169,750
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Net investment in available-for-sale securities		(4,598,661)	(4,257,330)
Dividend received		21,815	30,163
Proceeds from sale of property and equipment		39,611	71,279
Net investment in operating fixed assets		(349,446)	(189,111)
Net cash flows used in investing activities		(4,886,681)	(4,344,999)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Advance against shares subscription		1,199,037	-
Finance lease obligation paid		(2,177)	(423)
<b>Net cash flows from financing activities</b>		1,196,860	(423)
<b>Net increase in cash and cash equivalents</b>		1,444,631	824,328
Cash and cash equivalents at beginning of the period		5,242,462	5,587,879
<b>Cash and cash equivalents at end of the period</b>	19	6,687,093	6,412,207

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



Azmat Tarin  
President & CEO



Munnawar Hamid, OBE  
Chairman



Tariq Iqbal Khan  
Director



Shamsul Hasan  
Director

# Notes To The Condensed Interim Financial Statements - Unaudited

For the Nine Months Ended September 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 in the Bank as on September 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 comprising of Mr. Shaukat Tarin and Mr. Sadeq Saeed. As a result of possible conversion of convertible preference shares (as described below and in note 13), issue of right shares for advance against share subscription and additional right shares (as described below and in note 12.5) and unsubscribed rights issue (as described in note 12.4), the shareholding pattern of the Bank may change at the time of conversion of preference shares to ordinary shares and / or subscription of rights.
- 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 September 30, 2015, including 'Advance against Shares Subscription' (as allowed by SBP) and excluding general reserves of Rs. 180.13 million and convertible preference shares of Rs. 2.20 billion, amounted to Rs. 7.11 billion. The shortfall in MCR at period end amounted to Rs. 2.89 billion and the CAR of the Bank remained below the prescribed level of 10% as at September 30, 2015.

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 Rights Shares

The Bank has issued 6,410,256,410 right shares amounting to Rs. 10 billion to meet the MCR requirements of SBP. The process of issuance of rights is underway and the Bank is awaiting the approval of the SBP for the induction of new sponsors in the Bank who have participated in the Rights Issue and the Underwriters/sponsors.

In addition to the above, the Bank has already transferred part of the right shares pertaining to general public to their respective accounts and has further 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 said advance for MCR and CAR purposes.

Furthermore, the Bank has received Rs. 1.706 billion from prospective investors in the Rights Shares Subscription Account R-8 of the Bank, which is pending approval with the State Bank of Pakistan (SBP) for treatment as advance against shares/Fitness and Proper Test approval of the prospective investors. Upon the receipt of the said approval from the SBP, this amount shall be reflected in the Equity of the Bank. Moreover, the Board of Directors of the Bank have allotted unsubscribed right shares of an amount of Rs. 1.095 billion to an existing sponsor and have further called upon the underwriter to subscribe to shares amounting to Rs. 4 billion to close the rights issue. This amount will be credited to the Share Capital, upon receipt of the said approvals from SBP.

### 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 13 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 unsubscribed rights of 2010, 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 September 30, 2015 vide letter no. BPRD / BA&CP-04 / 644 / 23469 / 2015 dated October 26, 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.

# Notes To The Condensed Interim Financial Statements - Unaudited

For the Nine Months Ended September 30, 2015

## 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 21.

## 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 nine months ended September 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 Nine Months Ended September 30, 2015

## 8 INVESTMENTS - NET

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

Note ----- Rupees in ' 000 -----

### 8.1 INVESTMENTS BY TYPES:

#### Held-for-Trading Securities

Pakistan Investment Bonds	765,147	2,330,359	3,095,506	-	2,500,368	2,500,368
Market Treasury Bills	944,946	3,600,070	4,545,016	-	-	-
Ordinary Shares of Listed Companies	14,222	-	14,222	-	-	-
	1,724,315	5,930,429	7,654,744	-	2,500,368	2,500,368

#### Available-for-Sale Securities

Pakistan Investment Bonds	1,912,789	2,330,359	4,243,148	586,897	2,887,536	3,474,433
Market Treasury Bills	3,391,184	9,696,871	13,088,055	3,522,238	6,342,179	9,864,417
GOP Ijara Sukuk	1,550,444	-	1,550,444	1,106,265	-	1,106,265
Term Finance Certificates - Listed	41,787	-	41,787	25,000	-	25,000
- Unlisted	26,879	-	26,879	12,215	-	12,215
Ordinary Shares - Listed	839,510	-	839,510	788,736	-	788,736
- Unlisted	5,680	-	5,680	5,680	-	5,680
	7,768,273	12,027,230	19,795,503	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
Investment in Associate	80,404	-	80,404	71,961	-	71,961

#### Investments at Cost

Less : Provisions for diminution in value of Investments	(89,370)	-	(89,370)	(84,026)	-	(84,026)
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#### Investments - net of provision

	9,558,532	17,957,859	27,516,191	6,109,876	11,730,083	17,839,959
Unrealized gain / (loss) on revaluation of investments - held-for-trading	888	(351)	538	-	169,053	169,053
(Deficit) / surplus on revaluation of Available-for-sale securities	(86,141)	(23)	(86,164)	(22,217)	118,619	96,402
<b>Total Investments</b>	<b>9,473,280</b>	<b>17,957,285</b>	<b>27,430,565</b>	<b>6,087,659</b>	<b>12,017,755</b>	<b>18,105,414</b>

14.1

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

### 8.2 INVESTMENTS BY SEGMENTS

#### Federal Government Securities

Market Treasury Bills	17,633,071	9,864,417
Pakistan Investment Bonds	7,338,654	5,974,801
GOP Ijara Sukuk	1,550,444	1,106,265
	26,522,169	16,945,483

#### Fully paid-up ordinary shares

Listed companies	853,732	788,736
Unlisted companies	5,680	5,680
	859,412	794,416

#### Term Finance Certificates / Sukuks

Term Finance Certificates - Listed	41,787	25,000
- Unlisted	26,879	12,215
	68,666	37,215

#### Other Investments

Shares repurchase (fully provided)	74,910	74,910
Investment in Associate	80,404	71,961
	155,314	146,871

#### Investments at Cost

Less : Provision for diminution in value of investments	27,605,561	17,923,985
	(89,370)	(84,026)
	27,516,191	17,839,959

Unrealized gain on revaluation of Held-for-trading securities	538	169,053
(Deficit) / surplus on revaluation of Available-for-Sale securities	(86,164)	96,402
<b>Total Investments</b>	<b>27,430,565</b>	<b>18,105,414</b>

14.1

# Notes To The Condensed Interim Financial Statements - Unaudited

For the Nine Months Ended September 30, 2015

	Note	September 30, 2015 Un-audited	December 31, 2014 Audited
----- Rupees in ' 000 -----			
<b>9 ADVANCES - NET</b>			
Loans, cash credits, running finances, etc.			
In Pakistan		58,476,867	57,868,559
Outside Pakistan		-	-
		58,476,867	57,868,559
Islamic Financing and related assets	9.1	4,619,761	5,745,328
Bills discounted and purchased (excluding treasury bills)			
Payable in Pakistan		162,223	134,761
Payable outside Pakistan		148,821	668,491
		311,044	803,252
<b>Advances - gross</b>		63,407,672	64,417,139
Provision against non-performing advances - specific	9.3	(4,586,948)	(5,022,650)
Provision against consumer finance - general	9.3	(488,409)	(427,612)
<b>Advances - net of provision</b>		58,332,315	58,966,877
<b>9.1 Islamic financing and related assets</b>	21 A-2.1		
Murabaha financing		3,252,761	2,095,181
Musharaka financing		-	3,450,147
Musawama financing		943,000	-
Diminishing Musharaka		424,000	200,000
		4,619,761	5,745,328

9.2 Advances include Rs. 7,325 million (December 2014: Rs. 8,222 million) which have been placed under non-performing status as detailed below:

Category of classification - specific	September 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	498,411	57,634	57,634	364,371	39,445	39,445
Doubtful	802,638	129,466	129,466	545,927	62,005	62,005
Loss	6,024,128	4,399,848	4,399,848	7,311,649	4,921,200	4,921,200
	7,325,177	4,586,948	4,586,948	8,221,947	5,022,650	5,022,650

9.3 Particulars of provision against non-performing advances:

	September 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	1,075,803	60,797	1,136,600	1,105,665	127,402	1,233,067
Reversals for the period / year	(1,358,453)	-	(1,358,453)	(1,026,588)	-	(1,026,588)
Net (reversals) / charge for the period / year	(282,650)	60,797	(221,853)	79,077	127,402	206,479
Amounts written off	(153,052)	-	(153,052)	(188,424)	-	(188,424)
<b>Closing balance</b>	4,586,948	488,409	5,075,357	5,022,650	427,612	5,450,262

# Notes To The Condensed Interim Financial Statements - Unaudited

For the Nine Months Ended September 30, 2015

- 9.3.1** 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

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

As of September 30, 2015, enhanced FSV benefit allowed in accordance with abovementioned SBP letter has an after tax impact is Nil (December 31, 2014: Rs. 301 million) on accumulated losses.

As of September 30, 2015, total FSV benefit taken against all loans and advances is Rs. 1,206 million - net of tax (December 2014: Rs. 1,351 million - net of tax), which shall not be available for payment of cash or stock dividend.

- 9.4** 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.

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

## 10 DEPOSITS AND OTHER ACCOUNTS

### Customers

Fixed deposits  
Savings deposits  
Current accounts - non - remunerative  
Margin accounts - non - remunerative  
Others

32,955,495	28,655,490
20,864,772	18,265,332
20,834,016	17,889,766
990,200	719,372
775,632	370,250
<b>76,420,115</b>	<b>65,900,210</b>

### Financial institutions

Remunerative deposits  
Non-remunerative deposits

3,166,805	2,802,189
24,828	67,856
<b>3,191,633</b>	<b>2,870,045</b>
<b>79,611,748</b>	<b>68,770,255</b>

# Notes To The Condensed Interim Financial Statements - Unaudited

For the Nine Months Ended September 30, 2015

## 11 OTHER LIABILITIES

Other liabilities include Rs. 1.706 billion received from prospective investors in the Rights Shares Subscription Account R-8 of the Bank, which is pending approval with the State Bank of Pakistan (SBP) for treatment as advance against shares/Fitness and Proper Test approval of the prospective investors. Upon the receipt of the said approval from the SBP, this amount shall be reflected in the Equity of the Bank.

## 12 SHARE CAPITAL

### 12.1 Authorised capital

September 30, 2015 Un-audited	December 31, 2014 Audited		September 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

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

September 30, 2015 Un-audited	December 31, 2014 Audited		September 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
765,255	-	Ordinary shares of Rs.10 each Fully paid in cash and issued at a discount of Rs. 8.44 per share	7,652,551	-
3,436,860	2,671,605		34,368,599	26,716,048

12.3 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).

12.4 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 13).

12.5 The Bank has issued 6,410,256,410 right shares amounting to Rs. 10 billion to meet the MCR requirements of SBP. The process of issuance of rights is underway and the Bank is awaiting the approval of the SBP for the induction of new sponsors in the Bank who have participated in the Rights Issue and the Underwriters/sponsors.

In addition to the above, the Bank has already transferred part of the right shares pertaining to general public to their respective accounts and has further 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 said advance for MCR and CAR purposes.

## 13 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 Nine Months Ended September 30, 2015

	Note	September 30, 2015 Un-audited	December 31, 2014 Audited
----- Rupees in ' 000 -----			
<b>14 SURPLUS ON REVALUATION OF ASSETS - NET OF TAX</b>			
Surplus on revaluation of securities	14.1	(56,006)	62,661
Surplus on revaluation of property and equipment	14.2	69,588	70,781
		<u>13,582</u>	<u>133,442</u>
<b>14.1 Surplus / (deficit) on revaluation of securities</b>			
<b>Federal Government Securities</b>			
Market Treasury Bills		384	15,294
Pakistan Investment Bonds		5,201	132,689
GOP Ijara Sukuk		3,823	(2,334)
<b>Fully paid-up ordinary shares</b>			
Listed companies		(95,851)	(49,251)
<b>Term Finance Certificate, Debentures, Bonds and Participation Term Certificates</b>			
Term Finance Certificates - Listed		279	4
	8.1 / 8.2	(86,164)	96,402
Deferred tax liability recognised		30,158	(33,741)
		<u>(56,006)</u>	<u>62,661</u>
<b>14.2 Surplus on revaluation of property and equipment</b>			
Surplus on revaluation of properties		95,579	96,355
Deferred tax liability recognised		(25,991)	(25,574)
		<u>69,588</u>	<u>70,781</u>
<b>15 CONTINGENCIES AND COMMITMENTS</b>			
<b>15.1 Transaction-related contingent liabilities</b>			
<b>Guarantees favouring</b>			
- Government		8,637,413	7,033,057
- Banking companies and other financial institutions		456,292	779,376
- Others		2,123,746	1,594,841
<b>15.2 Trade-related contingent liabilities</b>			
Letters of Credit & Acceptances		4,575,399	4,714,168
<b>15.3 Claims against the bank not acknowledged as debt</b>		342,051	195,088
<b>15.4 Claims against the bank by Competition Commission of Pakistan &amp; Others</b>		35,640	35,640
<b>15.5 Commitments in respect of</b>			
Forward exchange contracts with State Bank of Pakistan, banks and other institutions			
Sale		1,811,303	5,092,390
Purchase		6,738,776	10,461,691
Forward sale of listed equity securities		-	48,534
<b>15.6 Commitments in respect of</b>			
Property civil work & equipment		32,288	66,419
Purchase of hardware / software		31,185	35,801
		<u>63,473</u>	<u>102,220</u>

# Notes To The Condensed Interim Financial Statements - Unaudited

For the Nine Months Ended September 30, 2015

	September 30, 2015 Un-audited	September 30, 2014 Un-audited
	----- Rupees in ' 000 -----	
<b>16 MARK-UP / RETURN / INTEREST EARNED</b>		
<b>On loans and advances to:</b>		
Customers	5,175,851	5,896,234
<b>On investments in:</b>		
Held-for-trading securities	93,049	120,626
Available-for-sale securities	1,332,667	931,764
Held-to-maturity securities	-	-
	<b>1,425,716</b>	<b>1,052,390</b>
On deposits with financial institutions	263	289
On call money lendings	345	437
On securities purchased under resale agreements	179,187	94,617
	<b>6,781,362</b>	<b>7,043,967</b>
<b>17 MARK-UP / RETURN / INTEREST EXPENSED</b>		
Deposits	3,066,918	3,415,569
Securities sold under repurchase agreements	645,007	270,699
Call Borrowings	251,000	231,159
Borrowings from SBP under export re-finance scheme	90,934	181,887
SWAP money market expense	220,494	220,023
Others	4,235	4,790
	<b>4,478,588</b>	<b>4,324,127</b>

## 18 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.

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 2015. 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.

	September 30, 2015 Un-audited	September 30, 2014 Un-audited
	----- Rupees in ' 000 -----	
<b>19 CASH AND CASH EQUIVALENTS</b>		
Cash and balance with treasury banks	6,516,008	6,299,982
Balance with other banks	171,085	112,225
	<b>6,687,093</b>	<b>6,412,207</b>

## 20 RELATED PARTY TRANSACTION

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.

# Notes To The Condensed Interim Financial Statements - Unaudited

For the Nine Months Ended September 30, 2015

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:

	September 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	1,333	19,988	1,278,659	1,868	20,316	4,320,967
Loans repaid during the period / year	(1,333)	(20,180)	(1,767,528)	(265)	(21,583)	(3,909,499)
<b>Loans outstanding at the end of the period / year</b>	<b>3,599</b>	<b>2,550</b>	<b>701,413</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	284,298	1,408,518	5,682,592	494,707	1,062,221	2,654,874
Deposits repaid during the period / year	(285,209)	(1,173,297)	(4,665,365)	(518,883)	(1,174,443)	(1,272,061)
<b>Deposits at the end of the period / year</b>	<b>12,935</b>	<b>371,338</b>	<b>2,519,608</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	-	-	25,952	-	-	67,502
Redeemed / impaired during the period / year	-	-	(32,873)	-	-	(98,229)
<b>Investments at the end of the period / year</b>	<b>-</b>	<b>-</b>	<b>169,827</b>	<b>-</b>	<b>-</b>	<b>176,748</b>

	September 30, 2015 (Un-audited)			September 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	82,349	236,433	-	51,385	233,128	-
Termination benefits	5,617	17,078	-	4,022	16,237	-
Mark-up earned on loans	270	723	68,238	190	556	25,956
Mark-up paid on deposits	536	4,172	145,393	276	3,497	15,282
Services received / goods supplied	-	105,855	75,297	-	98,748	66,955
Meeting fee of Non-Executive directors	14,734	-	-	10,977	-	-
Share of profit from Associate	-	-	8,443	-	-	8,017

- 20.1 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 period are not reflected as part of the closing balance of the current period. The same are accounted for through the movement presented above.

# Notes To The Condensed Interim Financial Statements - Unaudited

For the Nine Months Ended September 30, 2015

## 21 ISLAMIC BANKING BUSINESS

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

	Note	September 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		443,318	471,030
Balances with other banks		7,301	4,036
Due from financial institutions		-	510,194
Investments		978,337	800,202
Islamic financing and related assets	9.1 / A-2.1	4,619,761	5,745,328
Operating fixed assets		100,776	109,688
Other assets		503,112	2,233,585
<b>Total Assets</b>		<b>6,652,605</b>	<b>9,874,063</b>
<b>LIABILITIES</b>			
Bills payable		598,366	104,464
Due to financial institutions		1,050	26,888
Deposits and other accounts			
-Current accounts		1,413,019	1,839,729
-Saving accounts		1,037,731	1,410,190
-Term deposits		1,706,182	2,313,292
-Others		40,531	35,000
-Deposits from financial institutions - remunerative		1,378,103	1,041,647
-Deposits from financial institutions - non - remunerative		452	204
Due to head office		-	2,507,147
Other liabilities		216,160	56,901
<b>Total Liabilities</b>		<b>6,392,594</b>	<b>9,335,462</b>
<b>NET ASSETS</b>		<b>260,011</b>	<b>538,601</b>
<b>REPRESENTED BY</b>			
Islamic banking fund		425,000	425,000
Reserves		-	-
Accumulated (loss) / profit		(167,297)	114,821
		257,703	539,821
Surplus / (deficit) on revaluation of assets		2,308	(1,220)
		260,011	538,601
<b>Contingencies and commitments</b>	A-2.2		
<b>A-2.1 ISLAMIC FINANCING AND RELATED ASSETS</b>			
Murahaba		3,252,761	2,095,181
Musharaka		-	3,450,147
Musawamah financing		943,000	-
Diminishing Musharaka		424,000	200,000
		4,619,761	5,745,328
<b>A-2.2 CONTINGENCIES AND COMMITMENTS</b>			
Guarantees favouring			
- Government		-	-
- Banking companies and other financial institutions		-	-
- Others		668,332	350,000
<b>Commitments in respect of forward exchange contracts</b>			
Forward exchange contracts with State Bank of Pakistan, banks and other institutions			
- Sale		-	-
- Purchase		261,320	251,297



# Notes To The Condensed Interim Financial Statements - Unaudited

For the Nine Months Ended September 30, 2015

	September 30, 2015 Un-audited	September 30, 2014 Un-audited
	----- Rupees in ' 000 -----	
<b>B) REMUNERATION TO SHARIA ADVISOR / BOARD</b>	2,091	1,986
<b>C) During the period no charity credited to Charity Fund Account nor any payment made out of it.</b>		
<b>D) PROFIT AND LOSS ACCOUNT</b>		
Profit / return earned on financings, investments and placements	170,110	604,295
Return on deposits and others dues expensed	(234,874)	(224,344)
<b>Net spread earned</b>	(64,764)	379,951
<b>Other Income</b>		
Fees, commission and brokerage income	8,335	8,799
(Loss) / income from dealing in foreign currencies	(14,405)	4,288
(Loss) / gain on sale of securities	(2)	11,958
Other income	2,260	2,629
<b>Total other income</b>	(3,812)	27,674
	(68,576)	407,625
<b>Other Expenses</b>		
Administrative expenses	(213,542)	(175,134)
<b>(Loss) / profit before taxation</b>	(282,118)	232,491

## 22 DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on October 29, 2015 by the Board of Directors of the Bank.

## 23 GENERAL

23.1 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	89,368	Other income	Fee, commission and brokerage income
Profit and loss account	4,333	Other income	Administrative Expenses
Profit and loss account	427	Mark-up / return / interest expensed	Administrative Expenses

23.2 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



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

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

#### LAHORE EAST

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

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

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

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

**Sheikh Mobin Rafiq**  
**Branch Manager**  
Thokar Niaz Baig Branch,  
7-B, Judicial Colony,  
Railwind Road,  
Thokar Niaz Baig, Lahore.  
Tel: (042) 35314045-46,  
35314049  
Fax: (042) 35314048

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

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

**Nadeem Altif**  
**Branch Manager**  
Shaikhupura Branch,  
Sharif Plaza,  
Main Lahore-Sargodha Road,  
Shaikhupura.  
Tel: (056) 3813529, 3812665  
Fax: (056) 3810059

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

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

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

**Ghulam Rasool**  
**Branch Manager**  
Railwind Branch,  
Railway Road,  
Adjacent Red Chilli Restaurant,  
Railwind.  
Tel: (042) 35393815, 35393811-13  
Fax: (042) 35393814

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

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

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

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

#### LAHORE WEST

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

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

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

**Chaudhary Gulzar Hussain**  
**Branch Manager**  
Gujrat Branch,  
B-17/153-R-R,  
Near Eidgah Masjid,  
G. T. Road, Gujrat.  
Tel: (053) 3531466, 3536262,  
3535144, 3531472  
Fax: (053) 3531732

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

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

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

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

**Ali Bokhary**  
**Branch Manager**  
Fortress Stadium Branch,  
13, Bridge Shop,  
Fortress Stadium,  
Lahore Cantt., Lahore.  
Tel: (042) 36623384-86,  
36623390  
Fax: (042) 36623143

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

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

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

#### MULTAN REGION

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

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

**Afsheen Noreen**  
**Branch Manager**  
Dera Ghazi Khan Branch,  
Block-13, Hospital Chowk,  
Opp. DHQ Hospital,  
Railway Road,  
Dera Ghazi Khan.  
Tel: (064) 2466682  
Fax: (064) 2466683

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

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

**Adli Jatoi**  
**Branch Manager**  
Sukkur Branch,  
Husaini Road, Sukkur.  
Tel: (071) 5619141-43  
Fax: (071) 5619151

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

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

**Malik Kashif Feroze**  
**Acting Branch Manager**  
Rahim Yar Khan Branch,  
26-Shahi Road, Rahim Yar Khan.  
Tel: (068) 5884345, 5881302  
Fax: (068) 5879408

# 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 B.S.C.  
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 N.V.  
Fortis Bank S.A./N.V.  
Royal Bank of Scotland  
Deutsche Bank AG

## Brazil

Deutsche Bank AG

## Bulgaria

Citibank N.A.  
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 Everbright 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 N.A.  
WestLB 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 AG  
National Bank of Pakistan  
UBAF  
Habib Bank Ltd  
BNP Paribas SA

## Germany

Commerzbank AG  
Danske Bank A/S  
Deutsche Bank AG  
National Bank of Pakistan  
SEB AG  
Landesbank Baden-Württemberg  
Suedwestbank AG  
UniCredit Bank AG  
JP Morgan

## Hungary

K&H Bank Zrt  
Magyarorszagl 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 Bank N.A.  
WestLB AG

## India

Mashreqbank PSC  
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 SCPA

## Japan

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

## Kazakhstan

BTA Bank JSC

## Kuwait

Gulf Bank K.S.C.  
Al Ahli Bank of Kuwait K.S.C.  
National Bank of Kuwait  
Citibank N.A.  
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 N.A.  
Woori Bank

## Kosovo

Raiffeisen Bank

## Lebanon

Habib Bank Ltd.

## Malaysia

Citibank N.A.  
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 AG  
Royal Bank of Scotland  
Deutsche Bank AG  
Habib Bank Ltd.  
Royal Bank of Scotland  
BNP Paribas Fortis Netherland 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 Bank  
Mashreqbank PSC

## Romania

Piraeus Bank

## Russia

Citibank N.A.  
Commerzbank AG

## 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 N.A.  
BNP Paribas Fortis Bank

Habib Bank Ltd  
J P Morgan  
Mizuho Corporate Bank  
National Bank of Kuwait  
Rabo Bank  
Sumitomo Mitsui Banking Corporation Ltd.  
WestLB AG  
UBAF

#### South Africa

Habib Overseas Bank Ltd.  
HBZ Bank Ltd.  
FirstRand Bank

#### Serbia

UniCredit Bank AG

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

#### Taiwan

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

#### Thailand

Bank of Ayudha Public Company Ltd.  
Export Import Bank of Thailand  
Royal Bank of Scotland  
Citibank N.A.  
Deutsche Bank AG  
JP Morgan

#### Turkey

Royal Bank of Scotland

Habib Bank Ltd  
Deutsche Bank AG  
Turkiye Vakiflar Bankasi T.A.O  
Turkiye Garanti Bankasi AS  
Turk Ekonomi Bankasi AS

#### U.A.E.

Citibank N.A.  
Dubai Islamic Bank  
Deutsche Bank AG  
Emirates NBD Bank  
Emirates Islamic Bank  
United Bank Ltd.  
Habib Bank Ltd.  
Mashreq Bank PSC  
Royal Bank of Scotland  
National Bank of Fujairah  
Habib Bank AG Zurich  
Noor Islamic Bank  
Commerzbank AG

#### U.K.

ABC International Bank PLC  
Bank of America  
Clydesdale Bank  
Deutsche Bank  
Habib Bank AG Zurich  
Habib UK  
Commerzbank AG  
Mashreq Bank PSC  
Northern Bank  
JP Morgan  
Royal Bank of Scotland  
Citibank N.A.  
United National Bank

#### U.S.A.

Royal Bank of Scotland

Bank of America  
Bank of New York Mellon  
Bank of the West  
Citibank N.A.  
Commerzbank AG  
Deutsche Bank Trust Co.  
Doha Bank  
Habib American Bank  
Habib Bank Ltd.  
Intesa Sanpaolo SPA  
JP Morgan  
Mashreqbank PSC  
Mizuho Corporate Bank Ltd.  
M & I Bank  
National Bank of Pakistan  
Sumitomo Mitsui Banking Corporation  
Union Bank of California  
Valley National Bank  
U.S. Bank Minneapolis  
Union Bank N.A.  
United Bank Ltd.  
Wells Fargo Bank N.A

#### Vietnam

JP Morgan  
Deutsche Bank AG



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

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