



# Protecting Dreams

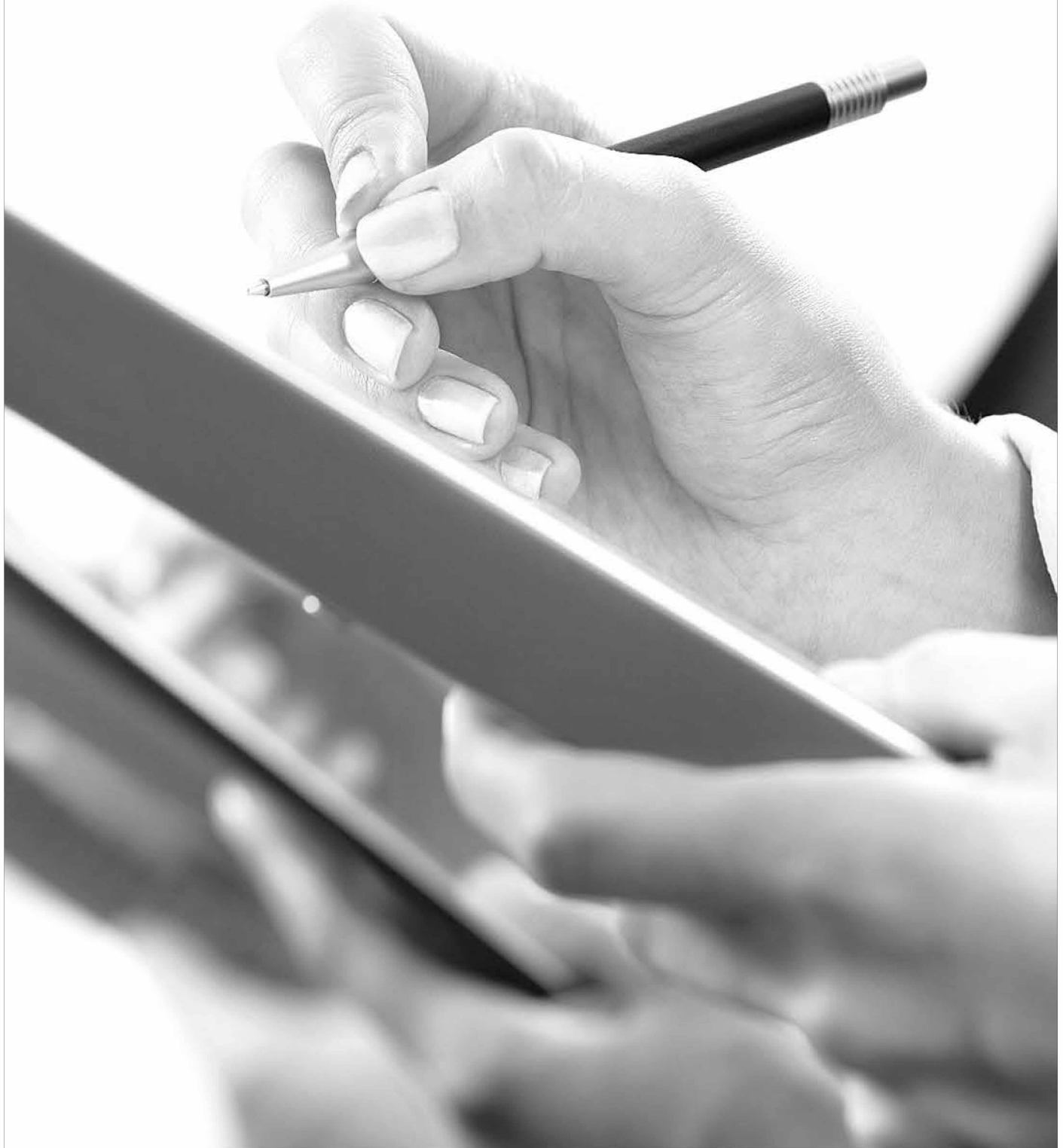
Dreams open a doorway into the future. Dreams are the subconscious manifestation of the desire to turn the ordinary into extraordinary. At Silkbank, we value the dreams of our customers and work towards realization of those dreams through developing financial products and services. From excellence in service to innovative products, we endeavor to provide the best banking experience to our customers.





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# Vision

Benchmark of Excellence in Premier Banking.

# Mission

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

# Core Values

## Customer Focus

At Silkbank the customer remains at the core of all activities ... Service Quality is our key differentiator.

## Integrity

At Silkbank we are honest and upfront maintaining the highest levels of personal and corporate integrity.

## Teamwork

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

## Creativity

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

## Meritocracy

Merit remains our key primary criteria for rewarding performance.

## Humility

Humility remains at the core of all our relationships.

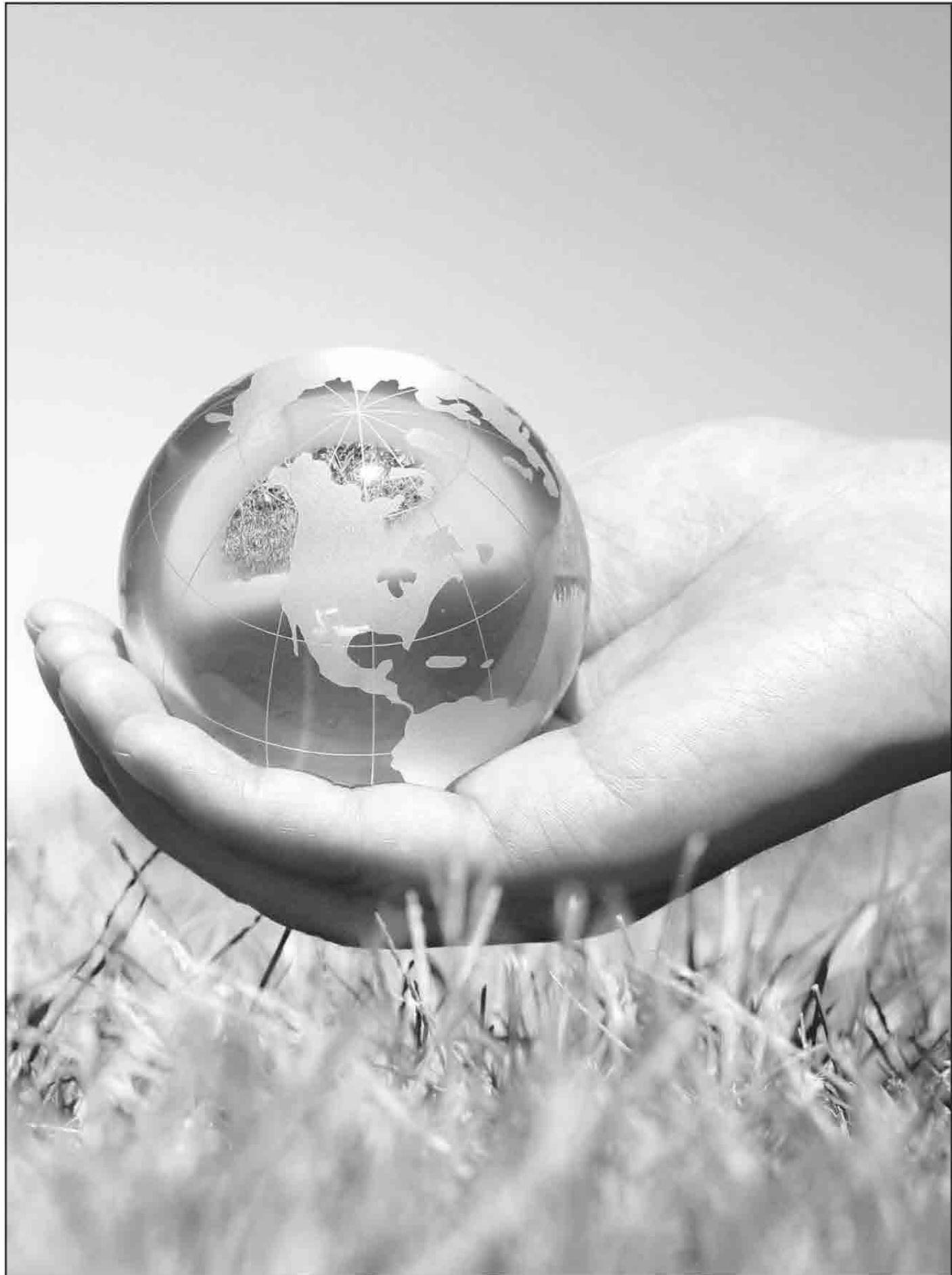


# Corporate Information

For the 3<sup>rd</sup> Quarter ended September 30, 2016







**SILKBANK**   
Yes we can.

# Corporate Information

## 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	Director
Tariq Iqbal Khan, FCA	Director
Azmat Shahzad Ahmed Tarin	President & CEO
Shaukat Tarin	Advisor to the Chairman

## Company Secretary

Uzman Naveed Chaudhary

## Chief Financial Officer

Khurram Khan

## Audit Committee

Tariq Iqbal Khan, FCA	Chairman
Adnan Afridi	Member
Nasim Beg	Member
Wajih Zaidi	Secretary

## Risk Committee

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

### Human Resources Committee

Munnawar Hamid, OBE	Chairman
Azmat Shahzad Ahmed Tarin	Member
Khalid Aziz Mirza	Member
Sanam Kohati Faiz	Secretary

### Auditors

Deloitte Yousuf Adil  
Chartered Accountants

### Legal Advisor

Ghani Law Associates

### Registered Office

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

Direct Tel.: 051-2287575

PABX: 051-2287448-49

Fax: 051-2287576

Email: [companysecretary@silkbank.com.pk](mailto:companysecretary@silkbank.com.pk)

Website: [www.silkbank.com.pk](http://www.silkbank.com.pk)

### Share Registrar

Central Depository Company of Pakistan Limited (CDCPL)

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](mailto:info@cdcpak.com)

Website: [www.cdcpakistan.com](http://www.cdcpakistan.com)

# Reports & Statements to the Members

For the 3<sup>rd</sup> Quarter ended September 30, 2016





# Director's Report

Directors' Review Report as of  
September 30, 2016

## Dear Shareholders,

We are pleased to present the financial statements of the Bank for the third quarter ended September 30, 2016.



## Economic Review

Economic conditions of Pakistan have seen an improvement, helped by lower international oil prices which has resulted in the rating agencies (Moody's and S&P) improving their outlook for the country over the past year.

The global growth outlook for 2016 is subdued and the trend in international oil prices remains uncertain. At the same time, the impact of a interest rate hike by the US-Fed, a slow down in the Chinese economy, and the aftermath of Brexit on the international financial and commodity markets is prevalent uncertainty.

Pakistan has fared well so far owing to a supportive macroeconomic environment and the foreign exchange reserves reaching to a new historic high of \$23 billion at the end of September, 2016, and growth is slowly recovering further supported by fast-growing remittances, which during the three months (July to September), was US\$ 4,698.31 million. GDP growth of 4.24% in FY-15 is expected to pick-up to 4.5% in FY-16. The year-on-year CPI inflation rose to 3.9% in September, 2016 as compared to 1.3% in the same month last year, while the core inflation in September, 2016 was at 3.8% as compared to 2.4% in the same month last year.

As China Pakistan Economic Corridor (CPEC) related projects are gathering momentum, the economy is projected to expand further as a result of improving industrial activity, especially construction, power generation and rising demand for allied services. Relatively lower import prices of inputs, low interest rates and better energy supplies are expected to boost manufacturing sector. Improved security situation would help in attracting foreign investment thus adding on to the sustainability of growth. However, the current account deficit is at the risk of widening further, owing to declining exports and rising imports.

## Banking Sector

Moody's Investors Service has maintained its stable outlook on Pakistan's banking system, reflecting the rating agency's expectation that the country's banks will continue

to benefit from a stable deposit base, high liquidity buffers and an accelerating economic growth which will create lending opportunities over the next 12-18 months.



State Bank of Pakistan in its latest monetary policy announcement decided to keep the interest rate unchanged at 5.75% because of a possible increase in inflation going forward.

Despite an imposition of withholding tax (WHT) on banking transactions for non-filers, banking sector deposits posted an overall growth of 8.5% during the nine months period of 2016. The deceleration in deposit growth in the current year may be attributable to a number of factors including minimum rate on saving deposits which is falling with the decline in the benchmark rate, as well as the imposition of a withholding tax on cash withdrawals etc. During the period, gross domestic advances gained some momentum with a growth of 4.4%.

## Financial Performance

The Bank has posted after tax Profit of Rs. 505.22 million in the nine months ended September 30, 2016. During this period, total deposits of the Bank grew by Rs. 4.86 billion to Rs. 85.96 billion and gross advances increased by Rs. 3.53 billion.

**Summarized financial performance of the Bank for the nine months ended September 30, 2016 is as follows:**

	Rs. in 'million'
Profit before tax	782.60
Tax - Current	-
Prior	-
Deferred	(277.38)
Profit after tax	505.22
	<b>Rupee</b>
Earnings per share - Basic	0.06
Earnings per share - Diluted	0.06





## Business Performance

### Branch Banking

Branch Banking accounts for over 141,646 customers and at Rs. 57,570 billion represents approximately 67% of the Bank's deposit. Branch Banking Strategy has continued to focus on reducing cost of funds and has improved the deposit mix by 6% during the year 2016.



### All-In-One Account

This provides insurance coverage on ATM & over-the-counter cash snatching, mobile phone and vital documents snatching, home burglary and further allows auto-insurance at as low as 2.5%. The product has now 3,389 customers and a deposit base of Rs. 1.169 billion.



### Business Value Account

Business Value Account, a current account specifically designed for businessmen providing inventory insurance for up to Rs. 10 million, has now a deposit base of Rs. 0.384 billion with 969 customers.

### Online Express

Online Express, a current account allowing unlimited transactions across the country absolutely free, has a total deposit of Rs. 12.746 billion with 69,235 customers.



### Munafa Rozana

Munafa Rozana, a unique savings account which pays profit in cash daily, has a deposit base of Rs. 4.278 billion with 9,185 customers.

### Home Remittance

Home Remittance Business recorded a total of 41,638 transactions and disbursed Rs. 2.57 billion. Further expansion by adding new exchange companies continues.

### ADC Business

Silkbank VISA Debit Card continues to show good growth in the third quarter of 2016 with the current base of 117,742 cards. The debit card usage over Point of Sales increased to Rs. 301.42 million. Alternate Distribution Services and e-delivery channels have added value to the product offerings and enhanced reach and accessibility of banking services. SilkMobile registrations have reached to 22,797 customers, as new features in the bucket are continuously added.

### Bancassurance

The Bancassurance business recorded total revenue of Rs. 9.54 million during the third quarter of 2016, while the total revenue recorded Rs. 39.45 million.

## Consumer Banking

Silkbank is offering a combination of both secured and unsecured products through its Consumer Banking Division. All of these products have performed above expectations and have contributed positively in profitability of consumer banking division since last couple of years. Going forward in 2016, the Bank is well positioned to expand its reach by tapping the potential of other cities namely Hyderabad, Faisalabad and Peshawar in 2016, and further augment Branch Banking presence in these cities. Apart from geographical expansion, the Bank will also be launching Tele Sales and Corporate Sales, as two new acquisition channels, in order to complement reach and rationalize the cost of acquisition.

## Unsecured

### Personal Loan

Silkbank Personal Loan has 19,368 active customers with a total receivable of Rs. 4.677 billion.

Keeping in view the existing market trends and as a part of our business strategy, multiple sales and customer promotions have been devised to target acquisition,



customer loyalty, retention and volume growth etc., during the third quarter of 2016. During the quarter, the Bank launched another innovative promotion for customers and became the first ever bank in the local market to offer 5% Cash Reward on every installment paid by the customer. The Bank is also offering 100% processing fee waiver to its existing customers whose loans mature after successful completion of loan tenures which helps the Bank to re-attract customers with a good credit history. In addition, there is a focus on loan Top-ups which helps improve portfolio yield and retain the profitable customers for a longer term.

### Ready Line

Silkbank Ready Line achieved a sizeable market share since its launch, four years ago. The current outstanding balance stands at Rs. 4.440 billion with 29,091 numbers of active borrowers. In order to maintain market leadership position, special focus has been on building Ending Net Receivables (ENR) growth for utilization based products and two innovative spend campaigns were launched. The Bank has successfully distributed 50 tickets to its customers during its international destinations campaign, for which an aggressive marketing/communication was made to all targeted markets through mediums including digital marketing, print media, radio, social media, flyers, ATM screens, etc.



### Credit Cards

Silkbank Credit Cards continued to register steady growth during the third quarter of 2016, and the total cards base stood at 88,801 cards and Ending Net Receivables (ENR) at Rs. 2.83 billion.

### Secured

#### M'Power

M'Power, a product secured against residential and commercial property, has a total of 448 active borrowers with receivables of Rs. 3.126 billion. Currently, fresh lending in M'Power is on hold to enable greater focus on high-yielding products.

#### Emaan Islamic Banking

Emaan Islamic deposits registered a healthy growth of Rs. 2.147 billion showing a year-to-date (YTD) growth of 32.51%. The total deposit book of Emaan Islamic stands at Rs. 8.752 billion with a CASA to Term Deposit ratio of 72:28, on September 30, 2016. The cost of funds has also reduced by 1.59% to 3.55% and advances increased by Rs. 1.289 billion to Rs. 5.937 billion showing YTD growth of 27.73%, in the same period.



### 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. As reported earlier, the Bank received Rs. 10 billion (Rupees ten billion) in its Right Shares Subscription Account as of December 31, 2015. This includes an advance of Rs. 2.00 billion from certain strategic investors, whom the Bank has not issued shares till date.

The Bank is considering the advance against shares subscription of Rs. 2.00 billion towards MCR and CAR on the basis that SBP has approved the treatment of said amount towards MCR and CAR and the funds are placed in an SBP specified account and cannot be returned without SBP approval.

### 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 2016, the Bank shall continue to pursue its already announced goals to be the top service provider in the Banking industry and at the same time expand supported by the inflow of the new capital, reduce non-earning assets, further rationalize costs through productivity initiatives, improve customers franchise quality and grow higher earning assets.

### 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

**Munnawar Hamid, OBE**  
Chairman  
Karachi, October 28, 2016

تاسب 72:28 کے ساتھ ایمان اسلامک کے کل ڈپازٹس 8.752 بلین روپے ہیں۔ فنڈز کی لاگت میں 1.59 فیصد سے 3.55 فیصد کی کمی ہوئی ہے اور ایڈوانسز 1.289 بلین روپے کے اضافے سے 5.937 بلین روپے پر پہنچ چکے ہیں، جو کہ اسی مدت میں شروع سال سے اب تک 27.73 فیصد کا اضافہ دکھاتا ہے۔



کمپیوٹل کے کم سے کم مطلوبات اور کمپیوٹل کے موزوں تناسب کی تعمیل:

سک بینک، اسٹیٹ بینک آف پاکستان کے مقرر کردہ کم سے کم کمپیوٹل مطلوبات اور کمپیوٹل کے موزوں تناسب کے مطابق کام کرتا ہے۔ جیسا کہ پہلے بتایا گیا ہے کہ 31 دسمبر 2015 کو بینک کے رائٹ شیئر سبسکریپشن اکاؤنٹ میں 10 بلین روپے وصول ہوئے ہیں۔ جس میں کچھ خاص سرمایہ کاروں کے 2 بلین روپے کے ایڈوائس شامل ہیں جن کو بینک نے ابھی تک شیئرز جاری نہیں کیے ہیں۔

بینک ان دو بلین روپے کی ایڈوائس رقم کو بطور MCR & CAR کی لیکچریشن میں شامل رکھتا ہے۔ جس کی بنیادی وجہ اسٹیٹ بینک کی جانب سے ایسا کرنے کی منظوری ہے اور یہ ایڈوائس رقم اسٹیٹ بینک کے مقرر کردہ اکاؤنٹ میں رکھی ہے اور اسٹیٹ بینک کی اجازت کے بغیر ناقابل واپسی ہے۔

کرڈیٹ ریٹنگ:

JCR VIS کرڈیٹ ریٹنگ کمپنی نے سک بینک کی طویل المدتی درجہ بندی A (اے منفی) اور قلیل المدتی درجہ بندی A-2 (اے ٹو) کو برقرار رکھا ہے۔ بحیثیت مجموعی بینک کی درجہ بندی مستحکم ہے۔

مستقبل کا پیش منظر

بقیہ سال 2016 میں، بینکنگ انڈسٹری میں سب سے بڑا سروس پرووائڈر بننے کے لیے بینک پہلے سے اعلان کردہ مقاصد کو حاصل کرنے کی جدوجہد جاری رکھے گا اور اسی عرصے میں نئے سرمائے، غیر آمدنی والے اثاثوں کی کمی، لاگوں میں مناسب کمی بذریعہ پیداواری اصلاحات، صارفین کی خدمت کے معیار میں بہتری اور زیادہ آمدنی والے اثاثوں میں اضافے سے مزید توسیع کی جائے گی۔

اقرار:

ہم ایک بار پھر اپنے صارفین اور کاروباری شراکت داروں کا تہدول سے شکر ادا کرتے ہیں جنہوں نے ہمارے ساتھ مسلسل تعاون کا مظاہرہ کیا اور ہم پر اپنے اعتماد کا اظہار کیا۔ ہم مخلص دل سے اسٹیٹ بینک آف پاکستان کے شکر گزار ہیں جس نے بینک کو آگے بڑھانے میں اپنی رہنمائی اور تعاون فراہم کیا۔ اسی طرح ہم اپنے ایگزیکٹو ایفیس، عملے اور کونٹیکٹرز کے بھی شکر گزار ہیں جنہوں نے بینک کو اپنی بھرپور خدمات سے نوازا اور مستقبل میں بھی ان سے مسلسل تعاون کی امید رکھتے ہیں۔

سک بینک لیمنٹ کے بورڈ کی جانب سے اور بورڈ کے لیے

Mumtaz Ahmad

منور حامد، او بی ای  
چیئر مین

کراچی، 28 اکتوبر، 2016



ریٹی لائن

سک بینک ریٹی لائن جس کا آغاز چار سال قبل ہوا تھا، اس نے اب تک مارکیٹ شیئر میں ایک بڑا حصہ حاصل کر لیا ہے۔ موجودہ تقابلی بیٹنس، 129,091، یکونقرض یا بینکنگ کے ساتھ 4,440 بلین روپے ہے۔ مارکیٹ لیڈر شپ پوزیشن کو قائم رکھنے کے لیے استعمال کی پروڈکٹس کے لیے اینڈ ٹگ نیٹ ریسیو ایبلز کو بڑھانے پر خاص توجہ دی گئی ہے اور دو جدید کمپیوٹرز کا آغاز کیا گیا۔ بینک نے اپنی بین الاقوامی ڈسٹری بیوٹن کمپنیاں کے دوران اپنے صارفین میں 50 کٹس کامیابی کے ساتھ تقسیم کیے ہیں، جس کے لیے ڈیجیٹل مارکیٹنگ، پرنٹ میڈیا، ریڈیو، سوشل میڈیا، بلاگز، اسٹی ایم اسکرینز، وغیرہ کے ذریعے تمام مارکیٹس کے لیے ایک پُر جوش مارکیٹنگ کی کمپنیاں پیش کی گئی۔



کرڈیٹ کارڈز

سک بینک کرڈیٹ کارڈز نے 2016 کی تیسری سہ ماہی کے دوران مستحکم ترقی جاری رکھی ہے اور گول کارڈز میں 88,801 کارڈز رہی اور اینڈ ٹگ نیٹ ریسیو ایبلز 2.83 بلین روپے رہے۔

محفوظ

M'Power

ایم پاور، رہائشی اور تجارتی جائیداد کے لیے ایک محفوظ پروڈکٹ ہے، جس کے 1448 یکونقرض یا بینکنگ کے ساتھ 3,126 بلین روپے کے واجب الوصول موجود ہیں۔ زیادہ پیداواری پروڈکٹس کی جانب زیادہ توجہ مرکوز ہونے کے باعث ابھی ایم پاور میں نئے قرضہ جات کو روک دیا گیا ہے۔

ایمان اسلامک بینکنگ

ایمان اسلامک ڈپازٹس نے 2.147 بلین روپے کی اچھی ترقی حاصل کی ہے، جو کہ شروع سال سے اب تک 32.51 فیصد کا اضافہ ظاہر کرتا ہے۔ 30 ستمبر 2016 کو کرنٹ اکاؤنٹ سیونگ اکاؤنٹ اور غم ڈپازٹ کے



## کاروباری کارکردگی

### برانچ بینکنگ

141,646 سے زائد صارفین اور 57,570 ملین روپے پر محیط برانچ بینکنگ اکاؤنٹس بینک کے ڈپازٹ کے تقریباً 67 فیصد حصے کی نمائندگی کرتے ہیں۔ برانچ بینکنگ کی حکمت عملی نے فنڈز کی لاگت کو کم کرنے پر اپنا توجہ قائم رکھی ہوئی ہے اور 2016 کے دوران 6 فیصد تک ڈپازٹ میں اضافہ ہوا ہے۔



### آل ان دن کرنٹ اکاؤنٹ

یہ اکاؤنٹ، اے ٹی ایم اور کارڈنٹر پر کیش چینج جانے، موبائل فون اور ایم دستاویزات چینج جانے، گھر ڈیکٹیو انشورنس کوریج فراہم کرتا ہے اور مزید یہ کہ کم از کم 2.5 فیصد پرائیوٹ انشورنس فراہم کرتا ہے۔ اس وقت اس پروڈکٹ کے 3,389 صارفین موجود ہیں اور 1.169 ملین روپے کی ڈپازٹ میں ہے۔



The **One** and only  
that grants it all!

### بزنس ویلیو اکاؤنٹ

بزنس ویلیو اکاؤنٹ، ایک کرنٹ اکاؤنٹ ہے جو کہ خاص طور پر کاروباری حضرات کے لیے بنایا گیا ہے۔ یہ اکاؤنٹ 10 ملین روپے تک انونٹری انشورنس فراہم کرتا ہے۔ اس وقت اس کا ڈپازٹ میں 0.384 ملین روپے ہے اور 969 صارفین رکھتا ہے۔

### آن لائن ایکسپریس

آن لائن ایکسپریس، ایک کرنٹ اکاؤنٹ ہے جو کہ ملک بھر میں مفت اور لامحدود ٹرانزیکشنز فراہم کرتا ہے۔ اس کا کل ڈپازٹ 12,746 ملین روپے ہے اور 69,235 صارفین رکھتا ہے۔



Take the Express Route  
to Unlimited Free Transactions!

**ONLINE EXPRESS**  
CURRENT ACCOUNT

### منافع روزانہ

منافع روزانہ ایک منفرد سیویگ اکاؤنٹ ہے جو روزانہ نقد کی صورت میں منافع دیتا ہے۔ یہ اکاؤنٹ 9,185 صارفین کے ساتھ 4,278 ملین روپے کا ڈپازٹ میں رکھتا ہے۔

### ہوم ریٹیننس

ہوم ریٹیننس نے کل 41,638 ٹرانزیکشنز کیے اور 2.57 ملین روپے کی ادائیگی کی۔ نئی اپنیچھ کچینز کے اضافے کی بدولت اس میں مزید توسیع جاری ہے۔

### ADC برنس

سلک بینک ویز اڈیٹ کارڈ نے 2016 کی تیسری سہ ماہی میں 117,742 کارڈز کی موجودگی کے ساتھ ایک اچھی ترقی جاری رکھی ہے۔ پوائنٹ آف سیل پر ڈیٹ کارڈ کا استعمال، 2016 کی تیسری سہ ماہی میں 301.42 ملین روپے تک بڑھ گیا ہے۔ آلٹرنیٹ ڈسٹری بیوٹن سروسز اور ای ڈیویڈس ٹھکانے پروڈکٹ آفرز کی قدر و قیمت میں اضافہ کیا ہے اور بینکنگ سروسز تک رسائی کو آسان بنا دیا ہے۔ سلک موبائل رجسٹریشن میں 22,797 صارفین کا اندراج ہو چکا ہے اور اس سروس میں مزید نئی خصوصیات کا اضافہ جاری ہے۔

### بینک شورش

بینک شورش بزنس نے 2016 کی تیسری سہ ماہی میں 9.54 ملین روپے کا کل ریویو دیا ہے جبکہ کل ریویو 39.45 ملین روپے پر کارڈ کیا گیا تھا۔

## کنزیومر بینکنگ

سلک بینک اپنے کنزیومر بینکنگ ڈیویژن کے ذریعے محفوظ اور غیر محفوظ پروڈکٹس پیش کر رہا ہے۔ ان تمام پروڈکٹس نے توقع سے بڑھ کر کارڈنگ کا مظاہرہ کیا ہے اور پچھلے دو سالوں سے کنزیومر بینکنگ ڈیویژن کے منافع میں اضافہ کیا ہے۔ آگے 2016 میں بینک دیگر شہروں یعنی حیدرآباد، فیصل آباد اور پشاور میں اپنی پہنچ قائم رکھنے کی ملامت رکھتا ہے اور ان شہروں میں برانچ بینکنگ میں مزید اضافہ ہو رہا ہے۔ جغرافیائی توسیع کے علاوہ، اپنی رسائی فراہم کرنے اور حصول دستیابی کی لاگت کو کمزور کرنے کے لیے بینک دو نئے چیلنجز کا آغاز کرے گا جس میں سے ایک ٹیلی میٹر ہے جبکہ دوسرا کارپوریشن سیلز ہے۔

### غیر محفوظ

### پرسنل لون

سلک بینک پرسنل لون کے پاس کل قابل ادا 4,677 ملین روپے کے ساتھ 119,368 کیلنوں صارفین موجود ہیں۔ مارکیٹ کے موجودہ رجحانات کو مد نظر رکھتے ہوئے اور ہماری کاروباری حکمت عملی کے ایک حصے کے طور پر 2016 کی تیسری سہ ماہی میں ٹارگٹ حصول دستیابی، صارف کی وفاداری، ضمانت اور واپس میں اضافے، وغیرہ کے لیے بے شمار سیلز اور کسٹمر پروموشنز بنائی گئیں۔ سہ ماہی کے دوران بینک نے صارفین کے لیے ایک اور جدید پروموشن کا آغاز کیا اور مقامی مارکیٹ میں پہلا بینک کولابیا جو صارف کی طرف سے ادا کردہ ہر قسط پر 5 فیصد کمیشن ریوارڈ ادا کرتا ہے۔ بینک اپنے آن موجودہ صارفین کے لیے پروسیجرنگ فیس میں 100 فیصد کی معافی بھی دیتا ہے جن کے قرضے کی مدت کامیابی کے ساتھ مکمل ہوئی ہو۔ اس سے بینک کو اچھی کریڈٹ سہی رکھتے ہوئے صارفین کی توجہ دوبارہ مبذول کرانے میں مدد ملتی ہے۔ مزید یہ کہ قرضے میں اضافے پر توجہ دی جارہی ہے جس سے پورے لیکو بہتر بنانے اور منافع بخش صارفین کو طویل مدت کے لیے روکنے میں مدد ملتی ہے۔

# ڈائریکٹر کی رپورٹ

30 ستمبر، 2016 تک ڈائریکٹر کی جائزہ رپورٹ

## عزیز شیئر ہولڈرز

ہم 30 ستمبر، 2016 کو ختم ہونے والی تیسری سہ ماہی کے لیے بینک کے مالیاتی گوشوارے پیش کرنے میں خوش محسوس کرتے ہیں۔



اسٹیٹ بینک آف پاکستان نے اپنی تازہ ترین مالیاتی پالیسی کے اعلان میں یہ فیصلہ کیا ہے کہ مہنگائی کے ممکنہ اضافے کے تحت سود کی شرح 5.75 فیصد بتا دینی کے رکھی جائے گی۔

نان فائیلرز کے لیے بینکنگ ٹرانزیکشنز پر ٹیکس کوٹنی عائد ہونے کے باوجود، 2016 کو ماہ کی مدت کے دوران بینکنگ سیکٹر ڈپازٹس میں 8.5% کا اضافہ ہوا ہے۔ حالیہ سال میں ڈپازٹس میں اضافے کی عوامل پر منحصر ہیں جس میں مقامی معیار کی شرح کے گرنے کے ساتھ سیویگ ڈپازٹس کی شرح میں کمی اور رقم نکالوانے پر ٹیکس کوٹنی کا عائد ہونا شامل ہے۔ اس مدت کے دوران مجموعی ڈومیسٹک ایڈوانسز میں 4.4% کا اضافہ ہوا ہے۔

## مالیاتی کارکردگی

بینک نے 30 ستمبر 2016 کو ختم ہونے والے نو ماہ میں 505.22 بلین روپے کا بعد از ٹیکس منافع حاصل کیا ہے۔ اس مدت کے دوران، بینک کے مجموعی ڈپازٹس 4.86 بلین روپے سے 85.96 بلین روپے تک بڑھے اور مجموعی ایڈوانسز 3.53 بلین روپے تک بڑھے۔

30 ستمبر 2016 کو نو مہینوں کے اختتام پر بینک کی مالیاتی کارکردگی کا خلاصہ مندرجہ ذیل ہے:

روپے (بلین میں)	
782.60	قبل از ٹیکس منافع
-	ٹیکس - موجودہ
-	گزشتہ
(277.38)	زیر التوا
505.22	بعد از ٹیکس منافع
روپے	
0.06	فی شیئر آمدنی - بینک
0.06	فی شیئر آمدنی - ڈائیلیونڈ



## معاشی جائزہ

پاکستان کی معاشی صورت حال میں بہتری واقع ہوئی ہے جس کی وجہ تیل کی قیمتوں میں بین الاقوامی سطح پر کمی ہے۔ نتیجتاً گزشتہ سال کے مقابلے میں ریٹنگ ایجنسیوں نے وطن عزیز کے لیے اپنا نقطہ نظر بہتر کیا ہے۔ 2016 کے لیے عالمی پیداوار میں کمی اور بین الاقوامی سطح پر تیل کی قیمتیں غیر یقینی ہیں جبکہ یو ایس - فیڈرل کی طرف سے بڑھنے والی سود کی شرح کے تاثر سے چین کی معیشت میں کمی واقع ہوئی ہے اور بین الاقوامی مالیاتی اور تجارتی مارکیٹس پر بریکوٹ کے اثرات عموماً غیر یقینی ہیں۔

پاکستان اب تک معاشی ماحول کے اعتبار سے کافی سازگار رہا ہے اور غیر ملکی زرمبادلہ کے ذخائر ستمبر 2016 کے اختتام پر ایک نئی تاریخی بلندی پر پہنچ رہے ہیں جو کہ 23 بلین ڈالر ہیں اور پیداوار آہستہ آہستہ دوبارہ ترقی کر رہی ہے جس کو تیزی سے بڑھتے ہوئے ترسیلات زر کی وجہ سے مزید ترقی ملی ہے، جو کہ تین ماہ (جولائی سے ستمبر) کے دوران 4,698.31 بلین ڈالر تھے۔ مالی سال - 15 میں جی ڈی پی کی پیداوار 4.24 فیصد رہی اور مالی سال - 16 میں 4.5 فیصد تک متوقع ہے۔ ستمبر 2016 میں سال بہ سال سی پی آئی افراط زر 3.9 فیصد بڑھی جو کہ پچھلے سال اسی ماہ میں مقابلہ 1.3 فیصد رہی۔ جبکہ ستمبر 2016 میں مرکزی افراط زر 3.8 فیصد تھی اور پچھلے سال اسی ماہ میں مقابلہ 2.4 فیصد رہی۔

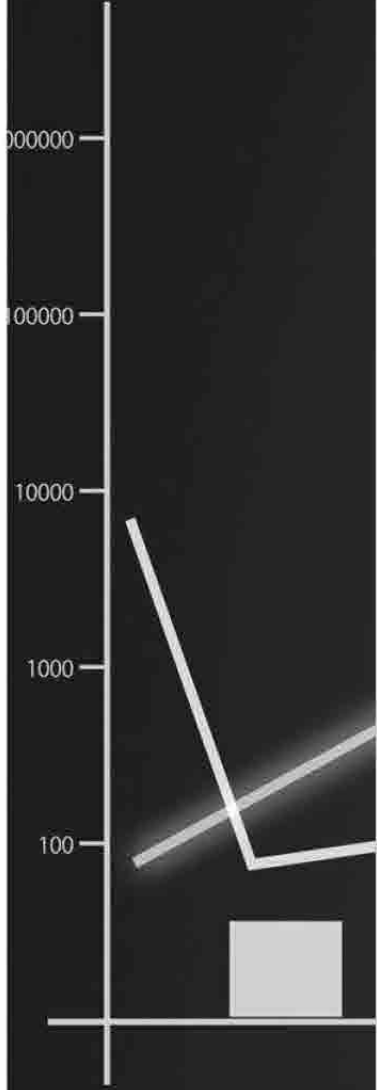
جیسا کہ چین پاکستان اکانامک کوریڈور سے منسلک پروڈیکٹس تیزی سے ترقی کر رہے ہیں جس کی وجہ سے صنعتی سرگرمی میں ترقی اور معیشت میں مزید توسیع آئی ہے۔ خاص طور پر تعمیرات، پاور جنریشن، اور الائیڈ سروسز کے بڑھتے ہوئے مطالبے کے حوالے سے۔ نسبتاً کم درآمدی قیمتیں، کم سودی شرحوں، اور بہتر انرجی سپلائی کی بدولت میڈیکل سیکٹر میں ترقی متوقع ہے۔ بہتر سیکورٹی، غیر ملکی سرمایہ کاری کو بڑھانے میں مدد سے گی اس طرح پیداوار کے استحکام میں اضافہ ہوگا۔ تاہم، کرنٹ اکاؤنٹ میں حالیہ خسارے کی وجہ سے برآمدات میں کمی اور درآمدات میں اضافے کا امکان ہے۔

## بینکنگ سیکٹر

موڈرن نے پاکستان کے بینکنگ سسٹم کو اپنی توقعات پر پورا اترنے کے باعث ایک مستحکم بینکنگ سسٹم کے درجے میں رکھا ہوا ہے۔ لہذا وطن عزیز کے بینکس اپنے مستحکم بنیادی ڈپازٹ، ہائی کیلیٹیڈ بیٹریز اور بڑھتی ہوئی معاشی پیداوار سے فائدہ حاصل کرتے ہوئے اور بڑھتی ہوئی معاشی پیداوار سے نتیجتاً اگلے 12 سے 18 ماہ میں قرضے کی آسامیاں پیدا ہونے کی توقع ہے۔

# Financial Statements

For the 3<sup>rd</sup> Quarter ended September 30, 2016







# Condensed Interim Statement of Financial Position

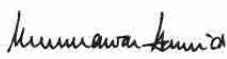
as at September 30, 2016

		September 30, 2016 Un-audited	December 31, 2015 Audited
	Note	----- Rupees in '000 -----	
<b>ASSETS</b>			
Cash and balances with treasury banks		7,343,805	7,343,670
Balances with other banks		116,488	194,065
Lendings to financial institutions		6,904,358	6,260,444
Investments - net	8	33,610,407	35,512,864
Advances - net	9	64,504,898	61,074,207
Operating fixed assets		4,194,547	4,496,648
Deferred tax assets - net		3,917,654	4,180,969
Other assets		15,766,142	14,040,004
		<b>136,358,299</b>	<b>133,102,871</b>
<b>LIABILITIES</b>			
Bills payable		2,705,767	2,413,342
Borrowings		33,852,677	33,230,182
Deposits and other accounts	10	85,957,022	81,097,581
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		11,605	14,145
Deferred tax liabilities		-	-
Other liabilities		1,995,494	1,770,959
		<b>124,522,565</b>	<b>118,526,209</b>
<b>NET ASSETS</b>		<b>11,835,734</b>	<b>14,576,662</b>
<b>REPRESENTED BY</b>			
Share capital	11	77,998,099	77,998,099
Discount on issue of right shares		(56,566,725)	(56,566,725)
Reserves		180,134	180,134
Advance against shares subscription	1.3	2,000,000	2,000,000
Convertible preference shares	12	-	2,200,000
Accumulated loss		(11,848,154)	(11,334,916)
		<b>11,763,354</b>	<b>14,476,592</b>
Surplus on revaluation of assets - net of tax	13	72,380	100,070
		<b>11,835,734</b>	<b>14,576,662</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	14		

The annexed notes 1 to 22 form an integral part of these condensed interim financial statements.



Azmat Tarin  
President & CEO



Munnawar Hamid, OBE  
Chairman



Tariq Iqbal Khan  
Director



Shamsul Hasan  
Director

# Condensed Interim Profit and Loss Account - Un-audited

for the nine months ended September 30, 2016

	Note	Quarter ended		Nine months ended	
		September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Rupees in '000					
Mark-up / return / interest earned	15	2,381,306	2,278,650	7,494,557	6,781,362
Mark-up / return / interest expensed	16	(1,276,178)	(1,458,821)	(4,199,797)	(4,478,588)
<b>Net Mark-up / interest income</b>		<b>1,105,128</b>	<b>819,829</b>	<b>3,294,760</b>	<b>2,302,774</b>
(Provision) / reversal against non-performing loans and advances - net	9.3	(194,442)	46,622	(516,626)	282,650
General provision against consumer financing - net	9.3	(26,005)	(16,285)	(51,087)	(60,797)
Recovery against written off loans		41,912	481	46,986	3,781
Provision for diminution in the value of investment - net		-	-	-	(5,344)
Impairment in the value of investments		(4,282)	(914)	(14,936)	(25,004)
		(182,817)	29,904	(535,663)	195,286
<b>Net mark-up / interest income after provisions</b>		<b>922,311</b>	<b>849,733</b>	<b>2,759,097</b>	<b>2,498,060</b>
<b>NON MARK-UP / INTEREST INCOME</b>					
Fee, commission and brokerage income		292,730	262,667	898,680	754,256
Dividend income		12,732	12,412	41,140	31,827
Income from dealing in foreign currencies		32,977	30,689	129,349	139,567
Gain on sale of securities - net		91,024	269,673	152,870	622,951
Unrealized (loss) / gain on revaluation of investments - held-for-trading		(14,481)	2,841	(14,571)	538
Other income		271,404	19,731	419,970	120,681
<b>Total non mark-up / interest income</b>		<b>686,386</b>	<b>598,013</b>	<b>1,627,438</b>	<b>1,669,820</b>
		<b>1,608,697</b>	<b>1,447,746</b>	<b>4,386,535</b>	<b>4,167,880</b>
<b>NON MARK-UP / INTEREST EXPENSES</b>					
Administrative expenses		(1,332,415)	(1,383,051)	(3,943,594)	(3,908,230)
Other (provisions) / reversals - net		-	(2,101)	413,433	(351,305)
Other charges		(29,830)	(21,856)	(73,774)	(24,864)
<b>Total non mark-up / interest expenses</b>		<b>(1,362,245)</b>	<b>(1,407,008)</b>	<b>(3,603,935)</b>	<b>(4,284,399)</b>
<b>PROFIT / (LOSS) BEFORE TAXATION</b>		<b>246,452</b>	<b>40,738</b>	<b>782,600</b>	<b>(116,519)</b>
<b>Taxation</b>					
- Current		-	-	-	-
- Prior		-	-	-	-
- Deferred		(86,533)	(10,615)	(277,383)	51,013
		(86,533)	(10,615)	(277,383)	51,013
<b>PROFIT / (LOSS) AFTER TAXATION</b>		<b>159,919</b>	<b>30,123</b>	<b>505,217</b>	<b>(65,506)</b>
Rupee					
Earnings per share - basic		0.02	0.01	0.06	(0.02)
Earnings per share - diluted		0.02	0.01	0.06	(0.01)

The annexed notes 1 to 22 form an integral part of these condensed interim financial statements.



Azmat Tarin  
President & CEO



Munnawar Hamid, OBE  
Chairman



Tariq Iqbal Khan  
Director



Shamsul Hasan  
Director

# Condensed Interim Statement of Comprehensive Income - Un-audited

for the nine months ended September 30, 2016

	Quarter ended		Nine months ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
----- Rupees in '000 -----				
<b>Profit / (loss) after taxation</b>	<b>159,919</b>	30,123	<b>505,217</b>	(65,506)
<b>Other comprehensive income</b>				
<i>Items that will not be reclassified to profit and loss</i>				
Remeasurement of defined benefit plan	-	-	505	(10,996)
Related effect tax	-	-	(176)	3,849
	-	-	329	(7,147)
<b>Comprehensive income transferred to equity</b>	<b>159,919</b>	30,123	<b>505,546</b>	(72,653)
<b>Components of comprehensive income not reflected in equity</b>				
Surplus / (deficit) on revaluation of available-for-sale securities	50,964	(164,963)	(29,780)	(182,566)
Related tax effect	(17,837)	58,154	10,423	63,899
	<b>33,127</b>	(106,809)	<b>(19,357)</b>	(118,667)

The annexed notes 1 to 22 form an integral part of these condensed interim financial statements.



Azmat Tarin  
President & CEO



Munnawar Hamid, OBE  
Chairman



Tariq Iqbal Khan  
Director



Shamsul Hasan  
Director

# Condensed Interim Statement of Changes in Equity - Un-audited

for the nine months ended September 30, 2016

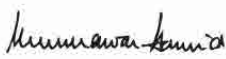
	Share Capital	Discount on Issue of Shares	Statutory Reserves*	Advance against shares subscription	Convertible Preference Shares	Accumulated Loss	Total Equity
-----Rupees in '000-----							
<b>Balance as at January 01, 2015 - Audited</b>	26,716,048	(13,284,674)	180,134	2,000,000	2,200,000	(9,444,123)	8,367,385
<b>Total comprehensive income for the nine months ended September 30, 2015</b>							
Loss after tax for the nine months ended September 30, 2015 - Un-audited	-	-	-	-	-	(65,506)	(65,506)
Other comprehensive Income	-	-	-	-	-	(7,147)	(7,147)
<b>Total comprehensive income for the nine months ended September 30, 2015</b>	-	-	-	-	-	(72,653)	(72,653)
Share subscription money for issuance of right shares	-	-	-	1,199,037	-	-	1,199,037
Issuance of right shares	7,652,551	(6,458,753)	-	(1,193,798)	-	-	-
Transfer from surplus on revaluation of fixed assets on account of incremental depreciation- net of tax	-	-	-	-	-	775	775
<b>Balance as at September 30, 2015 - Un-audited</b>	34,368,599	(19,743,427)	180,134	2,005,239	2,200,000	(9,516,001)	9,494,544
<b>Total comprehensive income for quarter ended December 31, 2015</b>							
Loss after tax for the quarter ended December 31, 2015 - Un-audited	-	-	-	-	-	(1,646,099)	(1,646,099)
Other comprehensive income	-	-	-	-	-	(1,655)	(1,655)
<b>Total comprehensive income for the quarter ended December 31, 2015</b>	-	-	-	-	-	(1,647,754)	(1,647,754)
Share subscription money for issuance of right shares	-	-	-	6,800,963	-	-	6,800,963
Issuance of right shares at discount	43,629,500	(36,823,298)	-	(6,806,202)	-	-	-
Share issue cost	-	-	-	-	-	(172,881)	(172,881)
Transfer from surplus on revaluation of fixed assets on account of incremental depreciation- net of tax	-	-	-	-	-	1,720	1,720
<b>Balance as at December 31, 2015 - Audited</b>	77,998,099	(56,566,725)	180,134	2,000,000	2,200,000	(11,334,916)	14,476,592
<b>Total comprehensive income for the nine months ended September 30, 2016</b>							
Profit after tax for the nine months ended September 30, 2016 - Un-audited	-	-	-	-	-	505,217	505,217
Other comprehensive Income	-	-	-	-	-	329	329
<b>Total comprehensive income for the nine months ended September 30, 2016 - Un-audited</b>	-	-	-	-	-	505,546	505,546
Redemption of Convertible Preference Shares including profit (note 12)	-	-	-	-	(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	-	-	-	-	-	12,154	12,154
<b>Balance as at September 30, 2016 - Un-audited</b>	77,998,099	(56,566,725)	180,134	2,000,000	-	(11,848,154)	11,763,354

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

The annexed notes 1 to 22 form an integral part of these condensed interim financial statements.



Azmat Tarin  
President & CEO



Munnawar Hamid, OBE  
Chairman



Tariq Iqbal Khan  
Director



Shamsul Hasan  
Director



# Condensed Interim Cash Flow Statement - Un-audited

for the nine months ended September 30, 2016

	September 30, 2016	September 30, 2015
Note	Rupees in '000	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit / (loss) before taxation	782,600	(116,519)
Less : Dividend income	(41,140)	(31,827)
	<u>741,460</u>	<u>(148,346)</u>
<b>Adjustments for non-cash items</b>		
Depreciation on fixed assets	263,081	271,177
Depreciation on non-banking assets	62,360	-
Amortization of intangible assets	59,766	66,121
Amortization of premium on investments - net	240,355	54,900
Provision / (reversal) against non-performing loans and advances - net	9.3 516,626	(282,650)
General provision against consumer financing - net	9.3 51,087	60,797
Provision / Impairment in the value of investments	14,936	30,348
Unrealized loss / (gain) on revaluation of investments - held-for-trading	8.1 14,571	(538)
Share of profit from associate	(8,314)	(8,443)
Other (reversals) / provisions	(413,433)	326,305
Gain on sale of property and equipment	(129,266)	(1,112)
	<u>671,769</u>	<u>516,905</u>
	<u>1,413,229</u>	<u>368,559</u>
<b>(Increase) / Decrease in operating assets</b>		
Lendings to financial institutions	(643,914)	852,513
Net investments in held-for-trading securities	(14,351,523)	(4,985,323)
Advances	(3,998,404)	856,415
Other assets	(1,266,431)	(5,606,829)
	<u>(20,260,272)</u>	<u>(8,883,224)</u>
<b>Increase / (Decrease) in operating liabilities</b>		
Bills payable	292,425	(213,503)
Borrowings	622,495	1,278,040
Deposits	4,859,441	10,841,493
Other liabilities	224,536	1,895,300
	<u>5,998,897</u>	<u>13,801,330</u>
	<u>(12,848,146)</u>	<u>5,286,665</u>
Income tax paid	(101,918)	(152,213)
<b>Net cash flows used in operating activities</b>	<u>(12,950,064)</u>	<u>5,134,452</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net investment in available-for-sale securities	15,962,651	(4,598,661)
Dividend received	34,929	21,815
Proceeds on disposal of operating fixed assets	427,538	39,611
Net investment in operating fixed assets	(319,018)	(349,446)
<b>Net cash flows used in investing activities</b>	<u>16,106,100</u>	<u>(4,886,681)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Redemption of Convertible Preference Shares	(2,200,000)	-
Profit paid on Convertible Preference Shares	(1,020,800)	-
Transaction cost on Convertible Preference Shares	(10,138)	-
Advance against shares subscription	-	1,199,037
Finance lease obligation paid	(2,540)	(2,177)
<b>Net cash flows used in financing activities</b>	<u>(3,233,478)</u>	<u>1,196,860</u>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<u>(77,442)</u>	<u>1,444,631</u>
Cash and cash equivalents at the beginning of the period	7,537,735	5,242,462
<b>Cash and cash equivalents at the end of the period</b>	18 <u>7,460,293</u>	<u>6,687,093</u>

The annexed notes 1 to 22 form an integral part of these condensed interim financial statements.



Azmat Tarin  
President & CEO



Munnawar Hamid, OBE  
Chairman



Tariq Iqbal Khan  
Director



Shamsul Hasan  
Director



# Notes To The Condensed Interim Financial Statements - Un-audited

for the nine months ended September 30, 2016

## 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. The Bank is engaged in the business of banking as described in the Banking Companies Ordinance, 1962. The Bank operates through 88 branches (2015: 88 branches) including 10 (2015: 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 2016 are 'A-2' and 'A-' respectively.
- 1.2 Major shareholders of the Bank as on September 30, 2016 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 and Mr. Zulqarnain Nawaz Chatta and Mr. Zubair Nawaz Chatta of Gourmet Group.
- 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 has issued shares for Rs. 8 billion in the financial year ended December 31, 2015.

The amount of Rs. 2 billion received from certain investors in December 2014 is being reported in the financial statements as 'advance against shares subscription' and is being considered by the Bank for the purpose of MCR and CAR. The SBP vide its letter no. BPRD/BA&CP/644/24214/2014 dated December 10, 2014 had allowed the Bank to consider this advance received for Minimum Capital Requirement (MCR) and Capital Adequacy Ratio (CAR) purposes subject to certain conditions (i.e., issue of shares and adjustment of finance facility of one of the investors), for which the SBP had allowed the timeline until March 31, 2015. Further, the SBP had advised the Bank to ensure formal due diligence of the prospective investors.

The Bank is still considering the advance against shares subscription of Rs. 2 billion towards MCR and CAR on the basis that the amount is placed in a SBP specified account and cannot be returned without SBP approval.

The capital of the Bank (net of losses and discount on shares) as of September 30, 2016 amounted to Rs. 11.58 billion including advance against shares subscription of Rs. 2 billion and excluding general reserves of Rs. 180 million. Further, the CAR of the Bank, including the above advance, as reported in September 30 quarterly report to SBP is 10.27%.

## 2 BASIS OF PRESENTATION

- 2.1 In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the SBP has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by the banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these financial statements as such but are restricted to the amount of facility actually utilised and the appropriate portion of mark-up thereon.

The Islamic Banking branches of the Bank have complied with the requirements set out under the Islamic Financial Accounting Standards issued by the Institute of Chartered Accountants of Pakistan and notified under the provisions of the Companies Ordinance, 1984 except for the adoption of IFAS 3 'Profit & Loss Sharing on Deposits'.

- 2.2 The financial results of the Islamic Banking branches have been consolidated in these condensed interim financial statements for reporting purposes, after eliminating material inter-branch transactions / balances. Key financial figures of the Islamic Banking branches are disclosed in Note 20 to these condensed interim financial statements.
- 2.3 These condensed interim financial statements have been prepared in Pakistani Rupee which is the functional and presentation currency of the Bank.

## 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

# Notes To The Condensed Interim Financial Statements - Un-audited

for the nine months ended September 30, 2016

and condensed interim statement of changes in equity together with explanatory notes have been prepared under the historical cost convention except that certain fixed assets are stated at revalued amounts less accumulated depreciation and accumulated impairment losses (where applicable) and certain investments and derivative financial instruments have been measured at fair value.

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

## 4 STATEMENT OF COMPLIANCE

These condensed interim financial statements of the Bank for the nine months ended September 30, 2016 have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved Accounting Standards comprise of such International Financial Reporting Standards (IFRS) issued by International Accounting Standards Board (IASB) and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) as notified under the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the provisions of and directives issued by the State Bank of Pakistan (SBP) and Securities and Exchange Commission of Pakistan (SECP). In case requirements differ, the provisions of Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or the requirement of said directives shall prevail.

The SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and IAS 40, 'Investment Property' for Banking Companies through BSD Circular No. 10 dated August 26, 2002. The SECP has deferred applicability of IFRS-7 "Financial Instruments: Disclosures" on banks through S.R.O 411(1) / 2008 dated April 28, 2008. Accordingly, the requirements of these standards have not been considered in the preparation of these condensed interim financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.

The 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 Securities & Exchange Commission of Pakistan (SECP), vide their SRO No. 571 of 2013 dated June 12, 2013 for Institutions offering Islamic Financial Services (IIFS).

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, 2015.

## 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, 2015 except as mentioned below:

### Non-banking assets acquired in satisfaction of claims

The SBP vide BPRD Circular no. 1 of 2016 dated January 01, 2016 issued Regulations for Debt Property Swap (DPS Regulations) through which it required the banks to record depreciation on relevant non-banking assets acquired in satisfaction of claims (NBAs) and record such assets at revalued amounts. Accordingly, the Bank has recorded depreciation amounting to Rs. 62 million on relevant NBAs and will record the NBAs at revalued amount at year-end. Previously, NBAs were carried at cost less impairment loss (if any). Had there been no change in the accounting policy, NBAs and profit before taxation would have been higher by Rs. 62 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, 2015.

# Notes To The Condensed Interim Financial Statements - Un-audited

for the nine months ended September 30, 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, 2015.

## 8 INVESTMENTS - NET

	September 30, 2016 - Un-audited			December 31, 2015 - Audited		
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
Note ----- Rupees in '000 -----						
<b>8.1 INVESTMENTS BY TYPES:</b>						
<b>Held-for-Trading Securities</b>						
Market Treasury Bills	43,196	7,877,612	7,920,808	-	-	-
Pakistan Investment Bonds	5,562,512	600,000	6,162,512	45,923	260,257	306,180
GOP Ijara Sukuks	444,601	-	444,601	-	-	-
Ordinary Shares of Listed Companies	131,072	-	131,072	-	-	-
	<b>6,181,381</b>	<b>8,477,612</b>	<b>14,658,993</b>	<b>45,923</b>	<b>260,257</b>	<b>306,180</b>
<b>Available-for-sale Securities</b>						
Market Treasury Bills	689,041	15,806,728	16,495,769	4,428,514	19,108,191	23,536,705
Pakistan Investment Bonds	49,662	-	49,662	1,910,522	6,052,915	7,963,437
GOP Ijara Sukuks	850,000	-	850,000	2,100,000	-	2,100,000
Term Finance Certificates - Listed	100,000	-	100,000	27,967	-	27,967
Term Finance Certificates - Unlisted	8,780	-	8,780	27,038	-	27,038
Shares in listed companies	846,326	-	846,326	913,332	-	913,332
Shares in unlisted companies	5,680	-	5,680	5,680	-	5,680
	<b>2,549,489</b>	<b>15,806,728</b>	<b>18,356,217</b>	<b>9,413,053</b>	<b>25,161,106</b>	<b>34,574,159</b>
<b>Held-to-maturity securities</b>						
Shares repurchase (fully provided)	74,910	-	74,910	74,910	-	74,910
Other Federal Government securities	513,796	-	513,796	513,796	-	513,796
	<b>588,706</b>	<b>-</b>	<b>588,706</b>	<b>588,706</b>	<b>-</b>	<b>588,706</b>
<b>Investment in Associate</b>						
SPI Insurance Company Limited	93,316	-	93,316	85,002	-	85,002
<b>Investments at cost</b>	<b>9,412,892</b>	<b>24,284,340</b>	<b>33,697,232</b>	<b>10,132,684</b>	<b>25,421,363</b>	<b>35,554,047</b>
Less : Provisions for diminution in value of Investments	(89,370)	-	(89,370)	(89,370)	-	(89,370)
<b>Investments - net of provision</b>	<b>9,323,522</b>	<b>24,284,340</b>	<b>33,607,862</b>	<b>10,043,314</b>	<b>25,421,363</b>	<b>35,464,677</b>
Unrealized (loss) / gain on revaluation of investments - held-for-trading	(13,640)	(931)	(14,571)	43	1,248	1,291
Surplus on revaluation of Available- for-sale securities	17,884	(768)	17,116	39,549	7,347	46,896
<b>Total Investments</b>	<b>9,327,766</b>	<b>24,282,641</b>	<b>33,610,407</b>	<b>10,082,906</b>	<b>25,429,958</b>	<b>35,512,864</b>



# Notes To The Condensed Interim Financial Statements - Un-audited

for the nine months ended September 30, 2016

		September 30, 2016 Un-audited	December 31, 2015 Audited
	Note	----- Rupees in '000 -----	
<b>8.2 INVESTMENTS BY SEGMENTS</b>			
<b>Federal Government Securities</b>			
Market Treasury Bills		24,416,577	23,536,705
Pakistan Investment Bonds		6,212,174	8,269,617
GOP Ijara Sukuks		1,294,601	2,100,000
Other Federal Government securities	8.3	513,796	513,796
		<b>32,437,148</b>	<b>34,420,118</b>
<b>Term Finance Certificate, Debentures, Bonds and Participation Term Certificates</b>			
Term Finance Certificates - Listed		100,000	27,967
Term Finance Certificates - Unlisted		8,780	27,038
		<b>108,780</b>	<b>55,005</b>
<b>Fully paid-up ordinary shares</b>			
Listed companies		977,398	913,332
Unlisted companies		5,680	5,680
		<b>983,078</b>	<b>919,012</b>
<b>Other Investments</b>			
Investment in Associate		93,316	85,002
Shares repurchase (fully provided)		74,910	74,910
		<b>168,226</b>	<b>159,912</b>
<b>Investments at cost</b>		<b>33,697,232</b>	<b>35,554,047</b>
Less : Provision for diminution in the value of investments		(89,370)	(89,370)
<b>Investments - net of provision</b>		<b>33,607,862</b>	<b>35,464,677</b>
Unrealized (loss) / gain on revaluation of investments - held-for-trading		(14,571)	1,291
Surplus on revaluation of Available- for-sale securities	13.1	17,116	46,896
<b>Total Investments</b>		<b>33,610,407</b>	<b>35,512,864</b>

# Notes To The Condensed Interim Financial Statements - Un-audited

for the nine months ended September 30, 2016

8.3 This represents Bai Muajjal agreement entered into with Ministry of Finance, Government of Pakistan through SBP, whereby the Bank sold GOP Ijarah Sukuks on deferred payment basis. The average return on this transaction is 5.995% (December 31, 2015: 5.995%). The balance is due to mature by November 17, 2016.

9	ADVANCES - NET	Note	September 30, 2016	December 31, 2015
			Un-audited	Audited
			Rupees in '000	
	Loans, cash credits, running finances, etc.			
	In Pakistan		64,314,589	61,896,411
	Outside Pakistan		-	-
			64,314,589	61,896,411
	Islamic Financing and related assets	9.1	5,936,769	4,647,752
	Bills discounted and purchased (excluding treasury bills)			
	Payable in Pakistan		156,202	169,893
	Payable outside Pakistan		166,742	331,284
			322,944	501,177
	<b>Advances - gross</b>		<b>70,574,302</b>	<b>67,045,340</b>
	Provision against non-performing advances - specific	9.3	(5,502,515)	(5,455,331)
	Provision against consumer finance - general	9.3	(566,889)	(515,802)
	<b>Advances - net of provision</b>		<b>64,504,898</b>	<b>61,074,207</b>
9.1	<b>Islamic financing and related assets</b>	20		
	Murabaha		2,551,802	3,280,752
	Musawammah		887,155	943,000
	Diminishing Musharaka		2,497,812	424,000
			5,936,769	4,647,752

9.2 Advances include Rs. 7,903 million (December 2015: Rs. 8,520 million) which have been placed under non-performing status as detailed below:

Category of classification - specific	September 30, 2016 - Un-audited			December 31, 2015 - Audited		
	Classified Advances	Provision required (Domestic)	Provision held	Classified Advances	Provision required (Domestic)	Provision held
----- Rupees in '000 -----						
Sub-standard	323,947	52,642	52,642	962,278	121,076	121,076
Doubtful	758,969	280,180	280,180	738,233	129,494	129,494
Loss	6,820,627	5,169,693	5,169,693	6,819,402	5,204,761	5,204,761
	<b>7,903,543</b>	<b>5,502,515</b>	<b>5,502,515</b>	<b>8,519,913</b>	<b>5,455,331</b>	<b>5,455,331</b>

9.3 Particulars of provision against non-performing advances:

Note	September 30, 2016 - Un-audited			December 31, 2015 - Audited		
	Specific	General	Total	Specific	General	Total
----- Rupees in '000 -----						
<b>Opening balance</b>	5,455,331	515,802	5,971,133	5,022,650	427,612	5,450,262
Charge for the period / year	1,142,887	51,087	1,193,974	1,986,292	88,190	2,074,482
Reversals for the period / year	(626,261)	-	(626,261)	(1,396,999)	-	(1,396,999)
Net charge for the period / year	516,626	51,087	567,713	589,293	88,190	677,483
Amounts written off	(469,442)	-	(469,442)	(156,612)	-	(156,612)
<b>Closing balance</b>	<b>5,502,515</b>	<b>566,889</b>	<b>6,069,404</b>	<b>5,455,331</b>	<b>515,802</b>	<b>5,971,133</b>

# Notes To The Condensed Interim Financial Statements - Un-audited

for the nine months ended September 30, 2016

- 9.3.1** This includes reversal of provision of Rs. 287 million against certain non-performing loans due to sell off of debt / assignment of Bank's rights to a private company under 'Debt-Property Swap' transaction.
- 9.3.2** This also includes reversal of provision of Rs. 222 million against non-performing loan of a borrower under 'Debt-Property Swap' transaction.
- 9.3.3** As at September 30, 2016, the Bank has availed benefit of provision relaxation allowed by SBP vide various letters, from the requirements of Regulation R-8 of Prudential Regulations amounting to Rs. 514 Million. Out of this amount a benefit of Rs.130 million was available upto September 30, 2016 and SBP has been requested for its extension till December 31, 2016. Benefit of the remaining amount will continue to be available upto September 30, 2017.
- 9.3.4** SBP vide various circulars has amended Prudential Regulations in respect of provisioning against non-performing advances under which the benefit of Forced Sale Value (FSV) has been allowed for plant and machinery under charge, pledged stock and mortgaged residential, commercial and industrial properties held as collateral against non-performing advances for five years from the date of classification.
- As of September 30, 2016, total FSV benefit taken against all loans and advances amounts to Rs. 1,129 million (December 31, 2015: Rs. 1,253 million) net of tax, which is not available for payment of cash or stock dividend.
- 9.3.5** General provision represents provision made equal to 1.5% of the consumer secured performing portfolio, 5% of the consumer unsecured performing portfolio and 1% on small enterprises performing portfolio as required by the Prudential Regulations issued by the State Bank of Pakistan for Consumer and Small Enterprises Financing.

	September 30, 2016 Un-audited	December 31, 2015 Audited
----- Rupees in '000 -----		
<b>10 DEPOSITS AND OTHER ACCOUNTS</b>		
<b>Customers</b>		
Fixed deposits	31,662,672	34,140,750
Savings deposits	23,292,001	20,257,192
Current accounts - non - remunerative	21,415,231	21,472,804
Margin accounts - non - remunerative	1,294,911	987,425
Others	755,073	823,770
	<b>78,419,888</b>	<b>77,681,941</b>
<b>Financial Institutions</b>		
Remunerative deposits	7,510,599	3,368,691
Non-remunerative deposits	26,535	46,949
	<b>7,537,134</b>	<b>3,415,640</b>
	<b>85,957,022</b>	<b>81,097,581</b>

## 11 SHARE CAPITAL

### 11.1 Authorised capital

September 30, 2016 Un-audited	December 31, 2015 Audited		September 30, 2016 Un-audited	December 31, 2015 Audited
----- No. of shares in '000 -----			----- Rupees in '000 -----	
10,500,000	10,500,000	Ordinary shares of Rs.10 each	105,000,000	105,000,000



# Notes To The Condensed Interim Financial Statements - Un-audited

for the nine months ended September 30, 2016

## 11.2 Issued, subscribed and paid up share capital

September 30, 2016 Un-audited	December 31, 2015 Audited		September 30, 2016 Un-audited	December 31, 2015 Audited
----- No. of shares in '000-----			----- Rupees in '000-----	
800,315	800,315	Ordinary shares of Rs.10 each Fully paid in cash	8,003,150	8,003,150
100,000	100,000	Ordinary shares of Rs.10 each Fully paid in cash and issued at a discount of Rs. 2.5 per share	1,000,000	1,000,000
1,771,290	1,771,290	Ordinary shares of Rs.10 each Fully paid in cash and issued at a discount of Rs. 7.5 per share	17,712,898	17,712,898
5,128,205	5,128,205	Ordinary shares of Rs.10 each Fully paid in cash and issued at a discount of Rs. 8.44 per share	51,282,051	51,282,051
<b>7,799,810</b>	<b>7,799,810</b>		<b>77,998,099</b>	<b>77,998,099</b>

11.3 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% excluding conversation buffer (refer note 1.3).

11.4 The Bank had approved issuance of right shares @ 311.00226% on December 2, 2009 at a discount of Rs. 7.5 per share have face value of Rs. 10 each to generate net additional capital of Rs. 7 billion. Out of these right shares, an amount of Rs. 2.572 billion was unsubscribed. SECP had granted three years extension for subscription of the rights, in line with tenor of convertible preference shares (refer note 12). Subsequent to the year end on January 27, 2016, the Board of Directors of the Bank passed a resolution to exercise call option in respect of convertible preference shares (refer note 12) and resultantly has cancelled the unsubscribed rights. The Bank has intimated the cancellation of unsubscribed rights shares to SECP on January 27, 2016.

## 12 CONVERTIBLE PREFERENCE SHARES

The Bank had issued 880 million Convertible Preference Shares (CPS) in March 2013 at issue price of Rs. 2.50 per share aggregating to paid-up amount of Rs. 2,200 million. The CPS had three year tenor and were convertible into ordinary shares of the Bank at the conversion of 1:1. The subscriber had an option to exercise the put option at the end of the tenor through which they can sell their CPS to Arif Habib Corporation Limited (the Guarantor) at the strike price of Rs. 3.70 per CPS. The Bank was entitled to exercise Call Option, which was exercisable in full or in parts at any time after one year from the issue date subject to subscription of right shares. On January 27, 2016, the Bank exercised the call option to redeem CPS and made payment of Rs. 3,220 million including mark-up / profit payment of Rs. 1,021 million, which was recorded directly in statement of changes in equity, as it pertained to the redemption of equity instrument. The Bank also incurred transaction cost of Rs. 10 million on the redemption of CPS, which was also recorded directly in statement of changes in equity.

		September 30, 2016 Un-audited	December 31, 2015 Audited
	Note	----- Rupees in '000-----	
<b>13 SURPLUS ON REVALUATION OF ASSETS - NET OF TAX</b>			
Surplus on revaluation of			
-available-for-sale securities	13.1	11,125	30,482
-fixed assets	13.2	61,255	69,588
		<b>72,380</b>	<b>100,070</b>

# Notes To The Condensed Interim Financial Statements - Un-audited

for the nine months ended September 30, 2016

	September 30, 2016 Un-audited	December 31, 2015 Audited
Note	-----Rupees in '000-----	
<b>13.1 (Deficit) / Surplus on revaluation of available for sale securities</b>		
<b>Federal Government Securities</b>		
Market Treasury Bills	(1,701)	573
Pakistan Investment Bonds	(4)	15,251
GOP Ijara Sukuk	(2,460)	22,600
<b>Fully paid-up ordinary shares</b>		
Listed companies	17,968	8,581
<b>Term Finance Certificate, Debentures, Bonds and Participation Term Certificates</b>		
Term Finance Certificates	3,313	(109)
	8.1 / 8.2	
Related deferred tax liability	17,116	46,896
	(5,991)	(16,414)
	<u>11,125</u>	<u>30,482</u>
<b>13.2 Surplus on revaluation of fixed assets</b>		
Surplus on revaluation of fixed assets	81,706	93,860
Related deferred tax liability	(20,451)	(24,272)
	<u>61,255</u>	<u>69,588</u>
<b>14 CONTINGENCIES AND COMMITMENTS</b>		
<b>14.1 Transaction-related contingent liabilities</b>		
Guarantees favouring		
- Government	10,649,287	8,867,132
- Banking companies and other financial institutions	1,402,576	1,449,818
- Others	2,192,671	1,748,182
<b>14.2 Trade-related contingent liabilities</b>		
Letters of Credit & Acceptances	4,722,441	4,085,903
<b>14.3 Claims against the bank not acknowledged as debt</b>	281,579	342,051
<b>14.4 Claims against the bank by Competition Commission of Pakistan &amp; Others</b>	35,640	35,640
<b>14.5 Commitments in respect of forward contracts</b>		
Forward exchange contracts with State Bank of Pakistan, banks and other institutions		
Sale	4,877,216	4,347,910
Purchase	10,067,208	9,302,422
<b>14.6 Commitments in respect of</b>		
Property civil work & equipment	20,926	120,728
Purchase of hardware / software	31,668	44,821
	<u>52,594</u>	<u>165,549</u>
<b>14.7</b>		
The Bank makes commitments to extend credit in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn.		

# Notes To The Condensed Interim Financial Statements - Un-audited

for the nine months ended September 30, 2016

	September 30, 2016 Un-audited	September 30, 2015 Un-audited
----- Rupees in '000 -----		
<b>15 MARK-UP / RETURN / INTEREST EARNED</b>		
On loans and advances to:		
Customers	5,518,005	5,175,851
On investments in:		
Held-for-trading securities	116,809	93,049
Available-for-sale securities	1,504,458	1,332,667
Held-to-maturity securities	23,397	-
	<b>1,644,664</b>	<b>1,425,716</b>
On deposits with financial institutions	1,957	263
On call money lendings	2,679	345
On securities purchased under resale agreements	327,252	179,187
	<b>7,494,557</b>	<b>6,781,362</b>
<b>16 MARK-UP / RETURN / INTEREST EXPENSED</b>		
Deposits	2,494,737	3,066,918
Securities sold under repurchase agreements	1,337,374	845,007
Call Borrowings	177,085	251,000
Borrowings from SBP under export re-finance scheme	36,108	90,934
SWAP money market expense	150,957	220,494
Others	3,536	4,235
	<b>4,199,797</b>	<b>4,478,588</b>
<b>17 TAXATION</b>		
<b>17.1</b>	The income tax returns of the Bank have been submitted up to Tax Year 2015. The Bank has filed appeals before ATIR against certain disallowances amounting to Rs. 1,996 million made by Tax officer for assessment / tax year(s) 2000-2001, 2001-2002, 2002-2003 and 2004. The disallowances amounting to Rs. 682 million in respect of tax years 2003 and 2006 are pending at CIR (A). Management is confident that the outcome of these appeals would be in favor of the Bank.	
<b>17.2</b>	Income tax returns for tax years 2011 and 2014 were selected for audit. The proceedings of the audit are in process, no order has been passed by the relevant tax authorities. 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. Orders were issued by the Assessing Officer creating a tax demand of Rs. 39 million along with default surcharge of Rs. 17 million. The Bank has filed an appeal for all the orders raised.	
<b>17.3</b>	The Bank's return in respect of AJK operations have been submitted up to and including Tax Year 2015. Certain appeals were filed before the various appellate forums which are pending adjudication. Management is confident that the outcome of these appeals would be in favor of the Bank.	
----- Rupees in '000 -----		
<b>18 CASH AND CASH EQUIVALENTS</b>		
Cash and balance with treasury banks	7,343,805	6,516,008
Balance with other banks	116,488	171,085
	<b>7,460,293</b>	<b>6,687,093</b>

# Notes To The Condensed Interim Financial Statements - Un-audited

for the nine months ended September 30, 2016

## 19 RELATED PARTY TRANSACTION

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

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

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

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

	September 30, 2016 - Un-audited			December 31, 2015 - Audited		
	Chief Executive and Directors	Key Management Personnel & Others	Associated Companies & Common Directorship	Chief Executive and Directors	Key Management Personnel & Others	Associated Companies & Common Directorship
----- Rupees in '000 -----						
<b>Balances</b>						
<b>Loans</b>						
Loans at the beginning of the period / year	150	4,070	1,677,659	3,599	2,742	1,190,282
Loans given during the period / year	30,322	146,066	1,866,611	15,210	4,297	4,424,337
Loans repaid / adjusted during the period / year	(30,082)	(18,400)	(1,760,588)	(18,659)	(2,969)	(3,936,960)
<b>Loans outstanding at the end of the period / year</b>	<b>390</b>	<b>131,736</b>	<b>1,783,682</b>	<b>150</b>	<b>4,070</b>	<b>1,677,659</b>
<b>Deposits</b>						
Deposits at the beginning of the period / year	18,090	1,070,143	3,205,349	13,846	136,117	1,492,381
Deposits received during the period / year	298,637	6,909,424	1,317,841	364,138	8,962,558	11,875,907
Deposits repaid / adjusted during the period / year	(305,311)	(7,615,233)	(3,355,217)	(359,894)	(8,028,532)	(10,162,939)
<b>Deposits at the end of the period / year</b>	<b>11,416</b>	<b>364,334</b>	<b>1,167,973</b>	<b>18,090</b>	<b>1,070,143</b>	<b>3,205,349</b>
<b>Investments - Shares</b>						
At the beginning of the period / year	-	-	231,763	-	-	176,748
Investment made during the period / year	-	-	194,644	-	-	113,610
Redeemed / impaired during the period / year	-	-	(211,066)	-	-	(58,595)
<b>Investments at the end of the period / year</b>	<b>-</b>	<b>-</b>	<b>215,341</b>	<b>-</b>	<b>-</b>	<b>231,763</b>

	September 30, 2016 - Un-audited			September 30, 2015 - Un-audited		
	Chief Executive and Directors	Key Management Personnel & Others	Associated Companies & Common Directorship	Chief Executive and Directors	Key Management Personnel & Others	Associated Companies & Common Directorship
----- Rupees in '000 -----						
<b>Transactions</b>						
Short term employees benefits	82,142	251,582	-	82,349	236,433	-
Termination benefits	7,018	18,463	-	5,617	17,078	-
Mark-up earned on loans	34	10,265	98,198	270	723	65,236
Mark-up paid on deposits	316	8,173	53,024	536	4,172	145,393
Services received / goods supplied	-	110,130	25,348	-	105,855	75,297
Meeting fee of Non-Executive directors	21,225	-	-	14,734	-	-
Share of profit from Associate	-	-	8,314	-	-	8,443

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.

# Notes To The Condensed Interim Financial Statements - Un-audited

for the nine months ended September 30, 2016

## 20 ISLAMIC BANKING BUSINESS

The Bank is operating with 10 (December 2015 : 10) Islamic Banking branches as of September 30, 2016.

		September 30, 2016 Un-audited	December 31, 2015 Audited
		----- Rupees in '000 -----	
<b>A) STATEMENT OF FINANCIAL POSITION</b>	<b>Note</b>		
<b>ASSETS</b>			
Cash and balances with treasury banks		674,875	533,473
Balances with other banks		20,236	17,765
Due from financial institutions		1,470,734	-
Investments		1,317,586	1,119,446
Islamic financing and Related Assets	9.1 / A-1.1	5,936,769	4,647,752
Operating fixed assets		92,795	98,639
Other assets		1,254,844	2,022,102
<b>Total Assets</b>		<b>10,767,839</b>	<b>8,439,177</b>
<b>LIABILITIES</b>			
Bills payable		752,031	632,237
Due to financial institutions		-	-
Deposits and other accounts			
-Current accounts		2,206,150	1,233,157
-Saving accounts		1,507,229	1,448,097
-Term deposits		2,424,382	1,836,938
-Others		48,903	40,531
-Deposits from financial institutions - remunerative		2,565,283	2,046,009
-Deposits from financial institutions - non - remunerative		33	60
Other liabilities		61,762	50,395
<b>Total Liabilities</b>		<b>9,565,773</b>	<b>7,287,424</b>
<b>NET ASSETS</b>		<b>1,202,066</b>	<b>1,151,753</b>
<b>REPRESENTED BY</b>			
Islamic banking fund		1,325,000	1,325,000
Reserves		-	-
Accumulated loss		(123,484)	(178,897)
		1,201,516	1,146,103
Surplus on revaluation of assets		550	5,650
		1,202,066	1,151,753
<b>Contingencies and commitments</b>	<b>A-1.2</b>		
<b>A-1.1 ISLAMIC FINANCING AND RELATED ASSETS</b>			
Murabaha		2,551,802	3,280,752
Musawammah		887,155	943,000
Diminishing Musharaka		2,497,812	424,000
		5,936,769	4,647,752
<b>A-1.2 CONTINGENCIES AND COMMITMENTS</b>			
<b>Guarantees favouring</b>			
- Government		12,118	27,656
- Banking companies and other financial institutions		1,255,426	1,221,567
- Others		-	100,000
<b>Commitments in respect of forward exchange contracts</b>			
Forward exchange contracts with State Bank of Pakistan, banks and other institutions			
- Sale		-	-
- Purchase		1,257,216	471,961



# Notes To The Condensed Interim Financial Statements - Un-audited

for the nine months ended September 30, 2016

	September 30, 2016 Un-audited	September 30, 2015 Un-audited
	----- Rupees in '000 -----	
<b>B) REMUNERATION TO SHARIA ADVISOR / BOARD</b>	7,333	2,091
<b>C)</b> During the period no charity credited to Charity Fund Account nor any payment made out of it.		
<b>D) PROFIT AND LOSS ACCOUNT</b>		
Profit / return earned on financings, investments and placements	549,845	170,110
Return on deposits and others dues expensed	(261,979)	(234,874)
<b>Net spread earned</b>	287,866	(64,764)
<b>Other Income</b>		
Fees, commission and brokerage income	7,376	8,335
Income / (loss) from dealing in foreign currencies	267	(14,405)
Gain / (loss) on sale of securities	10	(2)
Unrealized loss on revaluation of investments - held-for-trading	735	-
Other income	4,187	2,260
<b>Total other income</b>	12,575	(3,812)
	300,441	(68,576)
<b>Other Expenses</b>		
Administrative expenses	(245,028)	(213,542)
<b>Profit / (loss) before taxation</b>	55,413	(282,118)

## 21 GENERAL

21.1 Corresponding figures have been rearranged and reclassified to reflect more appropriate presentation of events and transactions for the purpose of comparison, which are as follows:

Statement	----- Rupees in '000 -----	Recalssified	
		From	To
Statement of financial position	513,796	Lendings to financial institutions	Investments - net
Statement of financial position	3,704	Lendings to financial institutions	Other assets
Statement of financial position	34,388	Other liabilities	Other assets

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

## 22 DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on October 28, 2016 by the Board of Directors of the Bank.



Azmat Tarin  
President & CEO



Munnawar Hamid, OBE  
Chairman



Tariq Iqbal Khan  
Director



Shamsul Hasan  
Director

# Branch Network

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## ISLAMIC BANKING

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(021) 32550281  
Fax: (021) 32550279

**Aamir Ali Gul**  
Branch Manager  
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Fax: (021) 34829592

**Saleem Ahmed Siddiqui**  
Branch Manager  
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Residency, Showroom No. G-3-5,  
Ground Floor, Plot No. B-1, Block-L,  
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Roundabout), Karachi.  
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(021) 36643275-76  
Fax: (021) 36643263

**Sahibzada Muhammad Asif Afridi**  
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Square, Sohrab Goth, Karachi.  
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(021) 36342889  
(021) 36345827  
Fax: (021) 36343704

**Syed Barkat Ali Shah**  
Acting Branch Manager  
P.E.C.H.S. Branch,  
Shop No. 11, Business Arcade,  
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Shahrah-e-Faisal, Karachi.  
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Fax: (021) 34392040

**Babar Malik**  
Acting Branch Manager  
Saddar Branch, Shop No. 1-B,  
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Road, Karachi.  
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(021) 32760530

**Pervaiz Khan**  
Branch Manager  
F. B. Area Branch, Plot No. C-31/A,  
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Fax: (021) 36342904

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Fax: (021) 32441049

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## ISLAMABAD REGION

**Syed Qasim Rizvi**  
Regional General Manager  
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**Muhammad Farooq Sarwar**  
Area/Branch Manager  
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(051) 2344662  
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**Asad Sajjad**  
Area/Branch Manager  
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Peshawar Cantt.  
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(091) 5278122  
(091) 5276938  
Fax: (091) 5276414

**Khurram Ali Malik**  
Area/Branch Manager  
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82-D, Alama Iqbal Road,  
Sector B-4, Mirpur, Azad Kashmir.  
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(05827) 446414  
(05827) 446559  
Fax: (05827) 445145

**Abdul Haseeb Jan**  
Branch Manager  
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Khyber Bazar, Peshawar.  
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(091) 2552832  
Fax: (091) 2552481

**Khurram Hanif**  
Area/Branch Manager  
I-8 Markaz Branch, Plot No. 6,  
Laraib Plaza, Sector I-8 Markaz,  
Islamabad.  
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F-11 Markaz Branch, Plot No. 25-D,  
F-11 Markaz, Islamabad.  
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(051) 2228169  
(051) 2228005-06  
Fax: (051) 2210587

**Tahir Ayub Khan**  
Branch Manager  
G-9 Markaz Branch, 4-B Karachi  
Company, G-9 Markaz, Islamabad.  
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(051) 2855824-5  
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**Naveed Amjad**  
Branch Manager  
Rawalpindi Satellite Town Branch,  
Ground Floor, Munir Arcade, B-215,  
4th Road, Satellite Town, Rawalpindi.  
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(051) 4571384  
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**Irfan Anwar**  
Branch Manager  
Attock Branch, B-2, Pleadar Lane,  
Attock City, Tehsil & District Attock.  
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(057) 2613646  
Fax: (057) 2613486

**Zaheer Anwar Iqbal**  
Branch Manager  
Gujar Khan Branch, Ward No. 5,  
Main G. T. Road, Gujar Khan.  
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(0513) 512866-71  
Fax: (0513) 512872

**Naheed Intiaz**  
Branch Manager  
Dina Branch, Chaudhary Street,  
Mangla Road, Dina.  
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(0544) 635013-16  
Fax: (0544) 636987

**Nasir Islam**  
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Raja Bazar Branch, C-235-36,  
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Rawalpindi.  
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(051) 6777601  
Fax: (051) 6777608

**Zainab Khan**  
Branch Manager  
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E-11/3 Markaz, Islamabad.  
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(051) 2228746-48  
Fax: (051) 2228749

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#### LAHORE EAST

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**Muhammad Naeem Dar Area/Chief Manager**  
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Fax: (042) 36279272

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(042) 35125400  
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**Muhammad Azeem Akhtar Branch Manager**  
Allama Iqbal Town Branch, 6-Hunza Block, Allama Iqbal Town, Lahore.  
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(042) 37809314-15  
Fax: (042) 37805866

**Ghulam Rasool Branch Manager**  
Thokar Niaz Baig Branch, 7-B, Judicial Colony, Raiwind Road, Thokar Niaz Baig, Lahore.  
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Johar Town Branch, Block 15, M. M. A. Johar Town, Lahore.  
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(042) 35393811-13  
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#### LAHORE WEST

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**Ali Bokhary Branch Manager**  
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#### MULTAN REGION

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Tel: (061) 6750251  
(061) 6750255  
(061) 6750256  
Fax: (061) 6750253

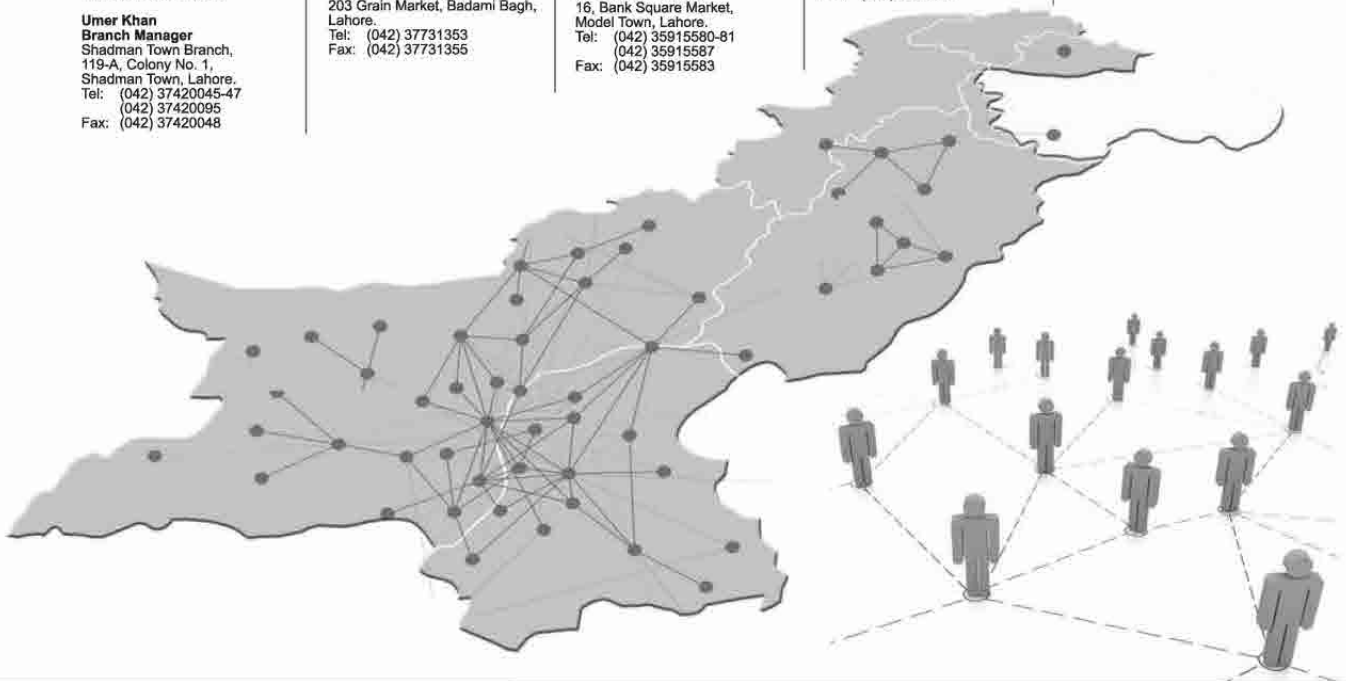
**Zulfiqar Ali Nasir Branch Manager**  
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Fax: (061) 4586880

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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 Al Falah

## Belgium

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

## Brazil

Deutsche Bank AG

## Bulgaria

Citibank N.A.  
United Bulgarian Bank

## Canada

Habib Canadian Bank  
Royal Bank of Scotland

## China

Agricultural Bank of China  
Commerzbank AG  
Bank of Jiangsu Co Ltd.  
Bank of Communication  
Royal Bank of Scotland  
Bank of China  
China Construction Bank  
China Everbright Bank  
Deutsche Bank AG  
Industrial and Comm'l Bank of China  
Laishang Bank Co. Ltd.  
JP Morgan  
Shenzhen Development Bank Co Ltd.  
Bank of New York Mellon  
Wells Fargo Bank N.A.  
WestLB AG

## Czech Republic

Commerzbank AG  
Royal Bank of Scotland

## Denmark

Danske Bank A/S

## Egypt

Mashreqbank PSC  
Al Baraka Bank Egypt

## Finland

Skandinaviska Enskilda Banken

## France

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

## Germany

Commerzbank AG  
Danske Bank A/S  
Deutsche Bank AG  
National Bank of Pakistan  
SEB AG  
Landesbank Baden-Wurtemberg  
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  
Suhyup 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 Nederland NV

## Norway

Nordea Bank Norge Asa  
DNB Nor Bank ASA

## New Zealand

Westpac Banking Corporation

## Oman

Habib Bank Ltd.  
Oman International Bank  
Bank Muscat

## Poland

Nordea Bank Polska SA  
Royal Bank of Scotland  
Deutsche Bank AG

## Philippines

JP Morgan  
Mizuho Corporate Bank

## Portugal

Banco BPI SA  
Deutsche Bank AG

## Qatar

United Bank Limited  
Doha Bank  
BNP Paribas Fortis 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



**Serbia**

UniCredit Bank AG  
Raiffeisen Bank

**Slovakia**

Commerzbank AG

**Spain**

Commerzbank  
Fortis Bank S.A.  
Banco Popular Espanol, S.A.  
Bankinter SA  
Caja Mediterraneo  
Caja Espana de Inversiones  
Caxia D'estalvis

**Sri Lanka**

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

**Sweden**

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

**Switzerland**

Banque Cantonale Vaudoise  
Habib Bank AG Zurich

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

**Taiwan**

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

**Thailand**

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

**Turkey**

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

**U.A.E.**

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

**U.K.**

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

**U.S.A.**

Royal Bank of Scotland  
Bank of America  
Bank of New York Mellon

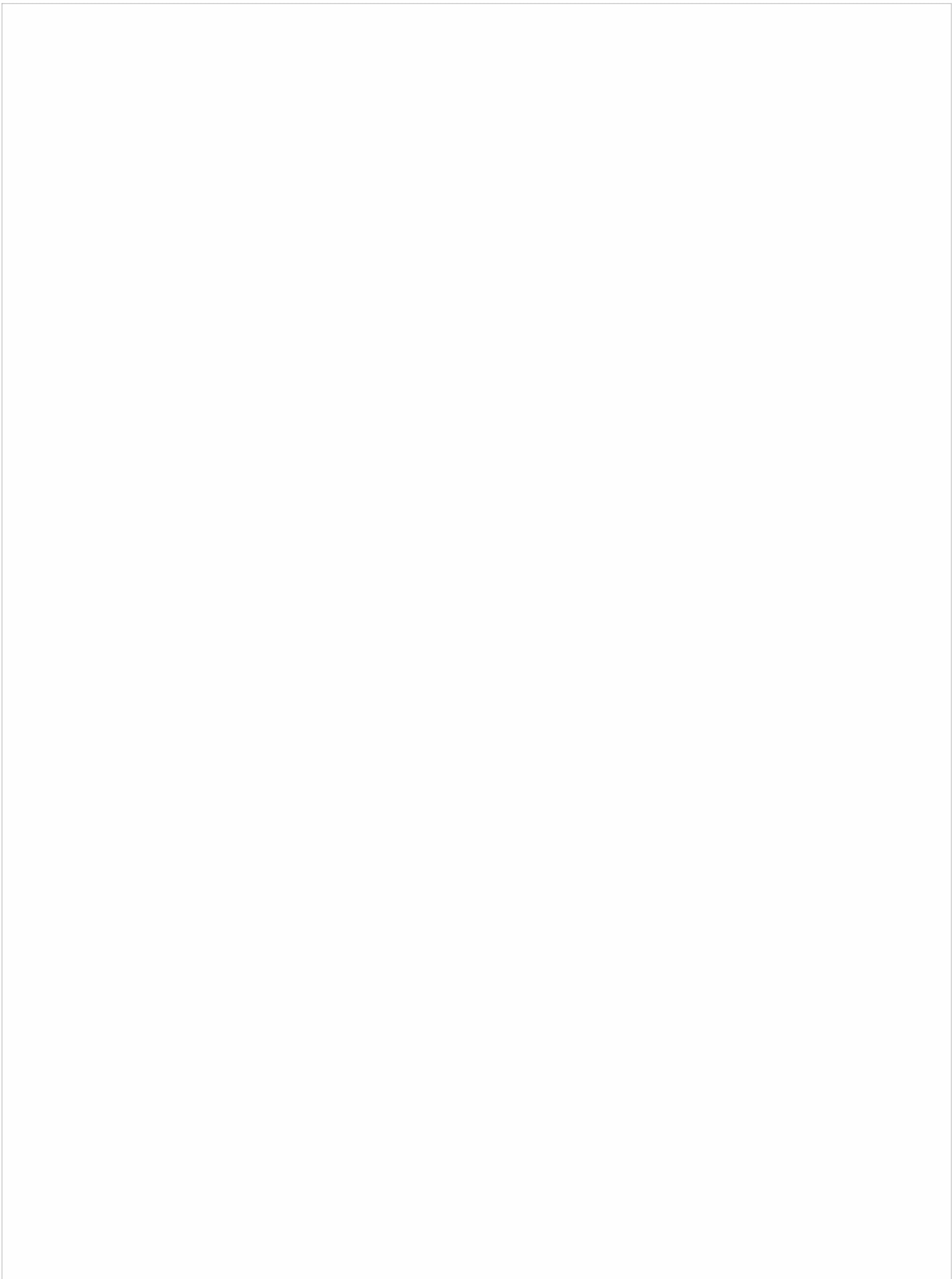
Bank of the West  
Citibank N.A.  
Commerzbank AG  
Deutsche Bank Trust Co.  
Doha Bank  
Habib American Bank  
Habib Bank Ltd.  
Intesa Sanpaolo SPA  
JP Morgan  
Mashreqbank PSC  
Mizuho Corporate Bank Ltd.  
M & I Bank  
National Bank of Pakistan  
Sumitomo Mitsui Banking Corporation  
Union Bank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

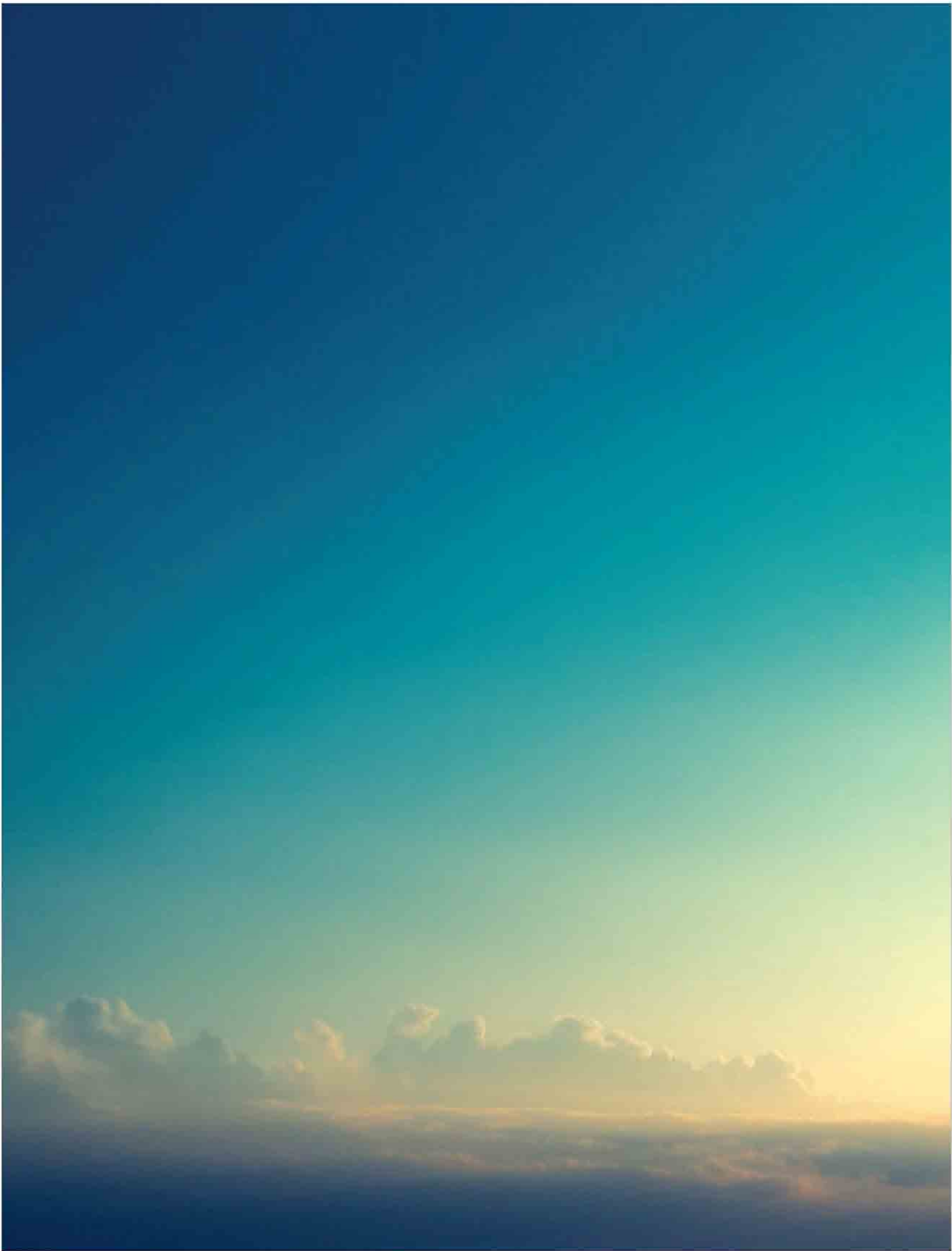
**Vietnam**

JP Morgan  
Deutsche Bank AG










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