

2016
Half Yearly Report
30 June 2016



SIB

SECURITY
INVESTMENT
BANK LTD.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Haji Jan Muhammad (Chairman)
Mr. Muhammad Mehboob
Mr. Sheikh Asim Rafiq (NIT Nominee)
Mr. Shaikh Abdullah
Mr. Muhammad Shoaib
Mr. Karim Muhammad Munir
Mr. Zafar .M. Sheikh

PRESIDENT & CHIEF EXECUTIVE

Mr. Muhammad Mehboob

AUDIT COMMITTEE

Mr. Shaikh Abdullah (Chairman)
Haji Jan Muhammad
Mr. Sheikh Asim Rafiq
Mr. Karim Muhammad Munir

**HUMAN RESOURCE AND
REMUNERATION COMMITTEE**

Mr. Zafar .M. Sheikh (Chairman)
Mr. Karim Muhammad Munir
Mr. Muhammad Mehboob

BUSINESS DEVELOPMENT COMMITTEE

Mr. Sheikh Asim Rafiq NIT Nominee (Chairman)
Mr. Muhammad Mehboob
Mr. Muhammad Shoaib
Mr. Karim Muhammad Munir
Mr. Zafar .M. Sheikh

CHIEF FINANCIAL OFFICER

Mr. Muhammad Amin Khatri

COMPANY SECRETARY

Mr. Shakeel Ahmed

AUDITORS

Muniff Ziauddin & Co.
Chartered Accountants

TAX ADVISORS

Grant Thoranton Anjum Rahman
Chartered Accountants

LEGAL ADVISORS

Bawaney & Partners
Muhammad Tariq Qureshi

SHARE REGISTRAR

M/s. C&K Management
Associates (Pvt) Limited
404, Trade Tower,
near Hotel Metropole, Karachi.

BANKERS

Habib Metropolitan Bank Limited.
Al-Baraka Bank Pakistan Ltd.
MCB Bank Limited.
Summit Bank Limited.

REGISTERED OFFICE

Suite No. 4, 3rd Floor, Al-Baber Centre,
Main Markaz, F-8, Islamabad.
Tel : (051) 2818107-09
Fax: (051) 2818110
Website : www.sibl.com.pk

KARACHI OFFICE

502, 5th Floor, Madina City Mall,
Abdullah Haroon Road, Saddar Karachi.
Tel: (021) 35659750-54
Fax: (021) 35659755
E-mail : sibl@sibl.com.pk

DIRECTORS' REPORT

The directors of Security Investment Bank Limited (the Company) are pleased to present the financial statement of the Company duly reviewed by the auditors for the half year ended 30 June 2016.

Pakistan's economic growth is set to increase further in FY17. The impetus is likely to come from the continuation of same positive factors as of FY16, which include: (i) rising investment under PSDP and CPEC; (ii) improved energy availability to industry; (iii) lagged impact of prudent monetary policy; (iv) healthy private sector credit uptake; and (v) improving law and order situation.

Foreign exchange reserves held by SBP also recorded steady increases. Efforts of Pakistan's government to reduce budget deficit remained on track as revenue collection continued to exceed expectations. Private sector credit posted a considerable surge with accelerating loans for fixed investment and working capital.

During the current period The State Bank of Pakistan (SBP) maintained the discount rate at 5.75% in the monetary policy statement issued in July 2016. During the second quarter of 2016, the PSE-100 index registered increase of 14.01% from 33,139 points as of 31 March 2016 to 37,783 points as of 30 June 2016.

Your company posted a profit after tax of Rs. 0.597 million for the half year ended 30 June 2016 reflecting EPS of Rs. 0.012 as compared to a profit of Rs. 1.716 million and EPS of Rs. 0.033 is corresponding period of last year.

Regarding emphasis of matter in review report of the Auditors of the Company wherein attention is invited in respect of the minimum capital requirements prescribed under the Non-Banking Companies and Notified Entities Regulations, 2008, we would like to appraise that the same has been explained in detail in Note 1 to the accompanying condensed interim financial statements.

During the period under review the election of directors of our company was held on June 29, 2016. Accordingly the term of our Ex-CEO Mr Muhammad Hanif was completed on July 06, 2016 and in place the Board approved appointment of new CEO Mr Muhammad Mehboob.

The board wishes to place on record the gratitude to Pakistan Stock Exchange and Securities and Exchange Commission of Pakistan for their continued valued support, assistance and guidance. The board would also like to take this opportunity to express their admiration to the employees of the company for their commitment and hard work. The company recognizes and records its gratitude for their efforts

**Zafar.M.
Sheikh**

On behalf of the Board
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Zafar .M. Sheikh

(Director)

Karachi, 25 August 2016



SECURITY
INVESTMENT
BANK LTD.

AUDITOR'S REPORT TO MEMBERS ON REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

Introduction

We have reviewed the accompanying condensed interim balance sheet of SECURITY INVESTMENT BANK LIMITED ("the Investment Bank") as at June 30, 2016, and the related 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 the notes forming part thereof (here-in-after referred to as the 'condensed interim financial information'), for the half year then ended June 30, 2016. The Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this interim financial information based on our review.

The figures for the quarters ended June 30, 2015 and June 30, 2016 in the condensed interim profit and loss account and condensed interim statement of comprehensive income have not been reviewed and we are required to review only the cumulative figures for the half year ended June 30, 2016.

Scope of Review

We conducted our review in accordance with the 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 condensed interim financial information as at and for the half year ended June 30, 2016 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan relating to interim financial reporting.

Emphasis of matter

We draw attention to note 1 to the accompanying condensed interim financial statements which shows that the Investment Bank is not meeting the minimum capital requirement under Non Banking Finance Companies and Notified Entities regulations 2008. Our conclusion is not qualified in respect of this matter.

Chartered Accountants
Karachi
Dated: August 25, 2016
Engagement Partner: Sohail Saleem

CONDENSED INTERIM BALANCE SHEET (UNAUDITED) AS AT 30 JUNE 2016

		June 30 2016 (Un audited)	December 31 2015 (Audited)
	Note	<----- Rupees ----->	
Non-current assets			
Property, plant and equipment	5	10,931,519	11,568,874
Intangible assets		10,568,182	10,568,182
Long term investments	6	26,181,818	26,181,818
Murabaha financing	7	7,139,707	2,978,750
Deferred tax asset - net		20,391,349	20,254,890
Current assets			
Short term financing	8	285,862,484	260,283,600
Short term placement		-	40,000,000
Short term investments	9	30,027,575	40,730,401
Loans and advances		93,033,025	91,357,122
Deposits, prepayments and other receivables		7,987,100	8,605,777
Accrued interest		38,465,676	32,537,054
Cash and bank balances	10	27,405,780	11,986,367
		482,781,640	485,500,321
		557,994,216	557,052,835
Equity and liabilities			
Share capital and reserves			
Authorised capital			
100,000,000 ordinary shares of Rs.10/- each		1,000,000,000	1,000,000,000
Issued, subscribed and paid up capital		514,335,580	514,335,580
Statutory reserves		145,775,130	145,712,633
Accumulated loss		(140,626,021)	(140,876,007)
		519,484,689	519,172,206
Deficit on revaluation of investments - net of tax	11	(2,168,851)	(94,581)
Current liabilities			
Short term deposits		26,741,778	29,112,373
Accrued and other liabilities		13,936,600	8,862,837
		40,678,378	37,975,210
Contingencies and commitments	12	557,994,216	557,052,835

The annexed notes 1 to 15 form an integral part of these condensed interim financial statements.

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STATEMENT UNDER SECTION 241(2) OF THE COMPANIES ORDINANCE, 1984

As the chief executive is for the time being not in Pakistan, therefore, these financial statements have been signed by two directors of the company as required under section 241(2) of the Companies Ordinance, 1984.



SECURITY
INVESTMENT
BANK LTD.

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED) FOR THE HALF YEAR ENDED 30 JUNE 2016

	Six Months Ended		Quarter Ended	
	June 30 2016	June 30 2015	June 30 2016	June 30 2015
	<----- Rupees ----->			
Income				
Income on financing and placements	17,084,639	18,438,813	8,600,147	9,535,846
Return on investments	4,228,815	1,412,463	3,697,301	466,244
Gain on sale of shares	1,518,369	2,070	243,941	-
Profit on deposit with banks	85,374	247,205	29,895	142,600
Other income	429,001	1,329,892	144,697	743,203
	23,346,198	21,430,443	12,715,981	10,887,893
Expenditure				
Return on deposits and borrowings	564,883	626,596	369,758	395,921
Operating expenses	21,916,253	17,408,286	11,765,101	10,231,152
	22,481,136	18,034,882	12,134,859	10,627,073
Operating profit before tax	865,062	3,395,561	581,122	260,820
Taxation	(268,457)	(1,679,956)	(137,991)	(668,305)
Net profit after tax	596,605	1,715,606	443,131	(407,485)
Earning per share - basic and diluted	0.012	0.033	0.009	(0.008)

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ZAFAR .M. SHEIKH
Director

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KARIM MUHAMMAD MUNIR
Director

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**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
(UNAUDITED)
FOR THE HALF YEAR ENDED 30 JUNE 2016**

	Six Month Ended		Quarter Ended	
	June 30	June 30	June 30	June 30
	2016	2015	2016	2015
	----- Rupees -----			
Profit for the period after tax	596,605	1,715,606	443,131	(407,485)
Other comprehensive income				
Tax effect on Remeasurement of defined benefit plans	(284,122)	-	(284,122)	-
Total comprehensive income for the period	312,483	1,715,606	159,009	(407,485)

The annexed notes 1 to 15 form an integral part of these condensed interim financial statements.

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ZAFAR .M. SHEIKH
Director

Karim Muhammad Munir

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Director

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SECURITY
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CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED) FOR THE HALF YEAR ENDED 30 JUNE 2016

	Half year ended June 30,	
	2016	2015
	<----- Rupees ----->	
CASH FLOW FROM OPERATING ACTIVITIES		
Operating profit before taxation	865,062	3,395,561
Adjustments for non-cash and other items		
Depreciation	963,910	363,528
Gain on disposal of shares	(1,518,369)	(2,070)
Gain on disposal of fixed assets	-	(38,727)
	(554,459)	322,731
Cash flows from operating activities before working capital changes	310,603	3,718,292
(Increase) / Decrease in operating assets		
(Increase) / Decrease in financing and placements	(25,578,884)	(45,100,000)
Decrease in loans and advances	(1,780,674)	(4,056,674)
Increase in deposits, prepayment and other receivables	618,677	(1,373,115)
(Increase) / Decrease in accrued interest	(5,928,622)	(3,289,652)
	(32,669,503)	(53,819,441)
Increase / (Decrease) in operating liabilities		
(Decrease) / Increase in short term deposits	(2,370,595)	6,684,332
(Increase) / Decrease in borrowings	-	-
(Decrease) / Increase in accrued and other liabilities	5,073,763	30,863,911
	2,703,168	37,548,243
Net changes in operating assets and liabilities	(29,966,335)	(16,271,198)
Income tax paid	(266,830)	(253,768)
Net cash used in operating activities	(29,922,562)	(12,806,674)
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets - net	(326,555)	(9,089,736)
Sale of investments (shares)	9,259,190	173,231
Purchase/ Sale of securities	570,297	(5,000,000)
Net cash generated from investing activities	9,502,932	(13,916,505)
CASH FLOW FROM FINANCING ACTIVITIES		
Long Term Financing	(4,160,957)	-
Net decrease in cash and cash equivalents	(24,580,587)	(26,723,179)
Cash and cash equivalents at the beginning of the period	51,986,367	128,403,699
Cash and cash equivalents at the end of the period	27,405,780	101,680,520

The annexed notes 1 to 15 form an integral part of these condensed interim financial statements.

Zafar.M. Sheikh

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STATEMENT UNDER SECTION 241(2) OF THE COMPANIES ORDINANCE, 1984

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CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED) FOR THE HALF YEAR ENDED 30 JUNE 2016

	Share capital	Statutory reserve	Accumulated loss	Total
	←----- Rupees -----→			
Balance as at 01 January 2015	514,335,580	145,543,127	(142,554,808)	517,323,899
Total comprehensive income for the period	-	-	1,715,606	1,715,606
Appropriations:				
Statutory reserves	-	343,121	(343,121)	-
Balance as at 30 June 2015	514,335,580	145,886,248	(141,182,324)	519,039,504
Total comprehensive income for the period	-	-	132,702	132,702
Appropriations:				
Statutory reserves	-	(173,615)	173,615	-
Balance as at 31 December 2015	514,335,580	145,712,633	(140,876,007)	519,172,206
Total comprehensive income for the period	-	-	312,483	312,483
Appropriations:				
Statutory reserves	-	62,497	(62,497)	-
Balance as at 30 June 2016	514,335,580	145,775,130	(140,626,021)	519,484,689

The annexed notes 1 to 15 form an integral part of these condensed interim financial statements.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE HALF YEAR ENDED 30 JUNE 2016

1 Status and principal activities

Security Investment Bank Limited (SIBL) is a public limited company incorporated in Pakistan under the Companies Ordinance, 1984. The Bank was incorporated in Pakistan on 23 May 1991 and started its commercial operation on 31 December 1991. Its shares are quoted on Pakistan Stock Exchange Limited. The registered office of SIBL is situated at Flat No.4, 3rd floor, AL-Baber Centre, Main Markaz, F-8, Islamabad.

SIBL is licensed to carry out business of investment finance services as a Non-Banking Finance Company (NBFC) under section 282C of the Companies Ordinance, 1984 and the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 issued by the Securities and Exchange Commission of Pakistan (SECP) as amended through SRO 1002 (I) /2015 dated 15 October 2015 and Non-Banking Finance Companies and Notified Entities Regulations 2008 as amended through SRO 1160(I) / 2015 dated 25 November 2015 (previously this was covered under SRO 585(1)/87 dated 13 July 1987, issued by the Ministry of Finance).

In accordance with the requirement of Non-Banking Finance Companies (Establishment and Regulations) Rules 2003 and Non-Banking Finance Companies and Notified Entities Regulations 2008 (vide SRO No. 1002(I)/ 2015 dated October 15, 2015 and SRO No. 1160(I)/2015 dated November 25, 2015), thereby Securities and Exchange Commission of Pakistan has allowed one year time for aligning existing NBFCs with Minimum Capital requirement of Rs.750 million. The management of the Investment Bank is confident of either getting extension for meeting the capital requirement. In case, it is unable to get extension the sponsors are committed to inject the required capital to meet its minimum capital requirements within the time frame allowed under the said regulations.

JCR - VIS Credit Rating Company Limited has revised the entity ratings of SIBL for medium to long-term rating of SIBL at '**BBB'+ (Single Triple B plus)** with stable outlook and maintained the short-term rating at '**A-2' (A Two)**.

2 Basis of presentation

These condensed interim financial statements have been presented in accordance with the requirements of the "International Accounting Standard 34- Interim Financial Reporting" as applicable in Pakistan and are unaudited but subject to limited scope review performed by the external auditors of the Bank in accordance with the requirements of the clause (xxi) of the Code of Corporate Governance . These condensed interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the financial statements of the Bank for the year ended 31 December 2015. Further, these accounts are being circulated to the shareholders in accordance with the requirements of Section 245 of the Companies Ordinance, 1984 and Listing Regulations of Stock Exchanges.

3 Accounting policies

The accounting policies and methods of computation followed for the preparation of these financial statements are the same as those applied in preparation of the financial statements for the year ended 31 December 2015.

4 Estimates

The preparation of condensed interim financial statements requires management to make judgments, estimates and assumption that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The significant judgments made by management in applying the Bank's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 31 December 2015.

	June 30, 2016 (Un audited)	December 31, 2015 (Audited)
	<----- Rupees ----->	
5 Operating Assets		
Cost		
As at January 01	16,256,917	11,587,674
Addition	326,555	11,888,041
Deletion	-	(7,218,798)
As at June 30	16,583,472	16,256,917
Less: Accumulated Depreciation		
As at January 01	4,688,043	10,525,878
Depreciation expenses	963,910	1,294,690
Adjustment made	-	(7,132,525)
	5,651,953	4,688,043
As at June 30	10,931,519	11,568,874
6 Long term investments		
Available for sale		
Pakistan Stock Exchange Limited	26,181,818	26,181,818
	26,181,818	26,181,818
7 Murahaba Financing		
Related Parties-Secured and considered good		
Murahaba finance -Associated Companies	8,429,436	5,625,689
-Others	5,613,000	-
Less: Deferred Murahaba income	(2,540,245)	(1,263,339)
Murahaba receiveable	11,502,191	4,362,350
Less: Current maturity	(4,362,484)	(1,383,600)
	7,139,707	2,978,750

	June 30, 2016 (Un audited)	December 31, 2015 (Audited)
	←----- Rupees ----->	
8 Short term financing- secured and considered good		
Associated companies	281,500,000	258,900,000
Current maturity under Murahaba Finance	4,362,484	1,383,600
	<u>285,862,484</u>	<u>260,283,600</u>
9 Short term investment		
Available for sale		
Term Finance Certificates	5,836,219	5,836,219
Quoted shares	2,470,385	14,645,361
	8,306,604	20,481,580
At fair value through P & L		
Pakistan Investment Bonds	21,720,971	20,248,821
	<u>30,027,575</u>	<u>40,730,401</u>
10 Cash and bank balances		
With State Bank of Pakistan in current account	41,757	160,874
With other banks in		
Current account	26,687,283	9,018,514
Deposit accounts	629,937	2,787,667
	27,317,219	11,806,181
Cash in hand	46,804	19,312
	<u>27,405,780</u>	<u>11,986,367</u>
11 Deficit on revaluation of investment - net of tax		
Government securities	-	995,372
Term Finance Certificates	(1,945,406)	(1,945,406)
	(1,945,406)	(950,034)
Related deferred tax asset	-	(318,519)
	(1,945,406)	(1,268,553)
Quoted shares	(223,445)	1,173,972
	<u>(2,168,851)</u>	<u>(94,581)</u>
12 Contingencies and commitments		
12.1 Guarantees issued on behalf of customers		
Associated undertaking	14,584,900	25,520,900
Others	50,000,000	50,000,000

13 Transaction with related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions and includes subsidiary company, associated companies with or without common directors, directors and major shareholder and their close family members, key management



personnel and retirement benefit funds. The Bank has a policy whereby all transactions with related parties are entered into at arm's length prices using comparable uncontrolled price method and are in the normal course of business at contracted rates and terms determined in accordance with market rates. Transactions with related parties during the year, other than Director's remuneration, are as follows;

	June 30, 2016 (Un audited)	December 31, 2015 (Audited)
	<----- Rupees ----->	
Financing		
Balance at year end		
- Associated undertakings	<u>285,862,484</u>	<u>260,283,600</u>
Short term deposits		
Balance at year end		
- Associated undertakings	<u>12,617,937</u>	<u>12,168,912</u>
- Others	<u>5,654,299</u>	<u>8,423,918</u>
Un funded Guarantee		
- Associated undertakings	<u>14,584,900</u>	<u>25,520,900</u>
- Others	<u>50,000,000</u>	<u>50,000,000</u>
	Half year ended June 30,	
	2016	2015
	<----- Rupees ----->	
Return on financing		
- Associated undertakings	<u>16,142,783</u>	<u>17,500,060</u>
Return on deposits		
- Associated undertakings	<u>368,991</u>	<u>346,575</u>
- Others	<u>139,649</u>	<u>193,140</u>
Contribution to staff retirement benefit plan	<u>380,707</u>	<u>436,710</u>

14 Date of authorisation

These condensed interim financial statements were authorised for issue by the Board of Directors on 25th August 2016.

15 General

Figures have been rounded off to the nearest rupee.

**Zafar.M.
Sheikh**

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ZAFAR .M. SHEIKH
Director

**Karim
Muhammad
Munir**

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KARIM MUHAMMAD MUNIR
Director

STATEMENT UNDER SECTION 241(2) OF THE COMPANIES ORDINANCE, 1984

As the chief executive is for the time being not in Pakistan, therefore, these financial statements have been signed by two directors of the company as required under section 241(2) of the Companies Ordinance, 1984.

Islamabad Office:

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