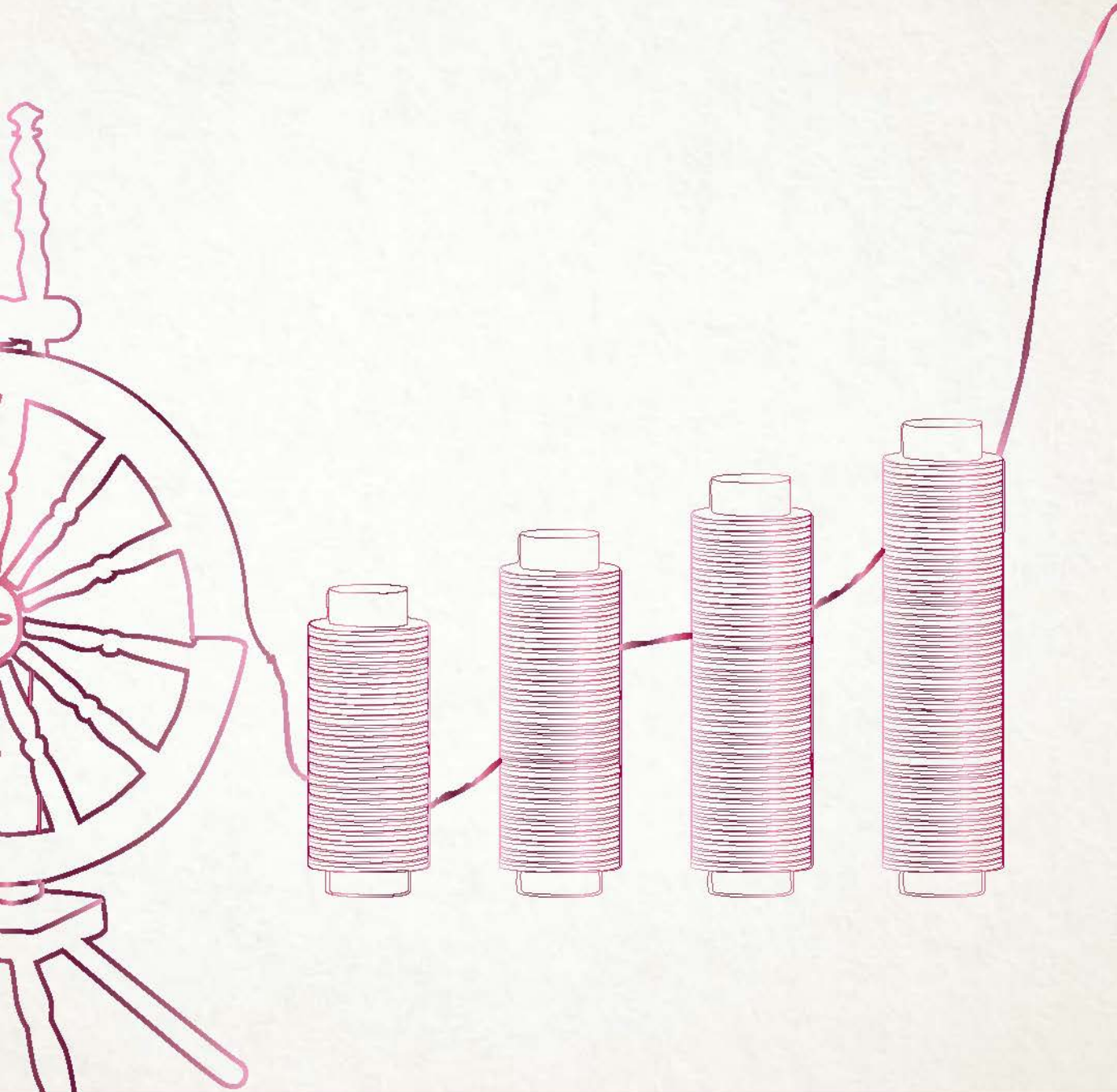


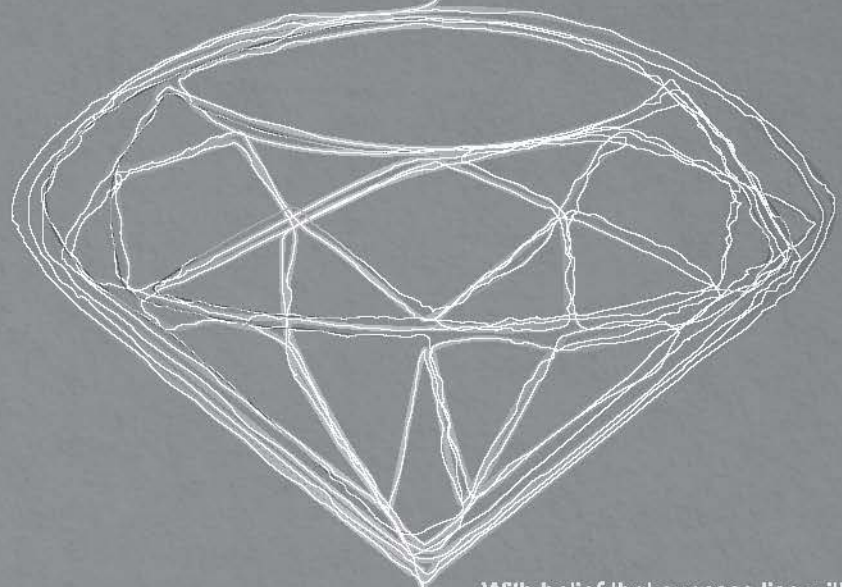
HALF YEARLY
REPORT '17

ASCENDING TOWARDS
EXCELLENCE



ASCENDING TOWARDS

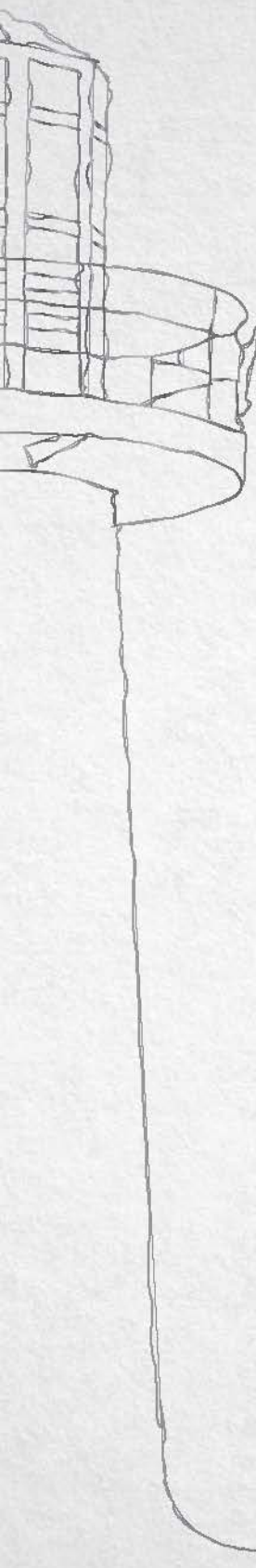
EXCELLENCE



With belief that success lies within, Silkbank has put its best foot forward in the Year 2017 that became a stepping-stone in setting the momentum. While keeping up with the pace, Silkbank offers a range of innovative and convenient banking services that are simply a notch above. This year, the bank witnessed growth and achieved great recognition not only amongst its customers but also amongst its peers. This made Silkbank, 'Ascend towards Excellence' – because Excellence is what the bank aspires and destines.

THE
ASCENDANCE



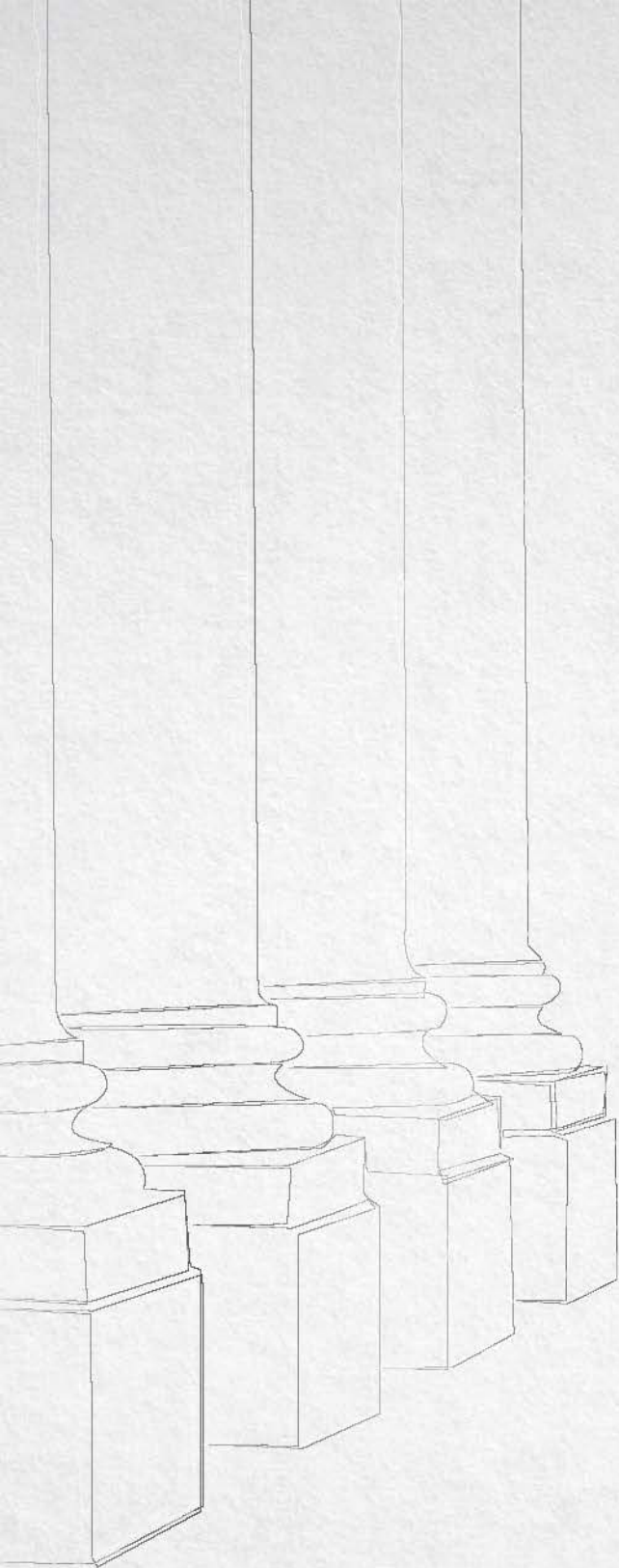


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WINNING
TRUST



VISION

**Benchmark of excellence in
Premier Banking.**

MISSION

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

**STRIKING A
BALANCE**



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 level of personal and corporate integrity.

TEAMWORK

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

CREATIVITY

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

MERITOCRACY

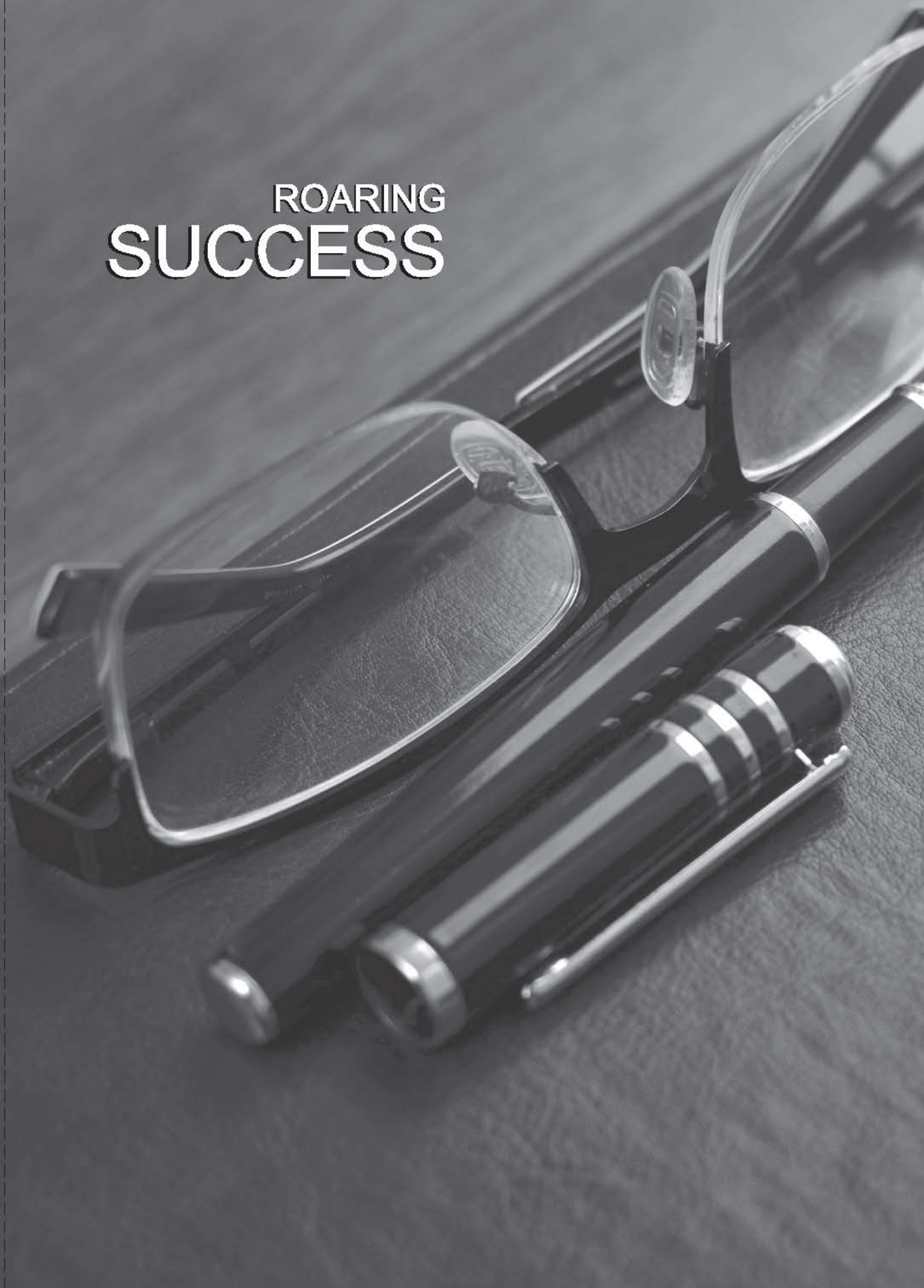
Merit remains our key primary criteria for rewarding performance.

HUMILITY

Humility remains at the core of all our relationships.



ROARING
SUCCESS





CORPORATE INFORMATION

The hallmark of ascending towards excellence is only possible with a proficient team who grind day and night to become the notch. We at Silkbank understand that excellence is achieved by working together in extraordinary ways because big results require big ambitions.

Corporate Information

as of June 30, 2017

Board of Directors

Munnawar Hamid, OBE	Chairman
Adnan Afridi	Director
Khalid Aziz Mirza	Director
Nasim Beg	Director
Sadeq Sayeed	Director
Shamsul Hasan	Director
Talha Saeed Ahmed	Executive Director
Tariq Iqbal Khan, FCA	Director
Zubair Nawaz Chattha	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
Nasim Beg	Member
Adnan Afridi	Member
Wajih Zaidi	Secretary

Risk Committee

Shamsul Hasan	Chairman
Sadeq Sayeed	Member
Adnan Afridi	Member
Muhammad Atif Kauser	Secretary

Human Resources Committee

Munnawar Hamid, OBE	Chairman
Khalid Aziz Mirza	Member
Zubair Nawaz Chattha	Member
Azmat Tarin	Member
Sanam Kohati Faiz	Secretary

Auditors

Deloitte Yousuf Adil
Chartered Accountants

Legal Advisor

Ghani Law Associates

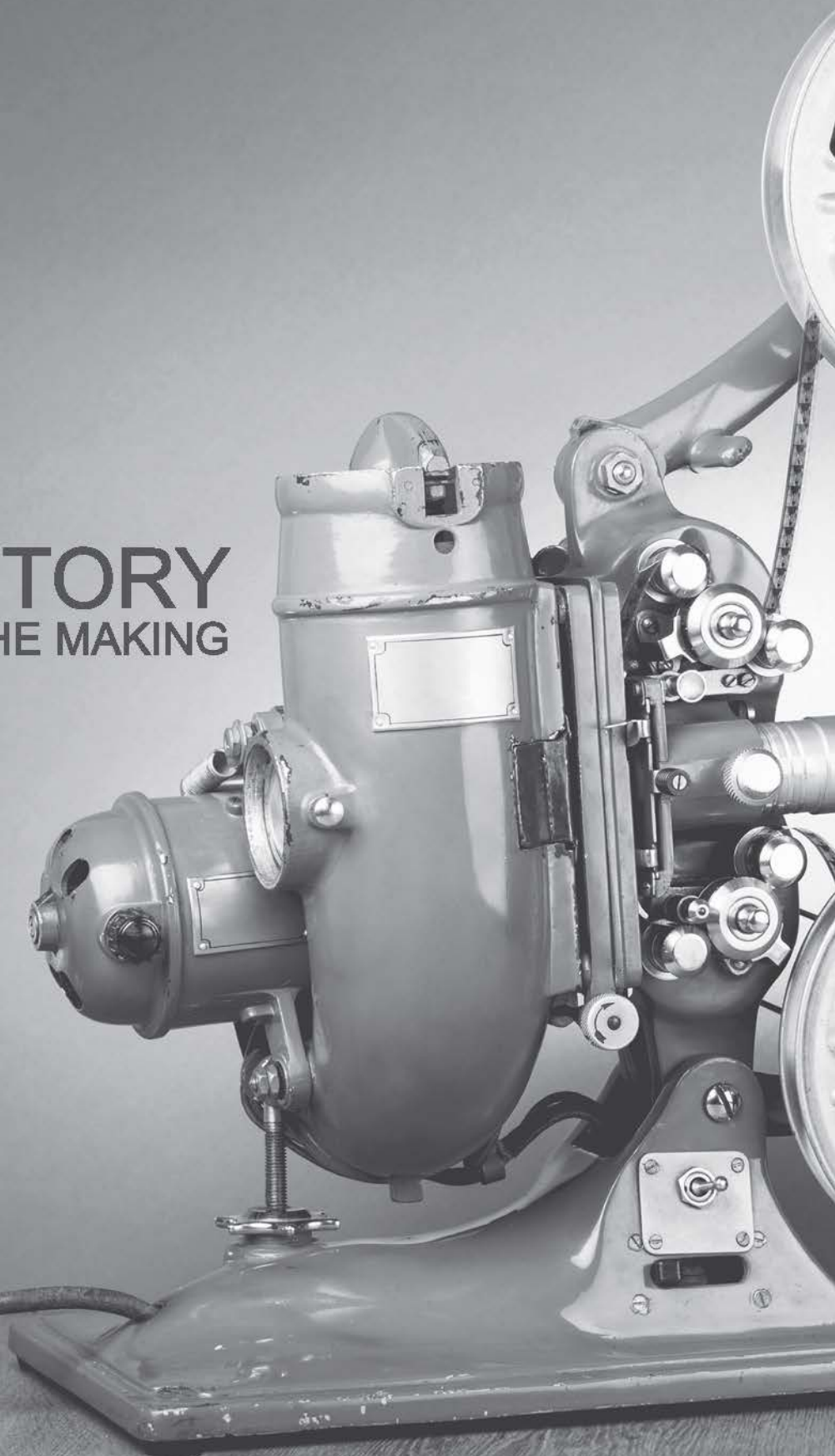
Registered Office

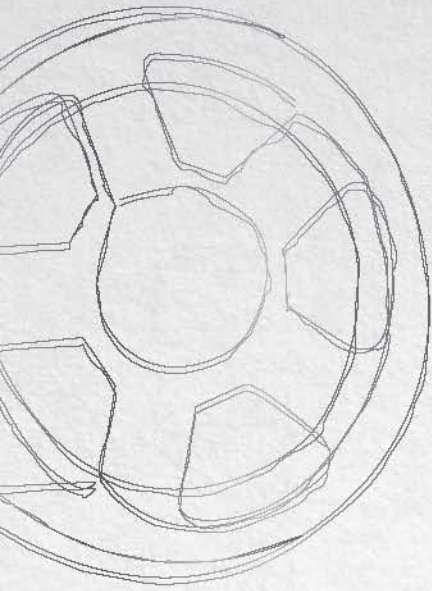
Silkbank Limited, Administration Division,
13 L, F-7 Markaz, Islamabad.
Direct Tel: (051)-26080-26-27-28
PABX: (051)-26080-77-78-79, EXT: 111
Fax: (051)-26080-29
Email: companysecretary@silkbank.com.pk
Website: www.silkbank.com.pk

Share Registrar

Central Depository Company of Pakistan Limited (CDCPL)
Share Registrar Department
CDC House, 99-B, Block 'B', S.M.C.H.S., Main Shahra-e-Faisal,
Karachi-74400.
Tel: Customer Support Services (Toll Free) 0800-CDCPL (23275)
Fax: (92-21) 34326053
Email: info@cdcpak.com
Website: www.cdcpakistan.com

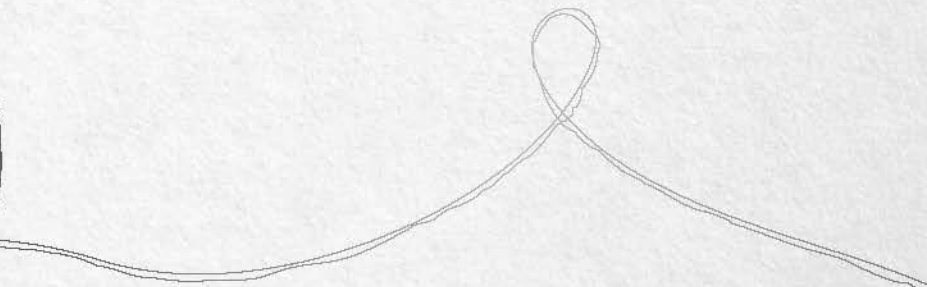
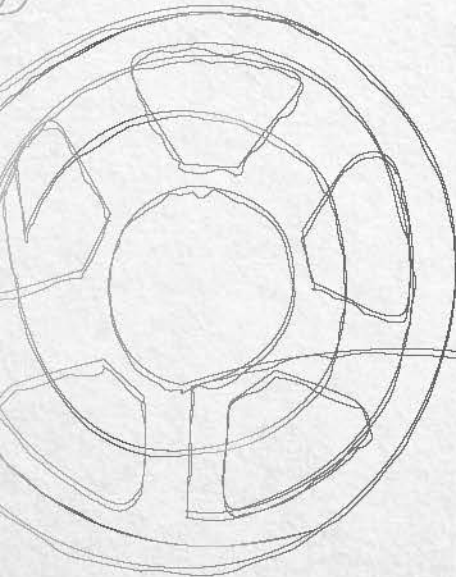
HISTORY IN THE MAKING





REPORTS AND STATEMENTS TO THE MEMBERS

The year 2017 has been a great year so far in terms of progress, growth and leadership mapping the significant achievement in the history of Silkbank. The reports and statements reflect the status, which the Bank earned through the best practices. Therefore, today we say, we are ascending towards excellence.



Director's Report

Directors' Review Report as of June 30, 2017

Dear Shareholders,

We are pleased to present the financial statements of the Bank for the half year ended June 30, 2017.



Economic Review

Pakistan's economy has been continuously showing improvements. Major successes in the second quarter include the stability of economic growth and controlled inflation. Tax collection has been reduced slightly, hence increasing impact on the fiscal deficit. The stock market, on the other hand, looked optimistic during the second quarter of 2017.

Reflecting further on CPI tendencies, the headline inflation (in YoY terms) has softened at 3.9 percent in June 2017, while core inflation has stayed at 5.5 percent since April 2017. The latter does indicate rising demand.

The current account deficit has been managed by FX reserves and a financial account surplus which reached US\$ 9.6 billion during FY-17 from US\$ 6.8 billion in the same period last year. Apart from the increase in official inflows, this accumulation incorporates the impact of increase in private sector borrowing for CPEC projects. Going forward, the global forecasts project a positive outlook with both, growth and international trade picking up in FY-18. Based on this assessment coupled with positive domestic policy measures, Pakistan's exports are expected to post gains.

Imports on the other hand, albeit at a slower pace, are also expected to grow in line with continuation of CPEC related activities and improving economic growth.

Banking Sector

The growth in private sector credit was one of the most encouraging developments during the quarter which contributed significantly in achieving the real GDP growth. The sharp surge in private sector credit is a reflection of increasing trust and confidence of the business community in the overall investment climate of the country.

The Discount Rate remained stable at 6.25% during the second quarter of the year and the banking sector's spreads average slightly improved to 5.02% compared to 4.97% in the preceding quarter. Advances made in the Banking Sector improved by Rs. 331 billion amounting to Rs. 6,028 billion for the second quarter of 2017, taking ADR (Asset to Deposit Ratio) to 51.51%. Investments also picked up by Rs. 7,989 billion and deposits reached to Rs. 11,702 billion during the second quarter 2017.

Financial Performance

The Bank has posted after tax Profit of Rs. 478.26 million in the half year of 2017.

During this period, total deposits of the Bank grew by Rs. 15.2 billion to Rs. 101.98 billion and gross advances increased by Rs. 12.98 billion.

Summarized financial performance of Silkbank Limited for the half year ended June 30, 2017 is as follows:

Financial Performance	Rs. in million
Profit before tax	613.75
Tax - Current	-
Prior	-
Deferred	135.49
Profit after tax	478.26
	Rupee
Earnings per share - Basic	0.05
Earnings per share - Diluted	0.05

Business Performance

Branch Banking

Branch Banking serves over 156,005 customers and approximately represents 66.52% of the Bank's deposit base. Branch Banking deposits increased to Rs. 68,372 million during the year from Rs. 57,560 million (as of Dec 31, 2016). This not only amounted to a historic high increase of Rs. 10,812 million during the first half of the year, but also enabled Branch Banking to surpass its budgeted targets.

The composition of the overall incremental volume accounted for 86% CASA deposit. The CASA YTD growth of Rs. 9,327 million reflects the management's focus on generating low cost deposits. Current account and Savings account registered YTD growth of Rs. 5.036 billion and 4.291 billion respectively, which favourably improved LCY-CASA deposit mix by 5% during the first half of 2017.

- **Home Remittance:** Home remittance business recorded a total of 43,378 transactions and disbursed Rs. 3.03 billion during the first half of 2017. Further expansion is expected by adding new exchange companies and creating new business ventures along with focus on attracting end customers through incentivized campaigns.

- **ADC Business:** Silkbank VISA Debit Card ("VDC") continued to show strong growth in 2017. 16,771 new VDCs were issued during the first half of 2017 and usage over Point of Sales (POS) during the first half of 2017 recorded a spend of Rs. 633.09 million through 158,047 transactions. Highest POS spend was recorded at Rs. 120.02 million during June, 2017. Silkbank ATMs dispensed a cash volume of Rs. 8.414 billion against 794,011 transactions during the first half of 2017 and recorded a monthly usage volume of Rs. 1.40 billion per month.

Alternate Distribution Services and e-delivery channels have added value to the product offerings of the Bank and have enhanced the reach/accessibility of banking services. SilkMobile registrations have reached 28,873 customers, where new features are continuously being added, alluring customers towards usage of digital platform.

- **Bancassurance:** With unified goal of enhancing cross-sell and Non-Funded Income, the Bank has also put in significant efforts to increase the Bancassurance business. This resulted in YTD Revenue growth of more than 20% from corresponding period of year 2016. Cross-sell of Bancassurance products to existing branch customers have also strengthened customer relationship with the branches, while adding strong contribution into the bottom line of the Bank.

All the above contributors helped Branch Banking to remain on track with YTD budgeted P&L numbers. With new initiatives in pipeline and expected branch network expansion in second half of the year 2017, Branch Banking continues to move higher on the spectrum of positive outlook.

Consumer Banking Unsecured

Silkbank offers versatile product range to customers in consumer lending, to facilitate them in the best possible way as per their requirement and desire. Secured lending products include M'Power, a running finance facility against mortgage of property and unsecured lending offers products like Ready Line, Personal loan and Credit Cards. All of these products have performed better than budget in the first half of the year, contributing Rs. 592 million on EBIT. In PIL and RL, the Bank maintained its position as a market leader among the peer banks with remarkable ending net receivable of Rs. 9.097 million.

Going forward, focus for the year 2017 is on market expansion. The Bank has already expanded its reach to three new cities and planning to add more in the second half. Addition of acquisition channels like Tele Sales

Unit, Corporate and online, have also been made.

- **Personal Loan:** Silkbank Personal Loan, an installment based product launched in year 2010, have successfully completed its first life cycle and is growing stronger with every passing month. In the first six months, we have disbursed 4,210 new loans, stood tall with 18,217 active customers and Rs. 4,535 million Ending Net Receivable (ENR). Many customer and staff promotions were launched to help the momentum going.



In the second quarter of the year, the Bank has changed its traditional pricing mechanism by introducing risk based pricing for new customers. We will be rewarding our good history customers by offering them rate rebate in the approved published rates of the Bank.

- **Ready Line:** Silkbank Ready Line is a running finance facility which with its unique and convenient features facilitates customers to access and utilize their funds anytime and anywhere. During the first half of 2017, the Bank launched a thematic mass media campaign "Khwahishon ko chalne do". The three TVCs were made depicting different stages of life connecting your wishes with Ready Line. The campaign proved to be a superhit, receiving an overwhelming response from the public which resulted in ever highest login (3,261) and ever highest disbursement of Rs. 449 million.
- **Credit Cards:** Silkbank has established itself as the leading credit card issuer in 2017 by acquiring 27,886 new cards in the first 8 months. This strong impetus from sales has elevated the total cards base to 117,512 cards. Spend Stimulation Unit continues to build momentum every month and has booked ENR volume of Rs. 831 million so far in 2017. Retail Spending on Credit Cards has also witnessed an admirable growth with Rs. 6.9 billion spending recorded during the first half of 2017. A host of spend and activation campaigns along with ENR building initiatives have helped in pushing the receivable base to Rs. 3.17 billion.

Emaan Islamic Banking



Emaan Islamic Banking, the Islamic banking division of the bank achieved profit before tax of Rs. 148,609 million in the first half of 2017. Deposit book stood at Rs. 11,532 billion, with YTD increase of Rs. 0,631 billion. CASA/Term Deposit ratio stood at 78:22. Corporate advances book increased by Rs. 3,482 billion and stood at Rs. 11,705 billion (Dec' 16: Rs. 8,223 billion), registering a year to date growth of 42.35%.

Election of Directors

The term of previous Board of Directors of the Bank expired on August 12, 2017. In this regard, an Extra Ordinary General Meeting for the election of Directors of the Bank was held on August 11, 2017. The following nine members were duly elected as Directors on the Board of the Bank, for a three-year term commencing from August 11, 2017.

1. Mr. Munnawar Hamid, OBE
2. Mr. Adnan Afridi
3. Mr. Khalid Aziz Mirza
4. Mr. Nasim Beg

5. Mr. Rashid Akhtar Chughtai
6. Mr. Shamsul Hasan
7. Mr. Tariq Iqbal Khan
8. Mr. Talha Saeed Ahmad
9. Mr. Zubair Nawaz Chattha

Subsequently, the newly elected Board has reappointed Mr. Azmat Tarin as the President/CEO of the Bank.

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

The Bank is compliant with the MCR and CAR requirements as prescribed by the State Bank of Pakistan. During the first half of 2017, the Bank successfully raised Tier-II Capital of Rs. 2.00 billion (inclusive of Green Shoe Option of up to Rs. 500 million) by means of issuance of Rated, Privately Placed, Unsecured and Subordinated Term Finance Certificates ("TFC Issue") as an instrument of redeemable capital under Section 86 of the Companies Act, 2017.

The SBP has allowed the amount of Rs. 2.0 billion to be treated as Tier-II Capital, in calculation of the Minimum Capital Adequacy Requirement (CAR) and maintenance of Capital Conservation Buffer (CCB) as of June 30, 2017. The TFC issue will contribute towards the Silkbank's Tier-II Capital for complying with the Capital Adequacy Ratio ("CAR") requirement prescribed by the State Bank of Pakistan under its Basel-III framework and the funds so raised will be utilized towards the Bank's business operations and further expansion.

Credit Rating

The JCR VIS Credit Rating Company Limited has reaffirmed the Long-Term entity rating of Silkbank as A- (Single A Minus) and Short-Term rating as A-2 (A-Two). Outlook on the assigned ratings is "Stable".

Future Outlook

Going forward in 2017, customer service excellence would continue to be a primary objective and key differentiator in the market place. Low cost of funds will be maintained and sales and marketing efforts will increase introduction of new accounts. With the successful conclusion of the Rights Issue of Rs. 10.00 billion by the Bank in January 2017 and the TFC Issue in June/July 2017, it is expected that the Bank's rating would improve which will eventually improve the core deposits ratio v/s total deposits. The Bank is also planning to increase its distribution footprint by introducing the smart branch concept at strategic locations all over the country which should enhance the Bank's ability to mobilize deposits and subsequently lend and invest increasingly in earning assets. SBP has provided the approval to the Bank for opening of 20 Islamic and 15 conventional branches in 2017. On the other hand, the Non-Earning Assets will be reduced by reducing OREO assets as well as Bank owned properties to accrue additional capital gains. Going forward, productivity initiatives will continue in 2017 focusing on premises rent, utility & other operating expenses. The Bank will also continue to focus on the Customer Franchise by reducing the corporate bank book, exposure on evergreen and term facilities in the Corporate & SME segments and replacing them with short-term trade finance and self-liquidating exposure. Efforts will also be made to revive the mortgage business in the current low interest rate scenario, to provide further growth in the consumer banking business. Most importantly, the Bank will increasingly emphasize on human capital by strengthening a pay for performance culture and an improved succession planning process.

With the strong base built to date and the successful implementation of the key strategies outlined above, your Directors are hopeful that a profitable growth of the Bank will show an increasing trend in the year to come.

Acknowledgement

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

For and on Behalf of the Board of
Silkbank Limited

Azmat Tarin
President & CEO

Munnawar Hamid, OBE
Chairman

Karachi, August 24, 2017

Auditors' Report To The Members on Review of Interim Financial Information

Deloitte.

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

Telephone +92 (0) 21-3454 6494-7
Fax +92 (0) 21-3454 1314
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, 2017 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, 2017, 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 12 to the interim financial information relating to deferred tax assets where management has disclosed that the Bank, based on the financial projections for taxable profits for five years, which have been approved by the Board of Directors, will be able to realise the net deferred tax assets of Rs. 3,577 million. The preparation of projections involve management's assumptions regarding future business and economic conditions and therefore any significant change in such assumptions or actual outcomes that are different from assumptions, may have an effect on the realisability of the deferred tax assets in future.
- b) Note 13 to the interim financial information which discloses that the aggregate carrying value of non-banking assets (NBAs) acquired in satisfaction of claims amounted to Rs. 12,299 million (net of impairment) as at June 30, 2017. Further, there is limited disposal of such assets in the current period and previous year(s) and the Bank's exposure in such assets exceeds the level prescribed by the State Bank of Pakistan under Regulations for Debt Property

Swap. 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, 2017 and 2016 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, 2017.

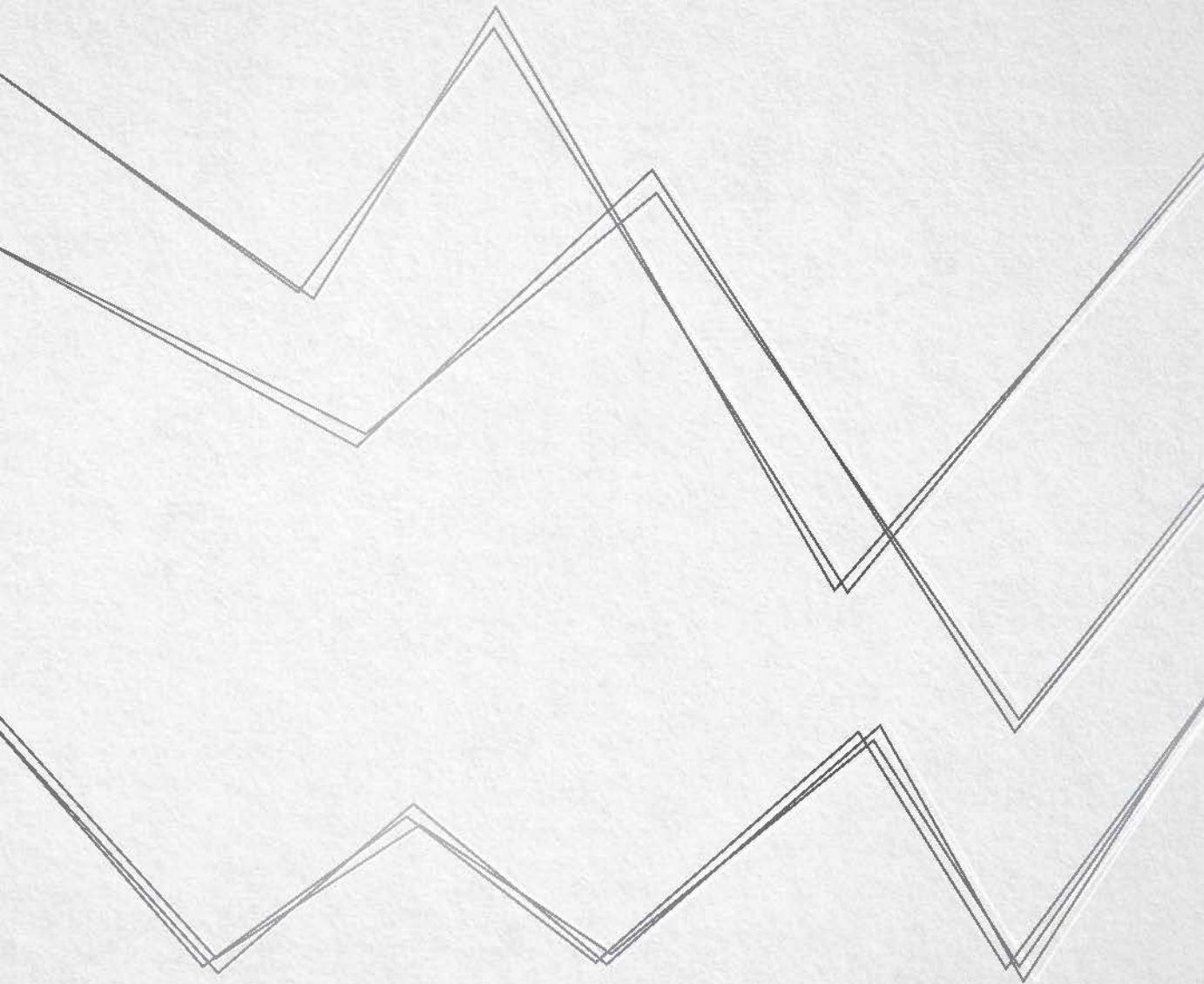
Chartered Accountants

Engagement Partner:
Syed Asad Ali Shah

Date: August 24, 2017
Place: Karachi

LEADING WITH
SUCCESS





FINANCIAL STATEMENTS

After a long haul of perseverance, integrity, humility and teamwork, we have reached the impeccable results, which is yours and our success in the long run. Your passion and commitment has made it possible for Silkbank to embrace success.

Condensed Interim Statement of Financial Position

As at June 30, 2017

	Note	June 30, 2017 Un-audited	December 31, 2016 Audited
Rupees in '000			
ASSETS			
Cash and balances with treasury banks		7,712,376	7,370,962
Balances with other banks		203,921	87,748
Lendings to financial institutions	8	10,628,268	706,572
Investments - net	9	25,489,963	37,488,482
Advances - net	10	77,826,488	64,802,628
Operating fixed assets	11	4,108,291	4,101,219
Deferred tax assets - net	12	3,576,505	3,704,745
Other assets	13	17,280,686	16,771,466
		146,826,498	135,033,822
LIABILITIES			
Bills payable		2,494,940	3,996,044
Borrowings	14	25,143,834	30,195,702
Deposits and other accounts	15	101,984,003	86,787,423
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		8,835	10,694
Deferred tax liabilities		-	-
Other liabilities	16	4,676,750	1,989,371
		134,308,362	122,979,234
NET ASSETS		12,518,136	12,054,588
REPRESENTED BY			
Share capital	17	90,818,612	77,998,099
Discount on issue of right shares		(67,387,238)	(56,566,725)
Reserves		327,845	327,845
Advance against shares subscription	1.3	-	2,000,000
Accumulated loss		(11,293,320)	(11,757,111)
		12,465,899	12,002,108
Surplus on revaluation of assets - net of tax	18	52,237	52,480
		12,518,136	12,054,588
CONTINGENCIES AND COMMITMENTS	19		

The annexed notes 1 to 31 form an integral part of these condensed interim financial statements.



Azmat Tarin
President & CEO



Munnawar Hamid, OBE
Chairman



Shamsul Hasan
Director



Tariq Iqbal Khan
Director

Condensed Interim Profit and Loss Account - Unaudited

For the half year ended June 30, 2017

	Note	Quarter ended		Half year ended	
		June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Rupees in '000					
Mark-up / return / interest earned	20	2,669,176	2,536,766	5,158,004	5,113,251
Mark-up / return / interest expensed	21	(1,325,539)	(1,486,653)	(2,555,596)	(2,923,619)
Net Mark-up / interest income		1,343,637	1,050,113	2,602,408	2,189,632
Provision against non-performing loans and advances - net (specific)	10.3	(102,752)	(129,119)	(262,079)	(322,184)
Provision against small enterprise and consumer financing - net (general)	10.3	(23,083)	(18,321)	(27,766)	(25,082)
Recovery against written off loans		22,932	4,074	39,355	5,074
Impairment in the value of investments	9.7	(14,177)	(4,822)	(22,723)	(10,654)
		(117,080)	(148,188)	(273,213)	(352,846)
Net mark-up / interest income after provisions		1,226,557	901,925	2,329,195	1,836,786
NON MARK-UP / INTEREST INCOME					
Fee, commission and brokerage income		359,234	299,834	684,521	605,950
Dividend income	22	13,267	4,528	22,244	28,408
Income from dealing in foreign currencies		30,351	52,252	72,075	96,372
Gain on sale of securities - net		34,073	19,983	48,437	61,846
Unrealized (loss) / gain on revaluation of investments - held-for-trading	9.1	(652)	356	(652)	(90)
Other income	13.4	356,741	118,577	492,576	148,566
Total non mark-up / interest income		793,014	495,530	1,319,201	941,052
		2,019,571	1,397,455	3,648,396	2,777,838
NON MARK-UP / INTEREST EXPENSES					
Administrative expenses		(1,494,456)	(1,273,167)	(2,971,107)	(2,611,179)
Other (provisions) / (write off) / reversals - net	23	(95,357)	144,901	(2,597)	413,433
Other charges		(30,284)	(43,638)	(60,936)	(43,944)
Total non mark-up / interest expenses		(1,620,097)	(1,171,904)	(3,034,640)	(2,241,690)
		399,474	225,551	613,756	536,148
Extra ordinary / unusual items		-	-	-	-
PROFIT BEFORE TAXATION		399,474	225,551	613,756	536,148
Taxation					
- Current		-	-	-	-
- Prior years		-	-	-	-
- Deferred		(57,042)	(82,057)	(135,496)	(190,850)
	12 & 24	(57,042)	(82,057)	(135,496)	(190,850)
PROFIT AFTER TAXATION		342,432	143,494	478,260	345,298
Rupee					
Basic earnings per share		0.04	0.02	0.05	0.04
Diluted earnings per share		0.04	0.02	0.05	0.04

The annexed notes 1 to 31 form an integral part of these condensed interim financial statements.

Azmat Tarin
President & CEO

Munnawar Hamid, OBE
Chairman

Shamsul Hasan
Director

Tariq Iqbal Khan
Director

Condensed Interim Statement of Comprehensive Income - Unaudited

For the half year ended June 30, 2017

	Quarter ended		Half year ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
	Rupees in '000			
Profit after taxation	342,432	143,494	478,260	345,298
Other comprehensive income				
Items that will not be reclassified to profit and loss				
Remeasurement (loss) / gain defined benefit plan	(20,365)	505	(20,365)	505
Related effect tax	7,128	(176)	7,128	(176)
	(13,237)	329	(13,237)	329
Comprehensive income transferred to equity	329,195	143,823	465,023	345,627
Components of comprehensive income not reflected in equity				
Net change in fair value of available for sale securities	(80,382)	38,240	(47,159)	(80,744)
Related tax effect	28,134	(13,385)	16,506	28,260
	(52,248)	24,855	(30,653)	(52,484)

The annexed notes 1 to 31 form an integral part of these condensed interim financial statements.



Azmat Tarin
President & CEO



Munnawar Hamid, OBE
Chairman



Shamsul Hasan
Director



Tariq Iqbal Khan
Director

Condensed Interim Statement of Changes in Equity - Unaudited

For the half year ended June 30, 2017

	Share Capital	Discount on Issue of Shares	Statutory Reserves*	Advance against shares subscription	Convertible Preference Shares	Accumulated Loss	Total Equity
	Rupees in '000						
Balance as at January 01, 2016 - Audited	77,998,099	(56,566,725)	180,134	2,000,000	2,200,000	(11,334,916)	14,476,592
Total comprehensive income for the half year ended June 30, 2016							
Profit after tax for the half year ended June 30, 2016 - Un-audited	-	-	-	-	-	345,298	345,298
Other comprehensive Income	-	-	-	-	-	329	329
Total comprehensive income for the half year ended June 30, 2016 - Un-audited	-	-	-	-	-	345,627	345,627
Redemption of Convertible Preference Shares including profit	-	-	-	-	(2,200,000)	(1,020,800)	(3,220,800)
Transaction cost of redemption of Convertible Preference Shares	-	-	-	-	-	(10,138)	(10,138)
Transfer from surplus on revaluation of fixed assets on account of incremental depreciation- net of tax	-	-	-	-	-	10,962	10,962
Balance as at June 30, 2016 - Un-audited	77,998,099	(56,566,725)	180,134	2,000,000	-	(12,009,265)	11,602,243
Total comprehensive income for the half year ended December 31, 2016							
Profit after tax for the half year ended December 31, 2016 - Un-audited	-	-	-	-	-	393,255	393,255
Other comprehensive income	-	-	-	-	-	4,226	4,226
Total comprehensive income for the half year ended December 31, 2016 - Un-audited	-	-	-	-	-	397,481	397,481
Transfer to statutory reserves	-	-	147,711	-	-	(147,711)	-
Transfer from surplus on revaluation of fixed assets on account of incremental depreciation- net of tax	-	-	-	-	-	2,384	2,384
Balance as at December 31, 2016 - Audited	77,998,099	(56,566,725)	327,845	2,000,000	-	(11,757,111)	12,002,108
Total comprehensive income for the half year ended June 30, 2017							
Profit after tax for the half year ended June 30, 2017 - Un-audited	-	-	-	-	-	478,260	478,260
Other comprehensive Income	-	-	-	-	-	(13,237)	(13,237)
Total comprehensive income for the half year ended June 30, 2017 - Un-audited	-	-	-	-	-	465,023	465,023
Issuance of right shares at discount	12,820,513	(10,820,513)	-	(2,000,000)	-	-	-
Share issue cost	-	-	-	-	-	(3,616)	(3,616)
Transfer from surplus on revaluation of fixed assets on account of incremental depreciation - net of tax	-	-	-	-	-	2,384	2,384
Balance as at June 30, 2017 - Un-audited	90,818,612	(67,387,238)	327,845	-	-	(11,293,320)	12,465,899

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

The annexed notes 1 to 31 form an integral part of these condensed interim financial statements.



Azmat Tarin
President & CEO



Munnawar Hamid, OBE
Chairman



Shamsul Hasan
Director



Tariq Iqbal Khan
Director

Condensed Interim Cash Flow Statement - Unaudited

For the half year ended June 30, 2017

	Note	June 30, 2017	June 30, 2016
		Rupees in '000	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		613,756	536,148
Less : dividend income		(22,244)	(28,408)
		591,512	507,740
Adjustments for non-cash items			
Depreciation on fixed assets		191,602	173,394
Depreciation on non-banking assets		46,330	41,560
Amortization of intangible assets		44,760	39,331
Amortization of premium on investments		135,683	211,020
Provision against non-performing loans and advances - net (specific)	10.3	262,079	322,184
Provision against small enterprise and consumer financing - net (general)	10.3	27,766	25,082
Impairment in the value of investments	9.7	22,723	10,654
Unrealized loss on revaluation of investments - held-for-trading	9.1	652	90
Share of loss / (profit) from associate		694	(8,314)
Other provision / write off / (reversals) - net		2,597	(413,433)
Gain on sale of operating fixed assets		(884)	(128,588)
		734,002	272,980
		1,325,514	780,720
(Increase) / decrease in operating assets			
Lendings to financial institutions		(9,921,696)	1,343,301
Net investments in held-for-trading securities		(4,238)	(1,061,399)
Advances		(13,313,705)	(299,140)
Other assets		(402,871)	(1,010,400)
		(23,642,510)	(1,027,638)
Increase / (decrease) in operating liabilities			
Bills payable		(1,501,104)	365,564
Borrowings		(5,051,868)	9,810,631
Deposits		15,196,580	3,785,948
Other liabilities		991,103	282,176
		9,634,711	14,244,319
		(12,682,285)	13,997,401
Income tax paid		(132,403)	(71,200)
Net cash flows (used in) / generated from operating activities		(12,814,688)	13,926,201
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investment in available-for-sale securities		11,795,846	(11,294,184)
Dividend received		26,102	28,282
Proceeds from sale of operating fixed assets		21,526	409,582
Net investment in operating fixed assets		(270,724)	(159,485)
Net cash flows generated / (used in) from investing activities		11,572,750	(11,015,805)
CASH FLOWS FROM FINANCING ACTIVITIES			
Redemption of Convertible Preference Shares		-	(2,200,000)
Profit paid on redemption of Convertible Preference Shares		-	(1,020,800)
Transaction cost paid on redemption of Convertible Preference Shares		-	(10,138)
Transaction cost paid on right share issue		(3,616)	-
Advance against proposed issue of Term Finance Certificates		1,705,000	-
Finance lease obligation paid		(1,859)	(1,682)
Net cash flows used in financing activities		1,699,525	(3,232,620)
Net increase / (decrease) in cash and cash equivalents		457,587	(322,224)
Cash and cash equivalents at the beginning of the half year		7,458,710	7,537,735
Cash and cash equivalents at the end of the half year	25	7,916,297	7,215,511

The annexed notes 1 to 31 form an integral part of these condensed interim financial statements.



Azmat Tarin
President & CEO



Munnawar Hamid, OBE
Chairman



Shamsul Hasan
Director



Tariq Iqbal Khan
Director

Notes To The Condensed Interim Financial Statements - Unaudited

For the half year ended June 30, 2017

1 STATUS AND NATURE OF BUSINESS

- 1.1 Silkbank Limited ("the Bank") was incorporated in Pakistan on April 04, 1994 as a public limited company under the Companies Ordinance, 1984. The Bank commenced commercial operations on May 07, 1995. The Bank's shares are quoted on Pakistan Stock Exchange Limited. The Bank is engaged in banking services as described in the Banking Companies Ordinance, 1962. The Bank operates through 88 branches (December 31, 2016: 88 branches) including 10 (December 31, 2016: 10) Islamic banking branches in Pakistan. The Bank's registered office is located at Silkbank Building, Kaghan Road, F-8 Markaz, Islamabad. The short-term and long-term credit ratings of the Bank rated by JCR-VIS Credit Rating Company Limited in June 2017 are 'A-2' and 'A-' respectively.
- 1.2 Major shareholders of the Bank as on June 30, 2017 are Sinthos Capital (comprising of Mr. Shaukat Tarin, Mr. Sadeq Sayeed and Mr. Azmat Tarin), Arif Habib Corporation Limited, International Finance Corporation (IFC), Nomura European Investment Limited, Bank Muscat S.A.O.G, Mr. Zulqarnain Nawaz Chatta / Mr. Zubair Nawaz Chatta of Gourmet Group and Mr. Atifullah Khan / Mr. Kifayat Ullah Khan / Mrs. Shanaz Begum / Mr. Muhammad Abdullah Khan of the Bangash Family.
- 1.3 In order to meet the capital requirements prescribed by the State Bank of Pakistan (SBP), the Bank in 2014, had announced Rights Issue of Rs. 10 billion through issuance of 6,410,256,410 rights shares at Rs. 1.56 per share (at a discount of Rs. 8.44 per share). The Bank received Rs. 10 billion (including Rs. 2 billion received in December 2014 from certain investors) in its rights shares Subscription Account (maintained with the Bank) out of which the Bank issued shares for Rs. 8 billion in the financial year ended December 31, 2015.

The State Bank of Pakistan (SBP) had allowed (to meet the MCR and CAR requirements) the Bank to consider the advance against shares subscription of Rs. 2 billion, received from the Bangash Family, for the purpose of MCR and CAR as of December 31, 2016 subject to the conditions that the Bank will carry out the due diligence of the investors and issue the shares by January 31, 2017. Accordingly, the Bank issued 1,282,051,282 shares against the subscription amount of Rs. 2 billion to four investors (of the Bangash Family) on January 13, 2017. After the issuance of shares, the Bank was able to meet prescribed requirements of MCR.

During the period, the Bank has planned to issue privately placed, unsecured and subordinated Term Finance Certificates (TFCs) of the Bank aggregating to Rs. 2 billion. As disclosed in note 16.2 to the condensed interim financial statements, the Bank has received advance of Rs. 1.705 billion (out of Rs. 2 billion) against the proposed issue of TFCs. SBP through its letter No. BPRD/BA&CP/644/17207/2017 dated July 24, 2017, allowed the Bank to consider advance of Rs. 1.705 billion for CAR purpose subject to the conditions that the advance received from investors cannot be returned to the investors without prior approval of SBP and the TFC issuance process shall be fully completed by August 31, 2017. Subsequent to the period end, the Bank has received remaining amount of Rs. 295 million and will complete the issue by August 31, 2017.

As at June 30, 2017, the capital of the Bank (net of losses and discount on shares) amounted to Rs. 12.14 billion excluding general reserves of Rs. 327.84 million. Further the CAR of the Bank (including advance received against the proposed issue of TFCs) as at June 30, 2017 is 11.14%.

Further, the SBP has allowed staggering of provision against certain non-banking assets (refer note 13.5.1) amounting to Rs. 190 million. Had this benefit of staggering not taken by the Bank, profit before tax and CAR would have been lower by Rs. 190 million and 0.16% respectively.

2 BASIS OF PRESENTATION

- 2.1 In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the SBP has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by the banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these 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 The Islamic Banking branches of the Bank have complied with the requirements set out under the Islamic Financial Accounting Standard (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) and notified under the provisions of the Companies Ordinance, 1984, except for the adoption of IFAS-3 'Profit and Loss Sharing on Deposits' as disclosed in Note 4.3.
- 2.3 The financial results of the Islamic Banking branches have been included 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 to these condensed interim financial statements.
- 2.4 These condensed interim financial statements have been prepared in Pakistani Rupee which is the reporting and functional currency of the Bank. The amounts are rounded off to the nearest thousand rupee, otherwise stated.

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 and non-banking assets acquired in satisfaction of claims 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.

Notes To The Condensed Interim Financial Statements - Unaudited

For the half year ended June 30, 2017

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

4 STATEMENT OF COMPLIANCE

- 4.1 These condensed interim financial statements of the Bank for the half year ended June 30, 2017 have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved Accounting Standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and Islamic Financial Accounting Standards (IFASs) issued by the Institute of Chartered Accountants of Pakistan (ICAP), as are notified under the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the directives issued by SBP and the Securities and Exchange Commission of Pakistan (SECP). In case requirements differ, the provisions of and directives issued under the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the directives issued by SBP and SECP shall prevail.

The Companies Ordinance, 1984 has been repealed as a result of the enactment of the Companies Act, 2017. However, as directed by the Securities and Exchange Commission of Pakistan vide circular no. 17 of 2017, dated July 20, 2017, this condensed interim unconsolidated financial information has been prepared in accordance with the provisions of the repealed Companies Ordinance, 1984.

- 4.2 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.
- 4.3 The SBP through BPRD Circular No. 04 of 2015 dated February 25, 2015 has deferred applicability of Islamic Financial Accounting Standard-3 for Profit & Loss Sharing on Deposits (IFAS-3) issued by The Institute of Chartered Accountants of Pakistan and notified by the SECP, vide their SRO No. 571 of 2013 dated June 12, 2013 for Institutions offering Islamic Financial Services (IIFS). The standard will result in certain new disclosures in the condensed interim financial statements of the Bank.
- 4.4 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, 2016.

5 ACCOUNTING POLICIES

The accounting policies and methods of computation adopted for the 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, 2016 except as mentioned below:

Non-banking assets acquired in satisfaction of claims

Effective from January 01, 2017, the Bank has changed its accounting policy prospectively for recording of non-banking assets acquired in satisfaction of claims to comply with the requirements of the 'Regulations for Debt Property Swap' (DPS Regulations) issued by SBP vide its BPRD Circular No. 1 of 2016 dated January 01, 2016. Non-banking assets acquired in satisfaction of claims are now carried at revalued amount less accumulated depreciation and impairment, if any. Previously, non-banking assets acquired in satisfaction of claims were carried at cost less depreciation and impairment, if any. In the previous year, the Bank had taken exemption from SBP for recognizing revaluation surplus arising on revaluation of non-banking assets acquired in satisfaction of claims as disclosed in note 6 to the annual audited financial statements for the year ended December 31, 2016.

Had there been no change in accounting policy, the net book value of non-banking assets acquired in satisfaction of claims and surplus on revaluation of assets would have been lower by Rs. 49 million and Rs. 32 million (net of tax) respectively and deferred tax assets would have been higher by Rs. 17 million.

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, 2016.

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, 2016.

Notes To The Condensed Interim Financial Statements - Unaudited

For the half year ended June 30, 2017

8 LENDINGS TO FINANCIAL INSTITUTIONS

	Note	June 30, 2017 Un-audited	December 31, 2016 Audited
Rupees in '000			
Repurchase agreement lendings (Reverse repo)	8.1	10,226,992	306,274
Foreign Placement	8.2	401,276	400,298
		10,628,268	706,572

8.1 These are short-term lendings to financial institutions against Government securities. These carry mark-up rates ranging from 5.90% to 6.20% (December 31, 2016: upto 6.15%) per annum with maturities in July 2017.

8.2 These have been placed with a foreign bank as pledge against issuance of Standby Letter of Credit (SBLC) favouring VISA at the interest rate of 0.17% (December 31, 2016: 0.17%) per annum with maturity in November 2017.

9 INVESTMENTS - NET

Note	June 30, 2017 - (Un-audited)			December 31, 2016 - Audited		
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total

Rupees in '000

9.1 INVESTMENTS BY TYPES:

Held-for-trading securities

Ordinary shares of listed companies	16,386	-	16,386	12,636	-	12,636
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Available-for-sale securities

Market Treasury Bills	9.3	1,832,779	11,854,332	13,687,111	11,052,340	15,807,762	26,860,102
Pakistan Investment Bonds	9.4	2,833,960	3,914,166	6,748,126	574,723	8,476,758	9,051,481
GOP Ijara Sukuks		3,808,208	-	3,808,208	983,045	-	983,045
Sukuks	9.5	200,000	-	200,000	-	-	-
Term Finance Certificates - Listed		100,000	-	100,000	100,000	-	100,000
Term Finance Certificates - Unlisted - (fully provided)	9.6	8,780	-	8,780	8,780	-	8,780
Ordinary shares of listed companies	9.7	888,121	-	888,121	391,190	-	391,190
Ordinary shares of unlisted companies - (fully provided)		5,680	-	5,680	5,680	-	5,680
		9,677,528	15,768,498	25,446,026	13,115,758	24,284,520	37,400,278

Held-to-maturity securities

Shares repurchase (fully provided)	74,910	-	74,910	74,910	-	74,910
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Investment in associate

SPI Insurance Company Limited	102,130	-	102,130	102,824	-	102,824
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Investments at cost

Less: Provision for diminution in value of investments	(89,370)	-	(89,370)	(89,370)	-	(89,370)
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Investments - net of provision

Unrealized loss on revaluation of investments - held-for-trading (Deficit) / surplus on revaluation of available-for-sale investments	18.1	(60,294)	827	(59,467)	27,986	(40,294)	(12,308)
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Total investments at market value

		9,720,638	15,769,325	25,489,963	13,244,256	24,244,226	37,488,482
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Notes To The Condensed Interim Financial Statements - Unaudited

For the half year ended June 30, 2017

	Note	June 30, 2017 Un-audited Rupees in '000	December 31, 2016 Audited
9.2 INVESTMENTS BY SEGMENTS			
Federal Government Securities			
Market Treasury Bills	9.3	13,687,111	26,860,102
Pakistan Investment Bonds	9.4	6,748,126	9,051,481
GOP Ijara Sukuks		3,808,208	983,045
		24,243,445	36,894,628
Term Finance Certificate, Debentures, Bonds and Participation Term Certificates			
Sukuks			
Term Finance Certificates - Listed	9.5	200,000	-
Term Finance Certificates - Unlisted (fully provided)	9.6	100,000	100,000
		8,780	8,780
		308,780	108,780
Fully paid-up ordinary shares			
Listed companies	9.7	904,507	403,826
Unlisted companies (fully provided)		5,680	5,680
		910,187	409,506
Other Investments			
Investment in associate		102,130	102,824
Shares repurchase (fully provided)		74,910	74,910
		177,040	177,734
Investments at cost			
Less : Provision for diminution in the value of investments		25,639,452	37,590,648
		(89,370)	(89,370)
Investments - net of provision			
		25,550,082	37,501,278
Unrealized loss on revaluation of held-for-trading investments			
Deficit on revaluation of available- for-sale investments	18.1	(652)	(488)
		(59,467)	(12,308)
Total Investments at market value			
		25,489,963	37,488,482

9.3 These include securities having face value of Rs. 740 million (December 31, 2016: Rs. 704.5 million) pledged with United Bank Limited for Global Industrial and Defence Solutions, Pakistan as Guarantor.

9.4 These include securities having face value of Rs. 35 million (December 31, 2016: Rs. 47.70 million) pledged with SBP and National Bank of Pakistan as security to facilitate T.T. discounting facilities sanctioned to branches of the Bank.

9.5 During the period, the Bank invested in privately placed sukuks offered by BYCO Oils Pakistan Limited (now Byco Petroleum Limited – the issuer) amounting to Rs. 200 million. As of June 30, 2017, the sukuks have not been credited to Bank's CDC account as certain legal formalities are yet to be fulfilled by the issuer after which the sukuks will be credited to holders' CDC accounts. These sukuks carry quarterly profit rate of Kibor + 1.05% and the first profit payment was received by the Bank on April 18, 2017.

9.6 These represents zero coupon privately placed TFCs of Azgard Nine Limited acquired against markup settlement of Rs. 8.78 million on the credit facilities provided to Azgard Nine Limited. The amount is fully provided in these condensed financial statements.

9.7 During the financial year 2016, the Bank acquired 1,528,403 shares of Agritech Limited for Rs. 54 million (Rs. 35 per share), as a result of exercise of Put Option by National Bank of Pakistan (NBP) in accordance with the terms of Investors Buy-Back Agreement dated July 26, 2012 entered into between various banks / financial institutions including the Bank. The market value of these shares as at June 30, 2017 was Rs. 8.98 per share resulting in an impairment loss of Rs. 39.79 million. The SBP vide its letter no. BPRD/BRD(Policy)/2016-14898 dated June 14, 2016, relaxed the provisions of Regulation R-8 of the Prudential Regulations as a result of which the Bank was allowed to record provision (on the basis of cost less market value of shares) in a phased manner, i.e., 10%, 25%, 50%, 75% and 100% as at June 30, 2016, September 30, 2016, December 31, 2016, March 31, 2017 and June 30, 2017, respectively. Consequently, the Bank recorded impairment loss of Rs. 17.07 million in 2016 and remaining impairment loss of Rs. 22.72 million has been recorded during half year ended June 30, 2017.

Notes To The Condensed Interim Financial Statements - Unaudited

For the half year ended June 30, 2017

		June 30, 2017 Un-audited	December 31, 2016 Audited
	Note	Rupees in '000	
10 ADVANCES - NET			
Loans, cash credits, running finances, etc.			
In Pakistan		70,187,263	60,815,570
Outside Pakistan		-	-
		70,187,263	60,815,570
Islamic Financing and related assets	10.1	11,705,212	8,222,658
Bills discounted and purchased (excluding treasury bills)			
Payable in Pakistan		214,070	83,647
Payable outside Pakistan		184,150	190,310
		398,220	273,957
Advances - gross		82,290,695	69,312,185
Provision against non-performing advances - specific	10.3	(3,957,892)	(4,031,008)
Provision against small enterprises and consumer advances - general	10.3	(506,315)	(478,549)
Advances - net of provision		77,826,488	64,802,628
10.1 Islamic financing and related assets	28		
Murabaha	10.1.1	1,278,931	1,228,192
Musawamah		857,851	887,155
Diminishing Musharaka		9,568,430	6,107,311
		11,705,212	8,222,658
10.1.1 Murabaha Financing			
Financing		1,163,452	683,057
Advances		115,479	545,135
		1,278,931	1,228,192

10.2 Advances include Rs. 5,438 million (December 2016: Rs. 5,820 million) which have been placed under non-performing status as detailed below:

	June 30, 2017 - (Un-audited)			December 31, 2016 - Audited		
	Classified Advances	Provision required (Domestic)	Provision held	Classified Advances	Provision required (Domestic)	Provision held
	Rupees in '000					
Category of classification - specific						
Sub-standard	437,117	103,524	103,524	573,288	114,248	114,248
Doubtful	506,350	100,903	100,903	209,794	43,153	43,153
Loss	4,494,770	3,753,465	3,753,465	5,037,243	3,873,607	3,873,607
	5,438,237	3,957,892	3,957,892	5,820,325	4,031,008	4,031,008

Notes To The Condensed Interim Financial Statements - Unaudited

For the half year ended June 30, 2017

10.3 Particulars of provision against non-performing advances:

Note	June 30, 2017 - (Un-audited)			December 31, 2016 - Audited		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
Opening balance	4,031,008	478,549	4,509,557	5,455,331	515,802	5,971,133
Charge for the period / year	414,342	27,766	442,108	1,054,580	70,228	1,124,808
Reversals for the period / year	(152,263)	-	(152,263)	(1,063,587)	(107,481)	(1,171,068)
Net charge / (reversal) for the period / year	262,079	27,766	289,845	(9,007)	(37,253)	(46,260)
Amounts written off	(335,195)	-	(335,195)	(1,415,316)	-	(1,415,316)
Closing balance	3,957,892	506,315	4,464,207	4,031,008	478,549	4,509,557

10.3.1 This includes reversal of provision of Rs. 29 million against non-performing loan of certain borrowers under 'Debt-Property Swap' transaction, as disclosed in note 13.3.

10.3.2 As at June 30, 2017, the Bank has availed benefit of relaxation provided by SBP vide its various letters from the requirements Regulation R-8 of Prudential Regulations amounting to Rs. 439 million till September 30, 2017.

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 (land and building only) held as collateral against non-performing advances upto five years from the date of classification.

As of June 30, 2017, total FSV benefit taken against all loans and advances amounts to Rs. 561 million (December 31, 2016: Rs. 668 million), net of tax, which is not available for payment of cash or stock dividend / bonus to employees.

Note	June 30, 2017 Un-audited	December 31, 2016 Audited
	Rupees in '000	
11. OPERATING FIXED ASSETS		
Property and equipment	3,760,651	3,711,255
Intangible assets	237,587	242,993
Capital work-in-progress	110,053	146,971
	4,108,291	4,101,219

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

	June 30, 2017 Un-audited		June 30, 2016 Un-audited	
	Additions	Disposals / Write off	Additions	Disposals
	Rupees in '000			
Freehold land	-	-	-	180,000
Building on leasehold land	-	-	-	114,904
Buildings on freehold land	5,119	-	-	-
Leasehold improvements	82,303	38,873	39,801	40
Furniture and fixtures	20,359	-	3,227	178
Other equipment	39,885	18	25,717	711
Computers and MIS equipment	48,155	3,337	16,799	732
Vehicles	72,449	58,289	28,452	35,310
	268,270	100,517	113,996	331,875
11.2 Additions to intangible assets				
Computer software	39,369	-	3,279	-

Notes To The Condensed Interim Financial Statements - Unaudited

For the half year ended June 30, 2017

11.3 On September 10, 2015, the Bank entered into an Agreement to Sell (the Agreement) for the previous Head Office Building of the Bank against sale consideration of Rs. 2,370 million. Pursuant to the terms of the Agreement, the Bank received a down payment of Rs. 118.50 million, which is currently reported in 'Other liabilities'. The remaining balance is required to be paid by the buyer within 5 years from the date of the Agreement. As per the terms of the Agreement, the buyer agreed to pay annual rent based on the outstanding amount of consideration from the date of receipt of approvals from relevant authorities, however, on June 28, 2016, the buyer has provided the consent to pay annual rent with effect from July 1, 2016. In this respect, the Bank has accrued rent amounting to Rs. 157.6 million (December 31, 2016: 78.8 million) as other income. As per the terms of the Agreement, in case the buyer fails to pay the amount of rent or balance sale consideration, the advance received of 5% shall stand forfeited. Since the conditions to recognize disposal are not met, the Head Office Building has not been derecognized.

12	DEFERRED TAX ASSETS - NET	Note	June 30, 2017	December 31, 2016
			Un-audited	Audited
			Rupees in '000	
Deferred tax debits arising in respect of				
	Provision for diminution in the value of investments		127,897	119,945
	Provision against non-performing advances		2,380,554	2,445,756
	Provision against other assets		148,867	147,231
	Deficit on revaluation of investments	18.1	20,814	4,308
	Depreciation on Non banking assets		44,559	29,317
	Unabsorbed tax depreciation		954,687	954,688
	Unabsorbed tax losses		36,030	154,154
			3,713,408	3,855,399
Deferred tax credits arising due to				
	Accelerated tax depreciation		(90,585)	(113,583)
	Surplus on revaluation of property and equipment and non banking assets	18.2	(36,409)	(20,034)
	Remeasurement of defined benefit plan		(9,909)	(17,037)
			(136,903)	(150,654)
			3,576,505	3,704,745

12.1 The Bank has an aggregate amount of deferred tax asset of Rs. 3,577 million (December 31, 2016: Rs. 3,705 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 taxable temporary differences relating to prior years. The Bank has prepared five years financial projections for future taxable profits, which have been approved by the Board of Directors of the Bank, to assess the recoverability of deferred tax assets. The projections involve certain key management assumptions underlying the estimation of future taxable profits. The determination of future taxable profits is most sensitive to certain key assumptions such as growth of low cost deposits, growth in high yield consumer advances, investment returns, branch expansion plan, potential provision against assets, interest rates, cost of funds and expected recoveries of classified loans. Any significant change in such assumptions may have an effect on the recoverability of the deferred tax asset. Management believes that it is probable that the Bank will be able to achieve the profits and, consequently, the deferred tax asset will be fully realized in future.

13	OTHER ASSETS	Note	June 30, 2017	December 31, 2016
			Un-audited	Audited
			Rupees in '000	
	Income / mark-up accrued in local currency		2,359,812	1,946,711
	Income / mark-up accrued in foreign currencies		460	66
	Accrued rent	13.1	355,890	163,588
	Advances, deposits, advance rent and other prepayments		550,035	537,306
	Advance Taxation		681,825	549,422
	Net defined benefit asset		28,312	48,677
	Receivable against sale of securities - net		375,693	238,978
	Non-banking assets acquired in satisfaction of claims	13.2	7,323,060	7,677,934
	Non-banking assets acquired in satisfaction of claims under agreement to sell with third parties		4,370,177	4,324,415
	Non-banking assets acquired in satisfaction of claims with buy back option with customers		988,531	1,058,192
		13.1 & 13.3	12,681,768	13,060,541
	Branch adjustment account		-	121,480
	Unrealized gain on derivative financial instruments		40,344	23,660
	Receivable from sale of operating fixed assets		-	140,000
	Receivable from sale of non-banking assets	13.4	300,000	-
	Others		316,958	346,777
			17,691,098	17,177,206
	Less : Provision held against other assets	13.5	(410,412)	(405,740)
Other Assets - Net of Provision			17,280,686	16,771,466

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For the half year ended June 30, 2017

- 13.1** On June 1, 2016, the Bank entered into an Agreement to Sell (the Agreement) for undeveloped lands having book value of Rs. 3,416 million against sale consideration of Rs. 3,416 million. Pursuant to the terms of the Agreement, the Bank received a down payment of Rs. 171 million, which is being reported in 'Other liabilities'. The remaining balance is required to be paid by the buyer within 5 years from date of receipt of certain approvals from relevant authorities that are currently pending. As per the terms of the Agreement, the buyer agreed to pay annual rent based on the outstanding amount of consideration from the date of receipt of approvals from relevant authorities, however, on July 29, 2016, the buyer has provided the consent to pay annual rent with effect from August 1, 2016. In this respect, the Bank has accrued rent amounting to Rs. 178.52 million (2016: Rs. 81.14 million) as other income. As per the terms of the Agreement, in case the buyer fails to pay the amount of rent or balance sale consideration, the advance received of 5% shall stand forfeited. Since the conditions to recognize disposal are not met, the carrying value of such land has not been derecognized from non-banking assets acquired in satisfaction of claims.
- 13.2** These assets are stated at revalued amount in accordance with accounting policy mentioned in note 5.
- 13.3** During the period, the Bank acquired properties of Rs. 102 million against debt swap transactions with certain borrowers resulting in reversal of provision against loan and advances of Rs. 29 million (refer note 10.3.1).
- 13.4** During the period, the Bank sold property (land) having carrying value of Rs. 319.5 million for sale consideration of Rs. 550 million resulting in gain of Rs. 230.5 million, which is recorded in other income.

		June 30, 2017	December 31, 2016
	Note	Un-audited	Audited
Rupees in '000			
13.5	Provision against other asset		
	Opening balance	405,740	723,056
	Charge for the period / year	13.5.1 88,708	98,536
	Reversals during the period / year	13.5.2 (84,036)	(415,852)
	Net charge for the period / year	4,672	(317,316)
	Amounts written off	-	-
	Closing balance	410,412	405,740

13.5.1 This includes provision against non banking assets amounting to Rs. 81.621 million made on the instruction of SBP. The SBP, on conclusion of its inspection for the year ended December 31, 2015, had instructed the Bank to create and maintain provision against certain non-banking assets amounting to Rs. 272.07 million. On Bank's request, SBP through its letter No. OSED/SEU-14/049(01)/17236/17 dated July 24, 2017 allowed the Bank to stagger said provision in amounts of Rs. 81.621 million, Rs. 81.621 million and Rs. 108.82 million in the quarters ended / ending June 30, 2017, September 30, 2017 and December 31, 2017, respectively. Had such relaxation not been allowed, the profit before tax for the period would have been lower by Rs. 190.449 million.

13.5.2 This represent reversal of provision allowed by the SBP subject to certain conditions which are required to be met on or before September 30, 2017.

		June 30, 2017	December 31, 2016
	Note	Un-audited	Audited
Rupees in '000			
14	BORROWINGS		
14.1	Details of borrowings (secured / unsecured)		
	Secured		
	Borrowings from State Bank of Pakistan under Export refinance scheme (ERF)	1,472,616	1,633,241
	Repurchase agreement borrowings	14.1.1 15,544,961	24,226,190
		17,017,577	25,859,431
	Unsecured		
	Call borrowings	14.1.2 5,150,000	4,200,000
	Trading liability	14.1.1 2,833,663	-
	Overdrawn nostro accounts	142,594	79,336
	Overdrawn local bank accounts	-	56,935
		8,126,257	4,336,271
		25,143,834	30,195,702

Notes To The Condensed Interim Financial Statements - Unaudited

For the half year ended June 30, 2017

14.1.1 These represent funds borrowed from the local interbank money market against Government securities carrying interest rate ranging between 5.82% to 6.25% (December 31, 2016: 5.80% to 5.87%) per annum with maturity upto July 2017.

14.1.2 These represent unsecured borrowings from local money market carrying interest rate ranging from 6% to 6.5% (December 31, 2016: 6.35% to 6.65%) per annum with maturities ranging from July 2017 to November 2017.

	Note	June 30, 2017	December 31, 2016
		Un-audited	Audited
Rupees in '000			
15 DEPOSITS AND OTHER ACCOUNTS			
Customers			
Fixed deposits		33,918,328	33,362,662
Savings deposits		29,507,303	23,529,436
Current accounts - non - remunerative		26,611,898	20,878,121
Margin accounts - non - remunerative		1,136,650	1,065,919
Others		1,925,674	718,503
		93,099,853	79,554,641
Financial institutions			
Remunerative deposits		8,675,745	7,160,154
Non-remunerative deposits		208,405	72,628
		8,884,150	7,232,782
		101,984,003	86,787,423
16 OTHER LIABILITIES			
Mark-up/ return/ interest payable in local currency		770,099	493,753
Mark-up/ return/ interest payable in foreign currencies		10,460	8,586
Un-earned Commission and income on bills discounted		74,059	59,809
Accrued expenses		110,749	146,249
Unrealized loss on derivative financial instruments		41,176	74,805
Branch adjustment account		156,718	-
Provision against off balance sheet obligations		116,012	124,736
Workers' Welfare Fund (WWF)		77,202	63,202
Advance received against future sale of Non Banking Assets	16.1	559,590	344,323
Advance received against future sale of operating fixed assets	11.3	118,500	118,500
Advance received against proposed issue of Term Finance Certificate	16.2	1,705,000	-
Gratuity payable to outsource staff		25,212	22,580
Others		911,973	532,828
		4,676,750	1,989,371

16.1 This includes advance amounting to Rs. 171 million received against future disposal of non-banking assets (land) as disclosed in note 13.1.

16.2 This represents advance of Rs. 1,705 million received against the proposed issue of rated, privately placed, unsecured and subordinated Term Finance Certificates (TFCs) of the Bank. The total issue size is Rs. 2,000 million (inclusive of a green shoe option of up to Rs. 500 million) with a tenor of 8 years from the issue date. Profit will be paid semi-annually in arrears on the outstanding principal amount at the rate of 6 months Kibor + 1.85% p.a.

The funds raised will contribute towards the Bank's Tier - II Capital for complying with the Capital Adequacy Ratio ("CAR") requirement as prescribed by the State Bank of Pakistan ("SBP") under the Basel III framework. The TFCs will be issued as Redeemable Capital under Section 66 of the Companies Act, 2017 and as outlined by SBP under the BPRD Circular No. 6 dated August 15, 2013. As disclosed in note 1.3, the Bank is required to complete the TFCs issuance process by August 31, 2017.

17 SHARE CAPITAL

17.1 Authorised capital

	June 30, 2017	December 31, 2016		June 30, 2017	December 31, 2016
	Un-audited	Audited		Un-audited	Audited
No. of shares in '000					
	10,500,000	10,500,000	Ordinary shares of Rs.10 each	105,000,000	105,000,000
Rupees in '000					

Notes To The Condensed Interim Financial Statements - Unaudited

For the half year ended June 30, 2017

17.2 Issued, subscribed and paid up share capital

June 30, 2017 Un-audited No. of shares in '000	December 31, 2016 Audited		June 30, 2017 Un-audited	December 31, 2016 Audited
			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
6,410,256	5,128,205	Ordinary shares of Rs.10 each Fully paid in cash and		
		issued at a discount of Rs. 8.44 per share (note 1.3)	64,102,564	51,282,051
9,081,861	7,799,810		90,818,612	77,998,099

- 17.3 The SBP required each commercial bank to: (a) hold the minimum level of the regulatory capital (net of losses) to be raised to Rs. 10 billion (net of losses and share discount) by December 31, 2013 and (b) maintain a ratio of total regulatory capital to the risk-weighted asset (the "Basel ratio") at or above the internationally agreed minimum of 10.65%.

	Note	June 30, 2017 Un-audited	December 31, 2016 Audited
		Rupees in '000	
18 SURPLUS ON REVALUATION OF ASSETS - NET OF TAX			
(Deficit) / Surplus on revaluation of:			
- available-for-sale securities	18.1	(38,653)	(8,000)
- fixed assets and non banking assets acquired in satisfaction of claims	18.2	90,890	60,480
		52,237	52,480
18.1 (Deficit) / Surplus on revaluation of available for sale securities			
Federal Government Securities			
Market Treasury Bills		(277)	(15,242)
Pakistan Investment Bonds		1,600	(47,914)
GOP Ijara Sukuk		3,332	(1,565)
Fully paid-up ordinary shares			
Listed companies		(66,710)	49,302
Term Finance Certificate, Debentures, Bonds and Participation Term Certificates			
Term Finance Certificates - Listed		2,588	3,111
Related deferred tax asset	9.1 / 9.2 12	(59,467)	(12,308)
		20,814	4,308
		(38,653)	(8,000)
18.2 Surplus on revaluation of fixed assets and non - banking assets acquired in satisfaction of claims			
Surplus on revaluation	13.2	127,299	80,514
Related deferred tax liability	12	(36,409)	(20,034)
		90,890	60,480

Notes To The Condensed Interim Financial Statements - Unaudited

For the half year ended June 30, 2017

	June 30, 2017 Un-audited	December 31, 2016 Audited
	Rupees in '000	
19 CONTINGENCIES AND COMMITMENTS		
19.1 Direct credit substitutes	-	-
19.2 Transaction-related contingent liabilities		
Guarantees favouring		
- Government	11,899,304	10,823,354
- Banks and other financial institutions	1,864,556	727,023
- Others	1,961,562	2,741,080
19.3 Trade-related contingent liabilities		
Letters of Credit & Acceptances	5,661,395	4,354,980
19.4 Claims against the bank not acknowledged as debt	413,494	326,102
19.5 Claims against the Bank by Competition Commission of Pakistan and Others	35,640	35,640
19.6 Suits for damages of Rs. 24.315 (December 31, 2016: Rs. 24.34 billion) have been filed against the Bank by various borrowers / employees in respect of certain disputes relating to loans and advances. The management of the Bank and its legal counsel consider that the suits are a counterblast in response to the recovery suits filed by the Bank. The Bank and its legal counsel are confident that the cases will be dismissed as actual damages have to be proven in such suits.		
	June 30, 2017 Un-audited	December 31, 2016 Audited
	Rupees in '000	
19.7 Commitments in respect of forward contracts		
Forward exchange contracts with State Bank of Pakistan, banks and other institutions		
- Sale	7,519,204	5,894,494
- Purchase	12,274,424	10,901,763
19.8 Commitments in respect of		
Property civil work & equipment	27,763	55,430
Purchase of hardware / software	8,344	34,507
	36,107	89,937
19.9 The Bank makes commitments to extend credit in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn.		
	June 30, 2017 Un-audited	June 30, 2016 Un-audited
	Rupees in '000	
20 MARK-UP / RETURN / INTEREST EARNED		
On loans and advances to:		
Customers	4,271,484	3,661,429
On investments in:		
Held-for-trading securities	234,941	55,173
Available-for-sale securities	432,170	1,148,087
Held-to-maturity securities	-	15,317
	667,111	1,218,577
On deposits with financial institutions	739	1,431
On call money lendings	3,688	35
On securities purchased under resale agreements	214,982	231,779
	5,158,004	5,113,251
21 MARK-UP / RETURN / INTEREST EXPENSED		
Deposits	1,848,252	1,674,383
Securities sold under repurchase agreements	472,356	1,020,923
Call Borrowings	147,033	61,510
Borrowings from SBP under export re-finance scheme	13,248	26,819
SWAP money market expense	71,683	137,519
Others	3,024	2,465
	2,555,596	2,923,619

Notes To The Condensed Interim Financial Statements - Unaudited

For the half year ended June 30, 2017

		June 30, 2017 Un-audited	June 30, 2016 Un-audited
	Note	Rupees in '000	
22	DIVIDED INCOME		
	Listed shares		
	Adamjee Insurance Limited	625	-
	Askari Bank Limited	1,800	1,064
	Bank Al-Falah Limited	-	675
	Crescent Steel & Allied Products Limited	-	127
	Engro Corporation Limited	250	125
	Engro Fertilizer Limited	2,862	-
	Engro Foods Limited	1,500	-
	Engro Powergen Qadirpur Limited	600	-
	Fatima Fertilizer Company Limited - related party	1,400	-
	Fauji Fertilizer Limited	600	2,898
	Glaxosmithkline Pakistan Limited	-	43
	Habib Metropolitan Bank Limited	2,214	-
	HI-TECH Lubricants Limited	-	1,364
	Kot Addu Power Company Limited	1,505	3,217
	MCB Bank Limited	400	-
	National Bank Of Pakistan	7,875	6,813
	Nishat Chunian Power Limited	-	2,000
	Nishat Power Limited	-	2,459
	Oil & Gas Development Company Limited	313	60
	Pakistan Oilfields Limited - related party	-	4,500
	Pakistan Petroleum Limited	300	-
	Pakistan Telecommunication Company Limited	-	3,063
		22,244	28,408
23	OTHER PROVISIONS / WRITE OFF / REVERSALS - NET		
	Provision / (reversals) against other assets - net	13.5	4,672
	Other reversals	23.1	(8,724)
	Fixed assets written off		6,649
			2,597
23.1	This represents reversals against letter of guarantee recovered during the period.		(413,433)
24	TAXATION		
24.1	The income tax returns of the Bank have been submitted up to Tax Year 2016. The Bank has filed appeals before Appellate Tribunal Inland Revenue (ATIR) against certain disallowances amounting to Rs. 1,996 million (December 31, 2016: Rs. 1,996 million) made by Tax officer for assessment / tax year(s) 2000-2001, 2001-2002, 2002-2003 and 2004. Income tax returns for tax years 2011 and 2014 were selected for audit. In respect of tax year 2011, an amended assessment order u/s 122(1)/(5) of the Ordinance was passed on June 29, 2017, whereby disallowances aggregating to Rs. 90 million were made. An appeal against the order was filed on July 31, 2017 with Commissioner Inland Revenue – Appeals (CIR(A)). Hence as at June 30, 2017, the disallowances amounting to Rs. 772 million (December 31, 2016: Rs. 682 million) in respect of tax years 2003, 2006 and 2011 are pending at CIR (A). Management is confident that the outcome of these appeals would be in favor of the Bank. For tax year 2014, the proceeding of the audit is in process and no order has been passed by the relevant tax authorities.		
24.2	The proceedings u/s 161/205 of the Income Tax Ordinance regarding monitoring of withholding taxes pertaining to the tax years 2011 to 2014 were completed in prior years. Orders were issued by the Assessing Officer creating total tax demand of Rs. 39 million (already paid by the Bank) along with default surcharge of Rs. 17 million. The Bank's appeals against orders u/s 161/205 for tax years 2013 and 2014 before the Commissioner Inland Revenue (Appeals - II) were rejected after which appeals before the ATIR, Karachi have been filed, which are pending hearing. Management is confident that the outcome of these appeals would be in favor of the Bank.		
24.3	During 2016, the Bank received an Order-in-Original passed by the Assistant Commissioner-2, Sindh Revenue Board (SRB), whereby a demand (including penalty) of Rs. 6.34 million was created in respect of facilitating insurance companies to provide insurance services to the customers of the Bank. The said Order-in-Original was challenged in appeal before the Commissioner (Appeals), SRB who upheld the Order-in-Original passed by the Assistant Commissioner-2, SRB. Against the said Order-in-Appeal, the Bank has filed an appeal before the Appellate Tribunal, SRB which is pending adjudication. Management is confident that the matter will be decided in Bank's favor.		
24.4	The Bank's return in respect of AJK operations have been submitted up to and including Tax Year 2016. Certain appeals / responses to notices were filed / submitted before the various appellate and other forums which are either pending for adjudication or the proceedings initiated against the Bank have been dropped / withdrawn. Management is confident that the outcome of pending matters would be in favor of the Bank.		

Notes To The Condensed Interim Financial Statements - Unaudited

For the half year ended June 30, 2017

	June 30, 2017 (Un-audited)			June 30, 2016 (Un-audited)		
	CEO and Directors	Key Management Personnel & Others	Associated Companies & Common Directorship	CEO and Directors	Key Management Personnel & Others	Associated Companies & Common Directorship
	Rupees in 000					
Transactions						
Short term employees benefits	71,759	181,472	-	56,553	179,017	-
Contribution to Defined Benefit Plan	4,862	12,238	-	4,642	12,338	-
Mark-up earned on advances	33	7,486	34,861	38	4,060	54,592
Mark-up paid on deposits	225	8,268	36,128	237	4,631	34,988
Services rendered	-	75,422	15,765	-	73,113	19,392
Meeting fee of non-executive directors	12,670	-	-	15,365	-	-
Share of (loss) / profit from associate	-	-	(694)	-	-	8,314

26.1 Balances pertaining to parties that were related at the beginning of the period 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.

27 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

	June 30, 2017 - Unaudited			
	Wholesale Banking	Treasury	Consumer / SME Banking	Total
	Rupees in 000			
Total income - net of mark up expenses	538,669	206,917	3,176,023	3,921,609
Total non-mark up expenses including provisions	(550,278)	(87,881)	(2,669,694)	(3,307,853)
Profit / (loss) before taxation	(11,609)	119,036	506,329	613,756
Taxation	-	-	-	(135,496)
Profit after taxation	-	-	-	478,260
Segment assets (Gross)	59,175,463	37,214,666	55,400,358	151,790,487
Segment non performing loans	3,490,450	-	1,947,787	5,438,237
Segment provision	3,201,869	5,680	1,756,440	4,963,989
Segment liabilities	10,125,056	23,655,696	100,527,610	134,308,362
Segment return on net asset (ROA) (%)	-0.01%	0.88%	1.13%	
Segment cost of funds (COF) (%)	4.47%	6.46%	3.91%	
	June 30, 2016 - Unaudited			
	Wholesale Banking	Treasury	Consumer / SME Banking	Total
	Rupees in 000			
Total income - net of mark up expenses	281,930	328,793	2,519,961	3,130,684
Total non-mark up expenses including provisions	(314,377)	(87,598)	(2,192,561)	(2,594,536)
Profit / (loss) before taxation	(32,447)	241,195	327,400	536,148
Taxation	-	-	-	(190,850)
Profit after taxation	-	-	-	345,298
Segment return on net asset (ROA) (%)	-0.18%	3.81%	1.75%	
Segment cost of funds (COF) (%)	4.18%	6.68%	4.13%	
	December 31, 2016 - Audited			
	Wholesale Banking	Treasury	Consumer / SME Banking	Total
	Rupees in 000			
Segment assets (Gross)	50,720,160	42,411,849	46,906,480	140,038,489
Segment non performing loans	3,469,479	-	2,350,846	5,820,325
Segment provision	3,249,188	5,680	1,749,799	5,004,667
Segment liabilities	12,075,831	28,500,995	82,402,408	122,979,234
Segment return on net asset (ROA) (%)	0.71%	0.85%	1.32%	
Segment cost of funds (COF) (%)	6.18%	6.58%	3.99%	

Notes To The Condensed Interim Financial Statements - Unaudited

For the half year ended June 30, 2017

28 ISLAMIC BANKING BUSINESS

The Bank is operating with 10 Islamic Banking branches as of June 30, 2017 (December 31, 2016 : 10).

	Note	June 30, 2017 Un-audited	December 31, 2016 Audited
Rupees in '000			
A) STATEMENT OF FINANCIAL POSITION			
ASSETS			
Cash and balances with treasury banks		901,514	1,094,979
Balances with other banks		19,269	24,214
Due from financial institutions		-	919,857
Investments		1,811,540	981,480
Islamic financing and related assets	10.1 / A-1.1	11,705,212	8,222,658
Operating fixed assets		86,129	94,118
Other assets		457,815	1,299,245
Total Assets		14,981,479	12,636,551
LIABILITIES			
Bills payable		413,914	491,048
Due to financial institutions		-	-
Deposits and other accounts			
-Current accounts		2,623,183	2,772,405
-Saving accounts		1,645,291	1,510,460
-Term deposits		2,480,243	2,432,477
-Others		111,585	38,015
-Deposits from financial institutions - remunerative		4,672,100	4,147,991
-Deposits from financial institutions - non-remunerative		44	39
Other liabilities		1,690,704	51,207
Total Liabilities		13,637,064	11,443,642
NET ASSETS		1,344,415	1,192,909
REPRESENTED BY			
Islamic banking fund		1,325,000	1,325,000
Reserves		-	-
Unappropriated profits / accumulated (losses)		16,083	(130,526)
		1,341,083	1,194,474
Surplus / (deficit) on revaluation of assets		3,332	(1,565)
		1,344,415	1,192,909
Contingencies and commitments	A-1.2		
A-1.1 Islamic financing and related assets			
Financings / Investment Recievable			
Murabaha	A-1.1.1	1,278,931	1,228,192
Musawamah		857,851	887,155
Diminishing Musharaka		9,568,430	6,107,311
		11,705,212	8,222,658
A-1.1.1 Murabaha fiinancing			
Financing		1,163,452	683,057
Advances		115,479	545,135
		1,278,931	1,228,192

Notes To The Condensed Interim Financial Statements - Unaudited

For the half year ended March 31, 2017

June 30, 2017
Un-audited
December 31, 2016
Audited
Rupees in '000

A-1.2 CONTINGENCIES AND COMMITMENTS

Guarantees favouring

- Government
- Banking companies and other financial institutions
- Others

Commitments in respect of forward exchange promises

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

- Sale
- Purchase

	June 30, 2017 Un-audited	December 31, 2016 Audited
	1,041	12,118
	1,476,720	1,255,214
	-	-
	-	-
	1,316,949	1,255,925
	4,974	4,917
	536,171	333,174
	(218,116)	(179,960)
	318,055	153,214
	13,057	4,452
	1,751	978
	1	4
	-	(425)
	2,776	3,022
	17,585	8,031
	335,640	161,245
	(189,031)	(148,651)
	146,609	12,594

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
Income from dealing in foreign currencies
Gain on sale of securities
Unrealized loss on revaluation of investments - held-for-trading
Other income

Total other income

Other Expenses

Administrative expenses

Profit before tax

Notes To The Condensed Interim Financial Statements - Unaudited

For the half year ended March 31, 2017

29 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Fair value of fixed term loans, other assets, other liabilities, fixed term deposits and borrowings cannot be calculated with sufficient reliability due to absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments. The provision for impairment of loans and advances has been calculated in accordance with the Bank's accounting policy as stated in note 6.5 to the annual audited financial statements for the year ended December 31, 2016.

In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since assets and liabilities are either short-term in nature or in the case of customer loans and deposits are frequently re-priced.

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

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

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

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

29.1 The table below analyses the financial and non-financial assets carried at fair values, by fair value hierarchy. For financial assets, the Bank essentially carries its investments in debt and equity securities at fair values. Valuation of investments is carried out as per guidelines specified by the SBP. In case of non-financial assets, the Bank has adopted revaluation model (as per IAS 16) in respect of land and building.

	June 30, 2017 - Un-audited			Total
	Level 1	Level 2	Level 3	
Rupees in '000				
On balance sheet financial instruments				
Financial assets measured at fair value				
Held for trading securities				
- Shares in listed companies	15,734	-	-	15,734
Available-for-sale Securities				
- Shares in listed companies	821,410	-	-	821,410
- Pakistan Investment Bonds	-	6,749,726	-	6,749,726
- Market Treasury Bills	-	13,686,833	-	13,686,833
- GOP Ijara Sukuk	-	3,811,540	-	3,811,540
- Term Finance Certificates - Listed	-	102,588	-	102,588.00
	821,410	24,350,687	-	25,172,097
Non-financial assets measured at fair value				
Operating fixed assets - land and buildings	-	-	2,567,478	2,567,478
Non-banking assets acquired in satisfaction of claims	-	12,299,443	-	12,299,443
	-	12,299,443	2,567,478	14,866,921
Off balance sheet financial instruments				
Foreign exchange contracts purchase	-	12,274,424	-	12,274,424
Foreign exchange contracts sales	-	7,519,204	-	7,519,204

Condensed Interim Statement of Financial Position

As at June 30, 2017

	December 31, 2016 - Audited			Total
	Level 1	Level 2	Level 3	
Rupees in '000				
On balance sheet financial instruments				
Financial assets measured at fair value				
Held for trading securities				
- Shares in listed companies	12,148	-	-	12,148
Available-for-sale Securities				
- Shares in listed companies	440,492	-	-	440,492
- Pakistan Investment Bonds	-	9,003,567	-	9,003,567
- Market Treasury Bills	-	26,844,860	-	26,844,860
- GOP Ijara Sukuk	-	981,480	-	981,480
- Term Finance Certificates - Listed	-	103,111	-	103,111
	440,492	36,933,018	-	37,373,510
Non-financial assets measured at fair value				
Operating fixed assets - land and buildings	-	-	2,583,563	2,583,563
Off balance sheet financial instruments				
Foreign exchange contracts purchase	-	10,901,763	-	10,901,763
Foreign exchange contracts sale	-	5,894,494	-	5,894,494

The valuation techniques used for above assets are as per the accounting policy as disclosed in the annual audited financial statements for the year ended December 31, 2016.

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

30. GENERAL

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

31. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on August 24, 2017 by the Board of Directors of the Bank.



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President & CEO



Munnawar Hamid, OBE
Chairman



Shamsul Hasan
Director



Tariq Iqbal Khan
Director

Branch Network

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RAWALPINDI REGION

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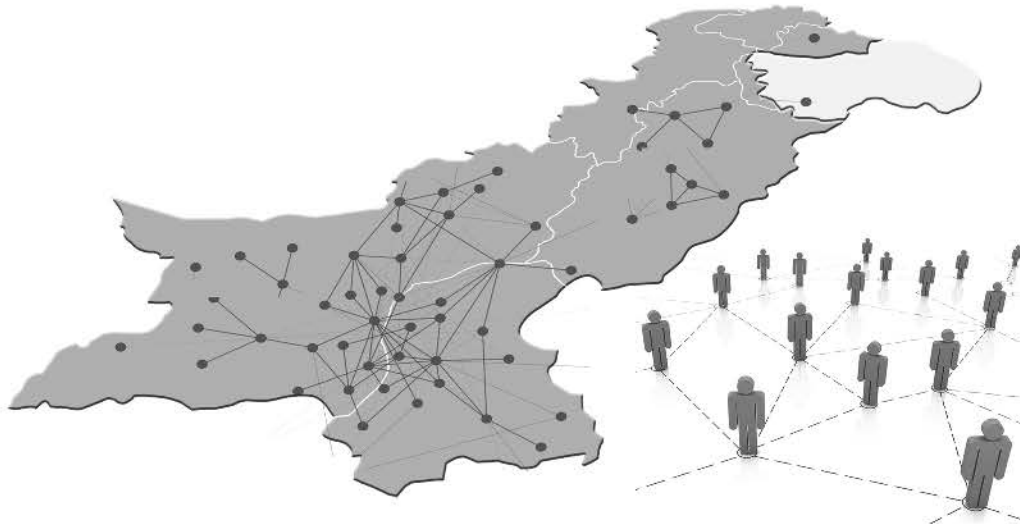
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Foreign Correspondents

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 B.S.C.
Habib Bank Ltd.
United Bank Ltd.
National Bank of Pakistan

Bangladesh

Habib Bank Ltd.
Bank Alfalah

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
Magyarorszagi 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.
Banca Popolare SOC
Banca Popolare Di Novara S.P.A.
Banca 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
Suhyp Bank
UBAF
Royal Bank of Scotland
Busan Bank
Wells Fargo Bank N.A.
Woori 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 S.A.
Royal Bank of Scotland
Deutsche Bank AG

Philippines

JP Morgan
Mizuho Corporate Bank

Portugal

Banco BPI S.A.
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.
Habib Bank Ltd.
JP 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

