

SILKBANK 
Yes we can

Stronger
Together

2nd
QUARTERLY
REPORT
2021

Director's Report as of June 30, 2021

Dear Shareholders,

We are pleased to present the financial statements of the Bank for the half year ended June 30, 2021.

Economic Review:

Pakistan's economy showed visible signs of recovery with a 3.94 percent growth during FY21. This was due to timely adoption of pandemic containment measures and targeted policy interventions to support the economic activity in the country. The banking sector, which forms the major part of the financial sector, has exhibited resilience to COVID-19 pandemic shock due to strong capital and liquidity cushion. Earnings of the sector remained steady during 2HFY21, though profitability indicators showed some moderation due to low interest rate environment. The solvency of the banking sector remained robust with Capital Adequacy Ratio (CAR) at 18.3 percent - well above the regulatory minimum of 11.5 percent. The financial markets, which witnessed significant volatility in 2HFY20, remained relatively stable during 2HFY21, though the exchange rate exhibited some volatility towards the end of the reviewed period.

The 4th wave of COVID-19 could not cause a lockdown which resulted in government encouraging GDP growth target. In FY21, Pakistan witnessed positive GDP growth rate of 3.94%. The fiscal deficit for FY21 stood at 8400 billion. However, the current account deficit during FY21 was 4.1% – 4.7% in terms of GDP to USD 1.47 billion largely due to an increase in imports and also due to a growth in remittances. Headline inflation for June 21 clocked in at 8.4% YoY as compared to 9.3% YoY in the same period last year along with core inflation at 6.9% YoY against 5.3% YoY. The country's FX reserves strengthened and stood at USD 17.15 billion in June-21 due to inflows of USD 1.7 billion from the World Bank, Asian Development Bank, Asian Infrastructure Investment Bank, and due to pay USD 3 billion loan from Saudi Arabia. However, the increase in exports, remittances and FDI were imperative to build sustainable foreign exchange reserves.

Banking Sector:

Economic activity maintained an upward trend with SBP's continued support on monetary easing whilst holding the policy rate at 7%. Economic momentum further strengthened in 2HFY21 as reflected by a healthy improvement in the index of Large-Scale Manufacturing (LSM) and a rise in business confidence index to a multi-year high. Similarly, the banking sector's performance remained encouraging as the asset base expanded by 12.2% in 2HFY21 as compared to 7.8% growth recorded in the corresponding period of previous year.

Deposits of the banking sector grew by 9.55% from 17.9 trillion in Mar-21 to PKR 19.79 trillion in Jun-21. Similarly, sector advances increased by 4.4%, from PKR 8.6 trillion in Mar-21 to PKR 8.96 trillion in Jun-21. Solvency of the banking sector remained strong with slight adjustment of the Capital Adequacy Ratio (CAR) from 18.7% in 2HFY20 to 18.3% in 2HFY21. This level of CAR was still well above the minimum regulatory benchmark of 11.5 percent.

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The SBP carefully monitored developments affecting medium-term prospects for inflation, financial stability and growth. It was prepared to respond adequately whenever deemed necessary.

Financial Performance

The Bank posted an after-tax loss of Rs. 6.04 billion during the half-year of 2021. During this period, the Bank's total deposits decreased by Rs. 8.86 billion to Rs. 151.38 billion, and gross advances decreased by Rs. 3.14 billion.

Summarized financial performance of Silkbank Limited for the half year ended June 30, 2021, is as follows:

	Rs in 'million'
Loss before tax	(9,191)
Tax - Current	-
Prior	(58)
Deferred	3,214
Loss after tax	(6,035)
	Rupee
Loss per share – Basic	(0.66)
Loss per share – Diluted	(0.66)

During the period, the Bank achieved strong performance in net interest income, recording Rs. 1.31 billion in the first half of 2021, compared to Rs. 867 million in the same period of 2020. The Bank also successfully reduced operating expenses to Rs. 3.47 billion, down from Rs. 3.59 billion in the first half of 2020.

However, these gains were offset by a loss of Rs. 1.06 billion on the Bank's government securities portfolio, driven by unfavorable movement in market yields. Additionally, the Bank recorded substantial net provisions against non-performing loans, totaling Rs. 7.37 billion, primarily in line with the SBP Prudential Regulations' timeline requirements.

Business Performance

Branch Banking

Branch Banking served over 216,536 customers contributing more than 64% of the Bank's deposit base. Total deposit as of 30 June 2021 stood at approximately Rs.97 billion. The total Year to Date deposit grew by Rs. 4.73 billion till 30th June 2021 out of which the current account portfolio grew by Rs. 2.98 billion.

During this Quarter we conducted Flexi Munafa Campaign for deposit mobilization. The Campaign was designed to create deposit momentum for Silkbank Flexi Munafa Term Deposit by engaging the entire Branch Banking staff. The objective was to bring in incremental volumes by rewarding our staff via a commission scheme.

Bancassurance generated business of Rs. 14.47 million in annual premium which translates into NFI of Rs. 7.98 million during Q2-21

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"Say No To Corruption"

Moreover, after the successful launch of Silkbank Verified by Visa Debit Cards, we introduced customer engagement campaigns to boost our Debit card spend on POS and online. The first campaign was conducted during the month of Ramadan 2021. In which we conducted weekly lucky draws to motivate customers to use Silkbank Debit Card. Later in this quarter, a second campaign was launched to further boost our spend. The average spend for this quarter was almost 201 million with an average of 52,842 number of transactions. Our online spend also surged to quarterly average of Rs. 13 million.

Consumer Banking: In the 1st half of 2021, Consumer Banking was able to achieve many innovative milestones and kept on adding new products & features to its already hefty menu. As a result, our unsecured portfolio stands at an impressive over Rs. 18 billion.

- **Credit Cards:**

Silkbank Credit Card has been at the pinnacle of innovation for the credit card industry and always strived to improve the existing products and services while simultaneously introducing new products and services to drive towards their end goal which is being the market leader not only in credit card issuance but also to become top of the wallet card. Keeping the business momentum going, Silkbank credit cards took many initiatives to streamline the revenues and curtail the negative impact of COVID-19. Focus was built on enrolment of Value-Added Services which helped us generate enough of the non-funded income.

The business posted a profit before tax of Rs. 537 million in the first half of the year after being hit by the adverse impacts of economic breakdown due to COVID-19. Successful efforts were made towards reclaiming ENR (Ending Net Receivable) from the negative impacts COVID-19 had on the payments industry, closing off the half year with Rs. 5.65 billion. With the acquisition of 14,474 new cards from January to June 2021, the CIF (Cards in Force) increased to 171,250 as of June 2021. Total spending on Credit Cards in six months of 2021 amounted to Rs. 13.77 billion.

- **Ready Line:**

The first half of the year 2021 was focused on improving the digital experience for our customers. Building on newly launched spending avenue of online transactions, multiple initiatives were launched to provide the customer with a convenient as well as secured payment journey on the web. We have partnered with major local as well as international online retailers for tactical & seasonal campaigns offering lucrative deals to our valued customers.

On a parallel basis to keep a more balanced approach, the Bank kept on launching various initiatives to cater conventional banking needs. Acquisition campaigns were launched offering new to Bank customers with 3 exciting offers i.e. No processing fee, Waiver of 1st year annual fee & Mark-up waiver only of the BTF amount for 2 months. Also, cashback spend promotion was launched offering Rs. 50,000 to 10 lucky winners on the auspicious event of Eid.

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As a result of these and many other successful initiatives, the Bank was able to add a profit before tax of Rs. 520 million in the first half of the year, whereas, by the end of June 2021, the ENR stood at Rs. 7.44 billion with 48,234 customers.

- **Personal Loan:**

The Second Quarter of 2021 has been a recovery period for Personal Loan product. Previously due to some external challenges, one of them being COVID-19; the Bank took a strategic decision of temporarily shifting the focus on other high yielding products. However, during this period a gradual shift towards Personal Loan was witnessed and our amazing sales team reacted instantly by booking 1,340 unit in quarter 2 only with a volume of Rs. 320 million.

At the end of June 2021, the portfolio stood at an impressive Rs. 5 billion with 19,540 active customers.

Emaan Islamic Banking (Emaan)

Emaan Islamic Banking performed decently during the year 2021 and despite challenging economic conditions and a distressed business environment amid COVID-19, Emaan Islamic has closed the deposit book at Rs.12.05 billion with CASA TD ratio at 70:30. Advances book closed at Rs. 2.94 billion.

2,469 new Bank accounts were opened during the year and stood at 35,701 accounts with VDC & SMS conversion rates at 71% & 82% respectively.

Service & Quality have been the top priority, and the unit prides itself in having Service Quality embedded into each & every process. Service indicators depict that Emaan is truly focused on customer services and achieved a “Very Good” rating during the year.

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

As of Jun 30, 2021, the Minimum Capital Requirement (MCR) stood at negative Rs. 2.84 billion and Capital Adequacy Ratio (CAR) at negative 12.36% against the prescribed minimum limits of Rs. 10 billion and 11.50% respectively.

Credit Rating:

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

Future Outlook:

We wish to inform you that United Bank Limited (“UBL”) has formally conveyed its offer for the potential merger of Silkbank Limited (“Bank”) with and into UBL. UBL has disclosed this material information to the Pakistan Stock Exchange Limited (“PSX”), confirming the submission of an offer regarding a possible merger. Accordingly, the Bank also disseminated its Material Information to the PSX on November 1, 2024.

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We further inform you that the Board of Directors of the Bank, in its meeting held on November 06, 2024, has accorded its in-principle approval for a potential merger of the Bank with and into UBL. This merger would be executed through a scheme of amalgamation to be sanctioned by the State Bank of Pakistan under Section 48 of the Banking Companies Ordinance, 1962 ("Potential Merger"). The Bank also disseminated this Material Information to the PSX on November 06, 2024.

The Potential Merger remains contingent upon finalizing the deal terms, completing necessary transaction documentation, and obtaining all requisite corporate and regulatory approvals, consents, and authorizations.


We shall keep our shareholders updated with respect to this Potential Merger by making further announcements as and when the matter progresses.

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.

We are also equally thankful to our associates, staff and colleagues for their committed services, and look forward to their continued support.

**For and on Behalf of the Board of
Silkbank Limited**



**Shahram Raza Bakhtiari
President & CEO**



**Khalid Aziz Mirza
Chairman**

November 14, 2024

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معزز شیئر ہولڈرز

ہم نہایت مسرت کے ساتھ 30 جون 2021 کو ختم ہونے والی نصف سالہ مدت کے لیے کمپنی کے مالی بیانات پیش کر رہے ہیں۔

معیشت کا جائزہ:

پاکستان کی معیشت نے مالی سال 2021 کے دوران 3.94 فیصد کی ترقی کے ساتھ بحالی کے واضح اشارے دیے۔ یہ کامیابی، وبا کے پھیلاؤ کو روکنے کے بروقت اقدامات اور معیشت کو سہارا دینے کے لیے حکومتی پالیسیوں کی وجہ سے ممکن ہوئی۔ بینکنگ سیکٹر، جو مالیاتی نظام کا اہم حصہ ہے، وہ کوویڈ 19 کی تباہ کاریوں کے خلاف بہترین کیپٹل اور لیکویڈٹی کی بنیاد پر مستحکم رہا۔ سیکٹر کی آمدنی مالی سال 2021 کی دوسری ششماہی میں مستحکم رہی، حالانکہ کم شرح سود کی وجہ سے منافع میں کچھ کمی دیکھی گئی۔ کیپٹل ایڈیکویسی کا تناسب (CAR) 18.3 فیصد پر مستحکم رہا، جو کہ 11.5 فیصد کے کم از کم قانونی معیار سے کافی اوپر ہے۔ مالیاتی منڈیاں، جو 2HFY20 کے دوران نمایاں اتار چڑھاؤ کا شکار تھیں، 2HFY21 کے دوران نسبتاً مستحکم رہیں، حالانکہ جائزہ لینے والے دور کے اختتام پر زرمبادلہ کی شرح میں کچھ اتار چڑھاؤ دیکھنے کو ملا۔

کوویڈ 19 کی چوتھی لہر لاک ڈاؤن کا سبب نہ بن سکی جس کے نتیجے میں حکومت نے شرح نمو کی ترقی کے ہدف کو بڑھایا۔ مالی سال 2021 میں پاکستان میں شرح نمو 3.94% رہی جبکہ مالیاتی خسارہ 8400 ارب روپے رہا۔ تاہم مالی سال 2021 میں کرنٹ اکاؤنٹ خسارہ شرح نمو کے حساب سے 4.1 تا 4.7 فیصد تک جا پہنچا جو کہ 1.47 ارب امریکی ڈالر رہا، جس کی بڑی وجہ درآمدات اور ترسیلات زر میں اضافہ تھا۔ جون 21 میں ہیڈ لائن افراط زر 8.4% سالانہ رہی، جو کہ گزشتہ سال کے اسی عرصے میں 9.3% سالانہ تھی، جب کہ بنیادی افراط زر 6.9% سالانہ تھی جو گزشتہ سال 5.3% سالانہ تھی۔ ملک کے غیر ملکی زرمبادلہ کے ذخائر میں اضافہ ہوا اور یہ جون 2021 میں 17.15 بلین امریکی ڈالر تک پہنچ گئے، جس کا سبب ورلڈ بینک، ایشین ڈویلپمنٹ بینک، ایشین انفراسٹرکچر انویسٹمنٹ بینک سے 1.7 بلین امریکی ڈالر کی آمدنی اور سعودی عرب سے 3 بلین امریکی ڈالر کے قرض کی ادائیگی تھی۔ تاہم، برآمدات، ترسیلات زر اور غیر ملکی سرمایہ کاری (FDI) میں اضافہ غیر مستحکم زرمبادلہ کے ذخائر کی تعمیر کے لیے ضروری تھا۔

بینکنگ سیکٹر:

معاشی سرگرمی نے اوپر کی جانب رجحان برقرار رکھا، جس میں اسٹیٹ بینک آف پاکستان (SBP) کی مالیاتی نرمی کی حمایت نے اہم کردار ادا کیا اور پالیسی شرح 7% پر برقرار رکھی۔ اقتصادی رفتار FY21 کے دوسرے نصف میں مزید مستحکم ہوئی، جیسا کہ بڑے پیمانے کی تیاری (LSM) کے اشاریے میں صحت مند بہتری اور کاروباری اعتماد کے اشاریے میں کئی سالوں کی بلند ترین سطح پر اضافہ دیکھنے کو ملا۔ اسی طرح، بینکنگ کے شعبے کی کارکردگی بھی حوصلہ افزا رہی کیونکہ اثاثوں کی بنیاد میں 2HFY21 میں 12.2% کا اضافہ ہوا، جو کہ گزشتہ سال کے اسی عرصے میں 7.8% کی شرح نمو کے مقابلے میں تھا۔ بینکنگ شعبے کے ذخائر مارچ 21 میں 17.9 کھرب روپے سے بڑھ کر جون 21 میں 19.79 کھرب روپے ہو گئے، جو کہ 9.55% کا اضافہ ہے۔ اسی طرح، شعبے کی قرضہ جات میں 4.4% کا اضافہ ہوا، یہ مارچ 2021 میں 8.6 کھرب روپے سے بڑھ کر جون 2021 میں 8.96 کھرب روپے ہو گئے۔ بینکنگ شعبے کی مالی پوزیشن مضبوط رہی اور کیپٹل ایڈیکویسی کا تناسب (CAR) میں تھوڑی سی ایڈجسٹمنٹ ہوئی، جو 2HFY20 میں 18.7% سے کم ہو کر 2HFY21 میں 18.3% ہو گئی۔ یہ CAR کی سطح بھی 11.5 فیصد کے کم سے کم ریگولیٹری ٹینچ مارک سے بہت زیادہ ہے۔

اسٹیٹ بینک آف پاکستان نے افراط زر، مالی استحکام اور ترقی کے درمیانی مدتی امکانات پر اثر انداز ہونے والی ترقیات کی باقاعدگی سے نگرانی کی۔ وہ ضرورت پڑنے پر مناسب رد عمل دینے کے لیے تیار تھا۔

مالیاتی کارکردگی:

بینک نے 2021 کی پہلی ششماہی میں 6.04 ارب روپے کا بعد از ٹیکس نقصان ظاہر کیا۔ اس دوران، بینک کے کل ڈیپازٹس 8.86 ارب روپے کی کمی کے ساتھ 151.38 ارب روپے تک پہنچ گئے، جبکہ مجموعی ایڈوانسز 3.14 ارب روپے کم ہوئے۔

30 جون 2021 کو ختم ہونے والی ششماہی کے لیے سلک بینک لمیٹڈ کی مالیاتی کارکردگی کی سمری مندرجہ ذیل ہے:

روپے ملین میں	
(9,191)	نقصان قبل از ٹیکس
	ٹیکس - موجودہ
(58)	گزشتہ
3,214	ملتی شدہ
(6,035)	نقصان فی حصص
روپیہ	
(0.66)	نقصان فی حصص - بنیادی
(0.66)	ڈائیلیوٹڈ

بینک نے اس مدت کے دوران نیٹ انٹرسٹ انکم میں مضبوط کارکردگی دکھائی، جو 2020 کی اسی مدت کے 867 ملین روپے کے مقابلے میں بڑھ کر 1.31 ارب روپے تک پہنچ گئی۔ آپریٹنگ اخراجات کو بھی کم کر کے 3.47 ارب روپے کر دیا گیا، جو 2020 میں 3.59 ارب روپے تھے۔

تاہم، ان کامیابیوں کو حکومتی سیکورٹیز پورٹ فولیو پر 1.06 ارب روپے کے نقصان اور غیر فعال قرضوں کے خلاف 7.37 ارب روپے کی بڑی پروویژن نے متاثر کیا، جو اسٹیٹ بینک کے پراڈینشل ریگولیشنز کے تقاضوں کے مطابق تھیں۔

کاروباری کارکردگی

برانچ بینکنگ

برانچ بینکنگ نے 216,536 سے زیادہ صارفین کو خدمات فراہم کیں، جو بینک کے ڈپازٹس کا 64 فیصد حصہ ہیں۔ 30 جون 2021 تک کل ڈیپازٹس تقریباً 97 ارب روپے رہے۔ سال کے آغاز سے 30 جون 2021 تک، ڈپازٹس میں 4.73 ارب روپے کا اضافہ ہوا، جس میں سے کرنٹ اکاؤنٹ پورٹ فولیو 2.98 ارب روپے بڑھا۔

اس سہ ماہی میں، ہم نے ڈیپازٹس بڑھانے کے لیے "فلیکس منافع مہم" چلائی، جس کا مقصد فلیکس منافع ٹرم ڈیپازٹ کے لیے ڈیپازٹس لانا تھا۔ یہ مہم براؤنچ بینکنگ کے تمام عملے کو شامل کر کے کامیابی سے چلائی گئی۔

بینک اشورنس

بینک اشورنس نے دوسری سہ ماہی 2021 میں 14.47 ملین روپے کا سالانہ پرییمیم کاروبار پیدا کیا، جو 7.98 ملین روپے کی نان فنڈڈ انکم میں تبدیل ہوا۔

ڈیپٹ کارڈ مہمات

"سلک بینک ویری فائیڈ بائی ویز" ڈیپٹ کارڈز کی کامیاب لانچ کے بعد، صارفین کی شمولیت کو بڑھانے کے لیے رمضان 2021 کے دوران ایک مہم چلائی گئی، جس میں صارفین کو ہفتہ وار انعامی قرضہ اندازی کے ذریعے کارڈ استعمال کرنے کی ترغیب دی گئی۔ اس سہ ماہی کے دوران ڈیپٹ کارڈ کے اخراجات اوسطاً 201 ملین روپے تک پہنچ گئے، جبکہ آن لائن اخراجات اوسطاً 13 ملین روپے رہے۔

کنزیومر بینکنگ

سال 2021 کی پہلی ششماہی میں کنزیومر بینکنگ نے کئی انقلابی اقدامات کیے اور اپنے پروڈکٹس اور خصوصیات میں مزید اضافہ کیا۔ نتیجتاً، ان سیکورٹورٹ پورٹ فولیو 18 ارب روپے سے تجاوز کر گیا۔

کریڈٹ کارڈز:

سلک بینک کا کریڈٹ کارڈ انڈسٹری میں جدت کا سرخیل رہا ہے اور ہمیشہ موجودہ مصنوعات اور خدمات کو بہتر بنانے کی کوشش کرتا رہا ہے، ساتھ ہی نئے مصنوعات اور خدمات متعارف کرواتا رہا ہے تاکہ اپنے حتمی مقصد یعنی نہ صرف کریڈٹ کارڈ جاری کرنے میں مارکیٹ لیڈر بننے بلکہ "ٹاپ آف دی والیٹ" کارڈ بننے کی طرف پیشرفت کر سکے۔ کاروباری رفتار کو جاری رکھتے ہوئے، سلک بینک کریڈٹ کارڈز نے آمدنی کو بہتر بنانے اور کوویڈ 19 کے منفی اثرات کو کم کرنے کے لیے کئی اقدامات کیے۔ ویلیو ایڈڈ سروسز کے اندراج پر توجہ مرکوز کی گئی جس سے غیر فنڈڈ آمدنی حاصل کرنے میں مدد ملی۔

کاروبار نے سال کے پہلے نصف میں 537 ملین روپے کا منافع قبل از ٹیکس حاصل کیا، حالانکہ کوویڈ 19 کی وجہ سے اقتصادی بحران کے منفی اثرات کا سامنا تھا۔ کوویڈ 19 کے اثرات سے ادائیگیوں کی صنعت پر پڑنے والے منفی اثرات سے ENR (اینڈنگ نیٹ ریسیوہیل) کو دوبارہ حاصل کرنے کی کامیاب کوششیں کی گئیں، اور نصف سال کا اختتام 5.65 ارب روپے کے ساتھ ہوا۔ جنوری سے جون 2021 کے درمیان 14,474 نئے کارڈز کے حصول کے ساتھ، CIF (کارڈز ان فورس) جون 2021 تک 171,250 تک پہنچ گیا۔ 2021 کے چھ ماہ میں کریڈٹ کارڈز پر کل خرچ 13.77 ارب روپے رہا۔

ریڈی لائن:

سال 2021 کے پہلے نصف میں ہمارے صارفین کے لیے ڈیجیٹل تجربے کو بہتر بنانے پر توجہ مرکوز کی گئی۔ آن لائن ٹرانزیکشنز کے لیے نئی خرچ کی راہ پر بناتے ہوئے، کئی اقدامات شروع کیے گئے تاکہ صارفین کو ویب پر سہولت کے ساتھ محفوظ ادائیگی کا تجربہ فراہم کیا جاسکے۔ ہم نے مقامی اور بین الاقوامی آن لائن ریٹیلرز کے ساتھ پارٹنرشپ کی اور پروموشنز چلائیں جن میں ہمارے عزیز صارفین کے لیے دلکش پیشکشیں شامل تھیں۔

اس کے ساتھ ساتھ، زیادہ متوازن نقطہ نظر کے لیے بینک نے روایتی بینکنگ کی ضروریات کو پورا کرنے کے لیے مختلف اقدامات شروع کیے۔ حصول کی مہمات چلائی گئیں جس میں نئے صارفین کو 3 دلچسپ پیشکشیں فراہم کی گئیں یعنی پروسیسنگ فیس کی معافی، پہلی سالانہ فیس کی معافی اور BTF رقم پر صرف 2 مہینوں کے لیے مارک اپ کی چھوٹ شامل تھیں۔ اس کے علاوہ، عید کی خوشی میں کیش بیک کی پروموشن چلائی گئی جس میں 10 خوش نصیب صارفین کو 50,000 روپے دیے گئے۔

ان اور دیگر کامیاب اقدامات کے نتیجے میں، بینک نے سال کے پہلے نصف میں 520 ملین روپے کا منافع قبل از ٹیکس حاصل کیا، جبکہ ENR جون 2021 کے اختتام تک 48,234 صارفین کے ساتھ 7.44 ارب روپے تک پہنچ گیا۔

پرسنل لون:

سال 2021 کی دوسری سہ ماہی پرسنل لون پروڈکٹ کے لیے بحالی کا دور رہا۔ پہلے کچھ بیرونی چیلنجز کی وجہ سے، جن میں سے ایک کوویڈ بھی شامل تھا، بینک نے اسٹریٹجک فیصلہ کیا کہ وہ عارضی طور پر دیگر زیادہ منافع بخش مصنوعات پر توجہ مرکوز کرے۔ تاہم، اس دوران پرسنل لون کی طرف تدریجی طور پر منتقل ہونے کا مشاہدہ کیا گیا اور ہماری شاندار سبیلز ٹیم نے فوری طور پر رد عمل دیتے ہوئے صرف دوسری سہ ماہی میں 1,340 یونٹس بک کیے جن کی مالیت 320 ملین روپے تھی۔ جون 2021 کے اختتام پر، پورٹ فولیو 5 ارب روپے تک پہنچ گیا اور فعال صارفین کی تعداد 19,540 تھی۔

ایمان اسلامک بینکنگ (ایمان):

ایمان اسلامک بینکنگ نے سال 2021 کے دوران اچھی کارکردگی کا مظاہرہ کیا اور کوویڈ 19 کے دوران مشکل اقتصادی حالات اور پریشان کن کاروباری ماحول کے باوجود، ایمان اسلامک بینک نے اپنے ڈپازٹس کی کتب کو 12.05 ارب روپے پر بند کیا اور CASA TD کا تناسب 70:30 رہا۔ ایڈوائس بک 2.94 ارب روپے پر بند ہوئی۔

سال کے دوران 2,469 نئے بینک اکاؤنٹس کھولے گئے اور یہ تعداد 35,701 اکاؤنٹس تک پہنچ گئی، جبکہ VDC اور SMS کے کنورژن ریٹس بالترتیب 71% اور 82% رہے۔

سروس اور معیار اولین ترجیح رہے ہیں، اور یونٹ اپنے ہر عمل میں سروس کی معیار کو شامل کرنے پر فخر محسوس کرتا ہے۔ سروس کے اشاریے یہ ظاہر کرتے ہیں کہ ایمان حقیقتاً گاہکوں کی خدمت پر توجہ مرکوز کر رہا ہے اور سال کے دوران "بہت اچھا" درجہ حاصل کیا۔

کم از کم کیپٹل کی ضروریات (MCR) اور کیپٹل ایڈیکویسی ریشو (CAR)

30 جون 2021 تک، MCR منفی 2.84 ارب روپے اور CAR منفی 12.36 فیصد رہا، جو مقررہ کم از کم حد یعنی 10 ارب روپے اور 11.50% سے کم ہے۔

کریڈٹ ریٹنگ:

بینک کی طویل مدتی ریٹنگ A-(سنگل اے مائنس) اور مختصر مدتی ریٹنگ A-2 (اے-ٹو) ہے، جو JCR VIS کریڈٹ ریٹنگ کمپنی لمیٹڈ نے دی ہے۔

مستقبل کا منظر نامہ:

ہم آپ کو اطلاع دینا چاہتے ہیں کہ یونائیٹڈ بینک لمیٹڈ (UBL) نے باضابطہ طور پر سلک بینک لمیٹڈ کے ممکنہ انضمام کے لیے اپنی پیشکش دی ہے۔ UBL نے پاکستان اسٹاک ایکسچینج (PSX) کو اس حوالے سے پیشکش کی اطلاع دی ہے۔ اس کے مطابق، بینک نے بھی یہ معلومات پاکستان اسٹاک ایکسچینج کو یکم نومبر 2024 کو فراہم کیں۔

مزید، بینک کے بورڈ آف ڈائریکٹرز نے 6 نومبر 2024 کو ہونے والے اجلاس میں UBL کے ساتھ ممکنہ انضمام کی اصولی منظوری دے دی ہے۔ یہ انضمام بینکنگ کمپنیز آرڈیننس 1962 کے سیکشن 48 کے تحت اسٹیٹ بینک آف پاکستان کی منظوری سے عمل میں آئے گا۔ اس مواد کو بھی 6 نومبر 2024 کو پاکستان اسٹاک ایکسچینج کو فراہم کیا گیا۔

یہ ممکنہ انضمام معاہدے کی شرائط، ضروری دستاویزات کی تکمیل، اور تمام کارپوریٹ اور قانونی منظور یوں کی شرط پر منحصر ہے۔ ہم اپنے شیئر ہولڈرز کو اس ممکنہ انضمام سے متعلق مزید معلومات فراہم کرتے رہیں گے۔

اظہارِ تشکر

ہم ایک بار پھر اپنے صارفین اور کاروباری شراکت داروں کا اُن کے بینک پر اعتماد اور تعاون کے لیے تہہ دل سے شکریہ ادا کرتے ہیں، اور اسٹیٹ بینک آف پاکستان کی راہنمائی اور تعاون کے لیے دلی قدر دانی کا اظہار کرتے ہیں۔ ہم اپنے ساتھیوں، عملے اور دیگر اسٹاف کے عزم اور خدمات کا بھی شکریہ ادا کرتے ہیں، اور ان کے مسلسل تعاون کے منتظر ہیں۔

بینک کے بورڈ کی جانب سے:

سلک بینک لمیٹڈ

خالد عزیز مرزا

چیئر مین

شہرام رضا، نختیاری

پریذیڈنٹ اینڈ سی ای او

14 نومبر 2024

INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE MEMBERS OF SILKBANK LIMITED REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

**Grant Thornton Anjum
Rahman**

1st & 3rd Floor,
Modern Motors House,
Beaumont Road,
Karachi, Pakistan.

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Introduction

We have reviewed the accompanying condensed interim statement of financial position of the **Silkbank Limited** (the Bank) as at **June 30, 2021**, and the related condensed interim profit and loss account and condensed interim comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows, and notes to the financial statements for the six-month period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of this interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*". A review of condensed interim financial statements 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 statements as of and for the half year ended **June 30, 2021**, is not prepared, in all material respects, in accordance with the accounting standards as applicable in Pakistan for interim financial reporting.

Emphasis of matter

We draw attention to the following matters:

1. We draw attention to notes 1.3 and 1.4 to the condensed interim financial statements, which indicates, among other things, that the Bank has incurred a net loss of Rs. 6,034.938 million (2020: Rs. 1,886.459 million) for the half year ended June 30, 2021, resulting in accumulated losses of Rs. 26,266.840 million (December 31, 2020: Rs. 20,276.145 million) and negative net equity of Rs. 551.110 million (December 31, 2020: positive net equity of Rs. 4,869.581 million) as at June 30, 2021. Furthermore, the Bank's paid-up capital (net of losses), Capital Adequacy Ratio (CAR), and Minimum Capital Requirement (MCR) do not meet the thresholds prescribed by the State Bank of Pakistan (SBP) as of June 30, 2021.

These events and conditions indicate a material uncertainty on the bank's ability to continue as a going concern. However, various strategic options were considered by management to ensure the going concern of the Bank. Among such the strategic options, on October 31, 2024, United Bank Limited (UBL) submitted an offer for the amalgamation of the Bank into UBL, subject to regulatory approval and finalization of transaction terms. The Board of Directors has given in-principle approval for the merger. Pursuant to this proposed Merger plan, if sanctioned by the SBP the Bank will merge with UBL and by law, all the rights, obligations, assets and liabilities of the Bank will be transferred to UBL in exchange for new shares issued by UBL in favor of the shareholders of the Bank.


2. As fully explained in note 13.3.2 of the condensed interim financial statements, there is an ongoing litigation between the buyer and the bank on the sales transaction of the office building.
3. As disclosed in note 15.1 of the condensed interim financial statements, which states that the deferred tax asset has been recorded based on the expectation that the acquiring bank, as part of the amalgamation arrangement (as disclosed in Note 1.4), will be able to realize the asset through its future profitability and the available tax benefits from provisions against non-performing loans. The recognition of the deferred tax asset relies on management's assumptions about the future financial performance and the successful completion of the merger.
4. As disclosed in note 16.3 to the condensed interim financial statements that refers to the excess of prescribed limit by the Bank under Debt Property Swap Regulation.
5. As disclosed in note 24.3.1 to the condensed interim financial statements that describes the effects to the Suits for damages which have been filed against the Bank up to the tune of Rs. 24.41 billion by various borrowers / employees in respect of certain disputes relating to loans and advances.

Our conclusion is not modified in respect of the above matters.

Other Matter

The figures of the condensed interim profit and loss account and the condensed interim statement of comprehensive income for the quarters ended June 30, 2021 and 2020 have not been reviewed and we do not express a conclusion on them, as we are required to review only the cumulative figures for six-month period ended June 30, 2021.

The engagement partner on the review resulting in this independent auditor's review report is **Muhammad Shaukat Naseeb**.



Grant Thornton Anjum Rahman
Chartered Accountants
Karachi


Date: November 15, 2024

SILKBANK LIMITED
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2021

		June 30, 2021 Un-audited	December 31, 2020 Audited
	Note	Rupees in '000	
ASSETS			
Cash and balances with treasury banks	8	14,878,704	13,795,269
Balances with other banks	9	707,938	543,571
Lendings to financial institutions	10	7,842,573	6,759,921
Investments	11	84,937,754	115,449,492
Advances	12	82,056,943	91,961,645
Fixed assets	13	6,004,665	6,762,402
Intangible assets	14	347,079	283,831
Deferred tax assets	15	11,680,267	8,795,256
Other assets	16	21,202,865	23,326,620
		229,658,788	267,678,007
LIABILITIES			
Bills payable	17	2,924,161	3,088,780
Borrowings	18	66,522,976	89,347,953
Deposits and other accounts	19	151,378,379	160,237,608
Liabilities against assets subject to finance lease		-	-
Subordinated debt	20	2,438,866	2,439,066
Deferred tax liabilities		-	-
Other liabilities	21	6,945,516	7,695,019
		230,209,898	262,808,426
NET ASSETS		(551,110)	4,869,581
REPRESENTED BY			
Shareholders' equity			
Share capital - net	22	23,431,374	23,431,374
Statutory Reserves		820,890	820,890
Surplus on revaluation of assets - net of tax	23	1,463,466	893,462
Accumulated losses		(26,266,840)	(20,276,145)
		(551,110)	4,869,581
CONTINGENCIES AND COMMITMENTS	24		

The annexed notes from 1 to 44 form an integral part of these condensed interim financial statements.


Chief Financial Officer


President & Chief Executive Officer


Director


Director


Director


SILKBANK LIMITED


CONDENSED INTERIM PROFIT AND LOSS ACCOUNT - UNAUDITED

FOR THE HALF YEAR ENDED JUNE 30, 2021

	Note	Quarter ended		Half year ended	
		June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Rupees in '000					
Mark-up / return / profit / interest earned	26	4,011,528	6,088,064	7,965,577	11,818,352
Mark-up / return / profit / interest expensed	27	(3,111,183)	(5,305,448)	(6,657,830)	(10,951,324)
Net Mark-up / return / profit / interest income		900,345	782,616	1,307,747	867,028
NON MARK-UP / INTEREST INCOME					
Fee and commission income	28	531,884	483,653	1,088,034	1,087,109
Dividend income		-	-	-	-
Foreign exchange income / (loss)		72,866	91,783	122,069	(504,907)
(Loss) / income from derivatives		(14,757)	(18,283)	(91,497)	722,819
Gain / (loss) on securities	29	28,114	4,641,802	(1,116,044)	5,563,979
Other income / (loss)	30	52,840	(6,660)	87,584	51,622
Total non-markup / interest income		670,947	5,192,295	90,146	6,920,622
Total income		1,571,292	5,974,911	1,397,893	7,787,650
NON MARK-UP / INTEREST EXPENSES					
Operating expenses	31	(1,666,477)	(1,750,448)	(3,470,654)	(3,587,288)
Workers Welfare Fund		-	(64,890)	-	(64,890)
Other charges	32	(12,408)	(4,876)	(16,249)	(17,235)
Total non-markup / interest expenses		(1,678,885)	(1,820,214)	(3,486,903)	(3,669,413)
(Loss) / profit before provisions, extra ordinary / unusual item and taxation		(107,593)	4,154,697	(2,089,010)	4,118,237
Provisions and write offs - net	33	(5,306,159)	(82,020)	(7,101,973)	(938,632)
Extra ordinary / unusual items		-	-	-	-
(LOSS) / PROFIT BEFORE TAXATION		(5,413,752)	4,072,677	(9,190,983)	3,179,605
Taxation	34	1,863,220	(1,605,717)	3,156,045	(1,293,146)
(LOSS) / PROFIT AFTER TAXATION		(3,550,532)	2,466,960	(6,034,938)	1,886,459
Rupee					
Basic and Diluted (Loss) / Earning Per Share	35	(0.39)	0.27	(0.66)	0.21

The annexed notes from 1 to 44 form an integral part of these condensed interim financial statements. *cm*


Chief Financial Officer


President & Chief Executive Officer


Director


Director


Director

SILKBANK LIMITED

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME - UNAUDITED

FOR THE HALF YEAR ENDED JUNE 30, 2021

	Quarter ended		Half year ended	
	June 30,	June 30,	June 30,	June 30,
	2021	2020	2021	2020
	Rupees in '000			
(Loss) / profit after taxation for the period	(3,550,532)	2,466,960	(6,034,938)	1,886,459
Other comprehensive (loss) / income				
Items that may be reclassified to profit and loss account in subsequent periods:				
Movement in surplus / (deficit) on revaluation of investments - net of tax	312,838	(1,843,285)	572,117	104,767
Items that will not be reclassified to profit and loss account in subsequent periods:				
Remeasurement gain on defined benefit obligations - net of tax	41,126	33,191	41,126	33,191
Movement in surplus on revaluation of fixed assets - net of tax	(582)	(581)	(1,164)	(1,162)
Movement in surplus on revaluation of non-banking assets - net of tax	(351)	(1,318)	(949)	(1,318)
	40,193	31,292	39,013	30,711
Total comprehensive (loss) / income	<u>(3,197,501)</u>	<u>654,967</u>	<u>(5,423,808)</u>	<u>2,021,937</u>

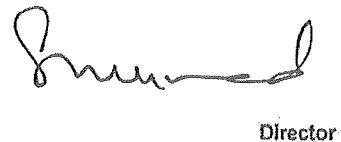
The annexed notes from 1 to 44 form an integral part of these condensed interim financial statements. 1/2


Chief Financial Officer


President & Chief Executive Officer


Director


Director


Director

SILKBANK LIMITED

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY - UNAUDITED
FOR THE HALF YEAR ENDED JUNE 30, 2021**

	Share Capital	Surplus / (deficit) on revaluation of		Capital Reserve	Revenue Reserve	Total Equity
		Investments	Fixed / Non Banking Assets	Statutory Reserve*	Accumulated Losses	
Rupees in '000						
Opening balance as at January 01, 2020 - Audited	23,431,374	182,726	73,784	820,890	(13,736,887)	10,771,887
Profit after taxation for the half year ended June 30, 2020 - Un-audited	-	-	-	-	1,886,459	1,886,459
Other comprehensive income / (loss) - net of tax - Un-audited	-	104,767	(2,480)	-	33,191	135,478
Transfer from surplus on revaluation of fixed assets on account of incremental depreciation - net of tax	-	-	-	-	1,789	1,789
Transfer from surplus on revaluation of non-banking assets on account of disposal of assets - net of tax	-	-	-	-	1,318	1,318
Closing balance as at June 30, 2020 - Un-audited	23,431,374	287,493	71,304	820,890	(11,814,130)	12,796,931
Loss after taxation for the half year ended December 31, 2020 - Un-audited	-	-	-	-	(8,458,311)	(8,458,311)
Other comprehensive (loss) / income - net of tax - Un-audited	-	(1,368,624)	1,903,289	-	(5,710)	528,955
Transfer to statutory reserves	-	-	-	-	-	-
Transfer from surplus on revaluation of fixed assets on account of incremental depreciation - net of tax	-	-	-	-	1,790	1,790
Transfer from surplus on revaluation of non-banking assets on account of disposal of assets - net of tax	-	-	-	-	216	216
Closing balance as at December 31, 2020 - Audited	23,431,374	(1,081,131)	1,974,593	820,890	(20,276,145)	4,869,581
Loss after taxation for the half year ended June 30, 2021 - Un-audited	-	-	-	-	(6,034,938)	(6,034,938)
Other comprehensive income / (loss) - net of tax - Un-audited	-	572,117	(2,113)	-	41,126	611,130
Transfer from surplus on revaluation of fixed assets on account of incremental depreciation - net of tax	-	-	-	-	1,790	1,790
Transfer from surplus on revaluation of non-banking assets on account of incremental depreciation - net of tax	-	-	-	-	1,080	1,080
Transfer from surplus on revaluation of non-banking assets on account of disposal of assets - net of tax	-	-	-	-	247	247
Closing balance as at June 30, 2021 - Un-audited	23,431,374	(509,014)	1,972,480	820,890	(26,266,840)	(551,110)

* Statutory reserves represent amount set aside as per requirements of section 21 of the Banking Companies Ordinance, 1962.

Every banking company incorporated in Pakistan is required to transfer 20% of its profit after tax to a statutory reserve until the amount of the reserve equals the paid-up share capital. Thereafter, 10% of the profit after tax of the Bank is required to be transferred to this reserve. Consequent to the loss for the period, no amount has been transferred during the period.

The annexed notes from 1 to 44 form an integral part of these condensed interim financial statements.


Chief Financial Officer


President & Chief Executive Officer


Director


Director


Director

SILKBANK LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT - UNAUDITED
FOR THE HALF YEAR ENDED JUNE 30, 2021

	June 30, 2021	June 30, 2020
Note	Rupees in '000	
CASH FLOW FROM OPERATING ACTIVITIES		
(Loss) / profit before taxation	(9,190,983)	3,179,605
Less: Dividend income	-	-
	<u>(9,190,983)</u>	<u>3,179,605</u>
Adjustments:		
Depreciation on fixed assets	31 170,209	204,983
Depreciation on right-of-use assets	31 313,582	336,689
Depreciation on non-banking assets acquired in satisfaction of claims	31 23,516	32,273
Amortization of intangible assets	31 23,034	38,166
Amortization of premium / (discount) on investments - net	145,601	(290,893)
Finance charge on lease liability against right-of-use assets	27 192,283	224,324
Provisions against loans & advances	33 7,367,002	827,669
Gain on sale of fixed assets	30 (3,508)	(341)
Unrealized gain on revaluation of investments - held-for-trading	29 (3,904)	(9,358)
Share of profit from associate	30 (3,454)	(8,665)
Loss on sale of non-banking assets acquired in satisfaction of claims	30 46,485	25,751
Provision against other assets - net	33 (49,594)	180,000
Write offs against fixed assets	33 21,275	813
	<u>8,242,527</u>	<u>1,561,411</u>
	(948,456)	4,741,016
(Increase) / Decrease in operating assets		
Lendings to financial institutions	(1,082,652)	10,967,177
Net investments in held-for-trading securities	2,152,223	(8,072,755)
Advances	2,537,700	3,612,442
Other assets (excluding advance taxation)	2,218,768	(4,038,646)
	<u>5,826,039</u>	<u>2,468,218</u>
(Decrease) / Increase in operating liabilities		
Bills payable	(164,619)	(571,603)
Borrowings	(22,824,977)	74,195,469
Deposits	(8,859,229)	8,402,566
Other liabilities (excluding current taxation)	(200,557)	(753,699)
	<u>(32,049,382)</u>	<u>81,272,733</u>
	(27,171,799)	88,481,967
Income tax paid	(190,821)	(269,239)
Net cash flow (used in) / generated from operating activities	<u>(27,362,620)</u>	<u>88,212,728</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Net investment in available-for-sale securities	29,066,564	(88,431,135)
Net investment in held-to-maturity securities	34,890	-
Net investment in fixed assets and intangible assets	(236,201)	(131,315)
Proceeds on disposal of non-banking assets acquired in satisfaction of claims	80,500	191,203
Proceeds on disposal of fixed assets	50,968	16,667
Net cash flow generated from / (used in) investing activities	<u>28,996,721</u>	<u>(88,354,580)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
(Payments) / Receipts of subordinated debts	(200)	80,800
Payment of lease liability against right-of-use assets	(386,099)	(383,235)
Net cash flow used in financing activities	<u>(386,299)</u>	<u>(302,435)</u>
Increase / (Decrease) in cash and cash equivalents	1,247,802	(444,287)
Cash and cash equivalents at the beginning of the period	14,338,840	13,006,845
Cash and cash equivalents at the end of the period	36 <u>15,586,642</u>	<u>12,562,558</u>

The annexed notes from 1 to 44 form an integral part of these condensed interim financial statements.

Chief Financial
Officer

President & Chief
Executive Officer

Director

Director

Director

SILKBANK Limited

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - UNAUDITED FOR THE HALF YEAR ENDED JUNE 30, 2021

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 Act, 2017. The Bank commenced commercial operations on May 07, 1995. The Bank's shares are quoted on Pakistan Stock Exchange Limited. The Bank is engaged in banking services as described in the Banking Companies Ordinance, 1962. The Bank operates through 111 branches (December 31, 2020: 123 branches) including 27 (December 31, 2020: 30) Islamic banking branches in Pakistan. During the period, the Bank has closed its 12 branches which includes 3 Islamic banking branches. Additionally, the Bank closed 6 more branches including 4 Islamic branches in 2023. The Bank's registered office is located at Silkbank Building, 13-L, F-7 Markaz, Islamabad.

Major shareholders of the Bank as on June 30, 2021 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 / Mr. Zubair Nawaz Chatta of Gourmet Group.

- 1.2 In October 2020, the short-term and long-term credit ratings of 'A-2' and 'A-' respectively was assigned to the Bank by VIS Credit Rating Company Limited ("VIS") based on the Bank's condensed interim financial statements for the period ended June 30, 2020. Thereafter, no credit ratings have been issued and the VIS shall review the ratings once these and other subsequent financial statements are issued.

- 1.3 As at June 30 2021, the equity of the Bank is negative Rs. 2.01 billion excluding surplus on revaluation of assets. This includes share capital (net of losses and discount on shares) of negative Rs. 2.84 billion against the Minimum Capital Requirement (MCR) of Rs. 10 billion as prescribed by State Bank of Pakistan (SBP). Further, the Capital Adequacy Ratio (CAR) of the Bank is negative 12.36% (December 31, 2020: negative 4.45%) as against the minimum CAR requirement of SBP of 11.50% (December 31, 2020: 11.50%). Consequently, the Bank is non-compliant with MCR and CAR at June 30, 2021 which resulted in various reduced prudential limits and may expose the Bank to regulatory actions under the Banking laws. As per the available management accounts of September 30, 2024, the equity and CAR of the Bank has been further deteriorated. These material uncertainties and conditions may cast significant doubts on the Bank's ability to continue as a going concern.

- 1.4 On October 31, 2024, the United Bank Limited (UBL), after completion of detailed due diligence of the Bank has submitted an offer to the Bank for its amalgamation with UBL pursuant to a scheme of amalgamation to be filed with and sanctioned by the SBP under section 48 of the Banking Companies Ordinance, 1962 (Amalgamation). As consideration of the Amalgamation, UBL has proposed to issue and allot new UBL ordinary shares to the shareholders of the Bank on the basis of a ratio of one (1) new UBL ordinary shares of every three hundred and twenty five (325) the Bank's ordinary shares.

- 1.4.1 The Board of Directors of the Bank, in their meeting held on November 06, 2024, has accorded its in- principle approval for Amalgamation of the Bank with UBL, in terms of a scheme of amalgamation to be sanctioned by SBP under section 48 of the Banking Companies Ordinance, 1962.

The Amalgamation remains subject to finalization of the deal terms, transaction documents and obtaining of all requisite corporate and regulatory approvals, consents and authorizations.

- 1.4.2 On Amalgamation, the Bank assets and liabilities shall be merged with UBL and be realized and settled in ordinary course of business of the amalgamated entity.

2 BASIS OF PREPARATION

- 2.1 In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the SBP has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by the banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these condensed interim financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of mark-up thereon.
- 2.2 The Islamic banking branches of the Bank have complied with the requirements set out under the Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) and notified under the provisions of the Companies Act, 2017 except for the adoption of IFAS-3 'Profit & Loss Sharing on Deposits' as disclosed in note 3.4.
- 2.3 The financial results of the Islamic banking branches have been included in these condensed interim financial statements for reporting purposes, after eliminating material inter-branch transactions / balances. Key financial figures of the Islamic banking branches are disclosed in note 41 to these condensed interim financial statements.

3 STATEMENT OF COMPLIANCE

- 3.1 These condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. These comprise of:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP), as are notified under the Companies Act, 2017;
- Provisions of and directives issued under the Banking Companies Ordinance, 1962 and the Companies Act, 2017; and
- Directives issued by the SBP and the Securities and Exchange Commission of Pakistan ("SECP") from time to time.

Whenever the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 or the directives issued by the SBP and the SECP differ with the requirements of IFRS or IFAS, the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives shall prevail.

- 3.2 The SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and IAS 40, 'Investment Property' for Banking Companies through BSD Circular No. 10 dated August 26, 2002. Further, the SECP has deferred the 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.
- 3.3 IFRS 8, 'Operating Segments' is effective for the Bank's accounting periods beginning on or after January 1, 2009. All banking companies in Pakistan are required to prepare their quarterly & half-yearly financial statements in line with the format prescribed under BPRD Circular Letter No. 05 of 2019 dated March 22, 2019, effective from the accounting year ended December 31, 2019. The management of the Bank believes that as the SBP has defined the segment categorization in the above mentioned circular, the SBP requirements prevail over the requirements specified in IFRS 8. Accordingly, segment information disclosed in these condensed interim financial statements is based on the requirements as laid down by the SBP.
- 3.4 The State Bank of Pakistan through BPRD Circular No. 04 of 2015 dated February 25, 2015 has deferred applicability of IFAS-3 for Profit & Loss Sharing on Deposits (IFAS-3) issued by the ICAP and notified by the SECP, vide their SRO No. 571 of 2013 dated June 12, 2013 for Institutions offering Islamic Financial Services (IIFS). The standard will result in certain new disclosures in the condensed interim financial statements of the Bank.
- 3.5 The disclosures made in these condensed interim financial statements are limited based on the format prescribed by the SBP vide BPRD circular letter No. 5 dated March 22, 2019 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, 2020.

4 BASIS OF MEASUREMENT

These condensed interim financial statements have been prepared under the historical cost convention, except that certain fixed assets and non-banking assets acquired under satisfaction of claims are stated at revalued amounts less accumulated depreciation and accumulated impairment losses (where applicable) and certain investments and derivative financial instruments have been measured at fair value and net obligations in respect of defined benefit scheme and lease liability against right-of-use assets which are carried at their present values.

These condensed interim financial statements have been prepared in Pakistani Rupee which is the functional and presentation currency of the Bank. The amounts are rounded off to the nearest thousand rupee, unless otherwise stated.

5 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and methods of computation adopted for the preparation of these condensed interim financial statements are consistent with those followed in the preparation of the annual financial statements of the Bank for the year ended December 31, 2020.

5.1 Standards, interpretations of and amendments to accounting and reporting standards that are effective in the year 2021

As referred to in note 4.3 to the Bank's annual financial statements for the year ended December 31, 2020, there are certain standards, amendments and interpretations that are effective for the annual period beginning on or after January 1, 2021. These are considered either not to be relevant or not to have any significant impact on the Bank's condensed interim financial statements.

5.2 Standards, interpretations of and amendments to accounting and reporting standards that are not yet effective

The following new standards and interpretations of and amendments to existing accounting and reporting standards will be effective from the dates mentioned below against the respective standard, interpretation or amendment:

Standard, Interpretation or Amendment	Effective date (Annual periods beginning on or after)
- IAS 16 Property, Plant and Equipment (Amendments)	January 01, 2022
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendments)	January 01, 2022

'The above mentioned amendments are not likely to have a material impact effect on the Banks condensed interim financial statements.

- IFRS 9 - 'Financial Instruments'

IFRS 9: 'Financial Instruments' addresses recognition, classification, measurement and derecognition of financial assets and financial liabilities. The standard has also introduced a new impairment model for financial assets which requires recognition of impairment charge based on an 'Expected Credit Losses' (ECL) approach rather than the 'incurred credit losses' approach as currently followed. The ECL has impact on all assets of the Bank which are exposed to credit risk.

The IFRS 9 shall be applicable on Banks for the financial period starting from January 01, 2024 as per the pronouncement made by SBP vide its BPRD Circular Letter No. 07 dated, April 13, 2023.

There are certain new and amended standards and interpretations as referred to in note 4.3 to the Bank's annual financial statements for the year ended December 31, 2020, that are mandatory for the Bank's accounting periods beginning on or after January 01, 2021 but are considered not to be relevant or do not have any significant effect on the Bank's operations and are therefore not disclosed in these condensed interim financial statements.

6 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The basis and methods used for critical accounting estimates and judgments adopted in these condensed interim financial information are same as those applied in the preparation of the annual financial statements of the Bank for the year ended December 31, 2020.

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, 2020.

The Bank's activities are exposed to a variety of financial risks i.e. market risk, credit risks and liquidity risks. The condensed interim financial statements do not include all risk management information and are disclosed in the annual financial statements, thus should be read in conjunction with the annual financial statements for the year ended December 31, 2020.

There have been no material changes to our policies and practices regarding risk management and governance as described in annual financial statements for the year ended December 31, 2020 except for certain additions in the criteria to address significant risks emanating from the retail portfolio to ensure that relevant indicators relating to likelihood of default, are being captured in a timely manner under the current situation.

		June 30, 2021	December 31, 2020
		Un-audited	Audited
	Note	Rupees in '000	
8 CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		2,617,744	2,578,287
Foreign currencies		711,882	2,278,531
		3,329,626	4,856,818
With State Bank of Pakistan in			
Local currency current account	8.1	9,759,310	7,074,718
Foreign currency current account		579,378	637,477
Foreign currency deposit account	8.2	774,327	853,872
		11,113,015	8,566,067
With National Bank of Pakistan in			
Local currency current account		185,589	250,363
National Prize Bonds		250,474	122,021
		14,878,704	13,795,269
8.1	Deposits with the SBP are maintained to comply with the statutory requirements of the SBP issued from time to time (section 22 of the Banking Companies Ordinance, 1962).		
8.2	This represents account maintained with SBP to comply with Special Cash Reserve requirement (FE-25 scheme, as prescribed by SBP). It carries interest rates of 0% (December 31, 2020: 0% to 0.76%).		
		June 30, 2021	December 31, 2020
		Un-audited	Audited
		Rupees in '000	
9 BALANCES WITH OTHER BANKS			
In Pakistan			
In current account		445,655	62,732
In deposit account		76	74
		445,731	62,806
Outside Pakistan			
In current account		262,207	480,765
		707,938	543,571
10 LENDINGS TO FINANCIAL INSTITUTIONS			
Repurchase agreement lendings (Reverse repo)		6,481,178	2,664,165
Foreign placement		1,361,395	1,301,113
Bai Muajjal receivable from State Bank of Pakistan		-	2,794,643
		7,842,573	6,759,921

11 INVESTMENTS

11.1 Investments by type:	June 30, 2021 - Un-audited				December 31, 2020 - Audited			
	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying value
	Rupees in '000							
	Note							
Held-for-trading securities								
Federal Government Securities								
Market Treasury Bills	983,567	-	(32)	983,535	13,653,249	-	150	13,653,399
Pakistan Investment Bonds	16,845,171	-	3,522	16,848,693	6,790,944	-	29,886	6,820,830
GOP Ijarah Sukuks	493,268	-	414	493,682	-	-	-	-
	18,322,006	-	3,904	18,325,910	20,444,193	-	30,036	20,474,229
Available-for-sale securities								
Federal Government Securities								
Pakistan Investment Bonds	46,954,865	-	(852,246)	46,102,620	74,824,514	-	(1,575,735)	73,248,779
GOP Ijarah Sukuks	4,095,065	-	4,240	4,099,305	5,011,889	-	(68,078)	4,943,811
Shares - Listed								
Ordinary Shares	25,609	-	65,282	90,891	438,801	-	(18,814)	419,987
Shares - Unlisted								
Ordinary Shares	5,680	(5,680)	-	-	5,680	(5,680)	-	-
Non Government Debt Securities								
Term Finance Certificates - Listed	50,500	-	(375)	50,125	63,000	-	(653)	62,347
Term Finance Certificates - Unlisted	8,780	(8,780)	-	-	8,780	(8,780)	-	-
	51,140,499	(14,460)	(783,098)	50,342,941	80,352,664	(14,460)	(1,663,280)	78,674,924
Held-to-maturity securities								
Federal Government Securities								
Pakistan Investment Bonds	15,863,025	-	-	15,863,025	15,897,915	-	-	15,897,915
Bai Muajjal	257,658	-	-	257,658	257,658	-	-	257,658
Non Government Debt Securities								
Shares repurchase (fully provided)	74,910	(74,910)	-	-	74,910	(74,910)	-	-
	16,195,593	(74,910)	-	16,120,683	16,230,483	(74,910)	-	16,155,573
Associates								
SPI Insurance Company Limited	148,220	-	-	148,220	144,766	-	-	144,766
Total investments	85,806,318	(89,370)	(779,194)	84,937,754	117,172,106	(89,370)	(1,633,244)	115,449,492
11.2 Investments by segments:								
Federal Government Securities								
Market Treasury Bills	983,567	-	(32)	983,535	13,653,249	-	150	13,653,399
Pakistan Investment Bonds	79,663,061	-	(848,723)	78,814,338	97,513,373	-	(1,545,849)	95,967,524
GOP Ijarah Sukuks	4,688,333	-	4,654	4,692,987	5,011,889	-	(68,078)	4,943,811
Bai Muajjal	257,658	-	-	257,658	257,658	-	-	257,658
	85,492,619	-	(844,101)	84,648,518	116,436,169	-	(1,613,777)	114,822,392
Shares								
Listed companies	25,609	-	65,282	90,891	438,801	-	(18,814)	419,987
Unlisted companies	5,680	(5,680)	-	-	5,680	(5,680)	-	-
	31,289	(5,680)	65,282	90,891	444,481	(5,680)	(18,814)	419,987
Non Government Debt Securities								
Term Finance Certificates - Listed	50,500	-	(375)	50,125	63,000	-	(653)	62,347
Term Finance Certificates - Unlisted	8,780	(8,780)	-	-	8,780	(8,780)	-	-
	59,280	(8,780)	(375)	50,125	71,780	(8,780)	(653)	62,347
Shares repurchase (fully provided)	74,910	(74,910)	-	-	74,910	(74,910)	-	-
Associates								
SPI Insurance Company Limited	148,220	-	-	148,220	144,766	-	-	144,766
Total investments	85,806,318	(89,370)	(779,194)	84,937,754	117,172,106	(89,370)	(1,633,244)	115,449,492

- 12.3.1 It includes non-performing advances amounting to Rs. 20,161 million (December 31, 2020: Rs. 20,161 million) extended to certain borrowers ("Respective borrowers") who are engaged primarily in trading and real estate businesses which are mainly secured against the mortgage of land. These exposures are classified under 'Loss' category.
- 12.3.1.1 Subsequent to the period end, the Bank for the purpose of settlement of these exposures have entered into Real Estate Investment Trust (REIT) arrangements which is approved by the SBP with certain conditions precedent. Under the arrangement, two separate schemes of REITs, i.e. Silk Islamic Development REIT (SIDR) and Silk World Islamic REIT (SWIR) have subsequently been established. The certain land mortgaged with the Bank as a collateral securing these non-performing exposures have been subsequently released and transferred in favour of SIDR and SWIR respectively. However, after such transfer of land, the Bank still hold other land of the Respective Borrowers under mortgage having market value of around Rs. 24 billion. At transfer of land to SIDR, an initial sale proceed of Rs. 878 million have been realised for settlement against these exposures. Further REIT units having par value of Rs. 5 billion have been subsequently issued by SWIR in favour of the Respective borrowers which along with dividend thereon have been assigned in favour of the Bank.
- 12.3.2 SBP vide various circulars has amended Prudential Regulations in respect of provisioning against non-performing advances under which the benefit of Forced Sale Value (FSV) has been allowed for plant and machinery under charge, pledged stock and mortgaged residential, commercial and industrial properties (land and building only) held as collateral against non-performing advances upto five years from the date of classification.
- 12.3.3 As of June 30, 2021, the Bank has availed FSV benefits against all non performing advances. Had the benefit not been taken by the Bank, loss after tax would have been higher by Rs.13,856 million (December 31, 2020: Rs. 15,508 million), which shall not be available for payment of cash or stock dividend / bonus to employees.
- 12.3.4 As per Prudential Regulation for consumer financing issued by the SBP, percentage of reserve is linked to non-performing loans to gross loans ratio. Consequently, the general provisioning on consumer financing is maintained at 4% (December 31, 2020: 4%) of unsecured portfolio of the Bank.

		June 30, 2021 Un-audited	December 31, 2020 Audited
	Note	Rupees in '000	
13	FIXED ASSETS		
	Capital work-in-progress	13.1 103,246	7,333
	Property and equipment	13.2 3,071,370	3,256,308
	Right-of-use assets	<u>2,830,049</u>	<u>3,498,761</u>
		<u>6,004,665</u>	<u>6,762,402</u>
13.1	Capital work-in-progress		
	Civil works	77,156	521
	Advances to suppliers and contractors	<u>26,090</u>	<u>6,812</u>
		<u>103,246</u>	<u>7,333</u>

13.2 On September 10, 2015, the Bank entered into an Agreement to Sell (the Agreement) with respect to its previous Head Office Land and Building (the Property) situated at I. I. Chundrigar Road against sale consideration of Rs. 2,370 million. Pursuant to the terms of the Agreement, the Bank received a down payment of Rs. 118.50 million, which is currently reported in 'other liabilities' (note 21). The remaining balance was required to be paid by the buyer within 5 years from the date of the Agreement. Under the agreement, the counter-party is permitted for new construction at the Property site while keeping the building facade intact being the heritage and required to be protected under Heritage regulations.

13.2.1 Due to certain litigations and restrictions against the proposed construction along with severe economic slowdown occurred due to COVID-19, the construction activities at the Property site were badly hampered at various time-intervals due to which the counter-party has requested the Bank to extend the term of the agreement. Accordingly, the agreement was initially extended for one year and thereafter till September 2024.

13.2.2 At the time of issuance of these condensed interim financial statements, the remaining payment under the agreement has not been realized to the Bank. The buyer of the property has not complied with the terms of the agreement, and despite of non-compliance of the terms has filed a suit in May 2024 to restrain the Bank from interfering in its possession, dispossessing the buyer from the property and other actions. The Bank has also filed a counter suit in the Sindh High Court in August 2024 that the agreement be considered null and void due to its non-compliance by the buyer.

	June 30, 2021 Un-audited	June 30, 2020 Un-audited
	Rupees in '000	
13.3 Additions to fixed assets		
The following additions have been made to fixed assets during the period:		
Capital work-in-progress	149,919	30,307
Property and equipment		
Furniture and fixture	688	3,045
Electrical, office and computer equipment	46,178	19,357
Vehicles	6,422	53,813
Leasehold Improvements	718	5,467
	54,006	81,682
Total	203,925	111,989
13.4 Disposal of fixed assets		
The net book value of fixed assets disposed off during the period is as follows:		
Furniture and fixture	396	-
Electrical, office and computer equipment	323	111
Vehicles	46,741	16,215
Total	47,460	16,326
	June 30, 2021 Un-audited	December 31, 2020 Audited
	Rupees in '000	
14 INTANGIBLE ASSETS		
Capital work-in-progress	102,610	66,586
Software	244,469	217,245
	347,079	283,831
	June 30, 2021 Un-audited	June 30, 2020 Un-audited
	Rupees in '000	
14.1 Additions to intangible assets		
The following additions have been made to intangible assets during the period:		
Capital work-in-progress	86,282	17,772
Software (directly purchased)	50,258	52,107
Total	136,540	69,879

		June 30, 2021	December 31, 2020
		Un-audited	Audited
		Rupees in '000	
20	SUBORDINATED DEBT		
	Subordinated Term Finance Certificates	1,998,600	1,998,800
	Subordinated loan from Sponsors	440,266	440,266
		<u>2,438,866</u>	<u>2,439,066</u>

20.1 The Bank has issued privately placed, unsecured and subordinated Term Finance Certificates (TFCs) as instruments of redeemable capital under section 66 of the Companies Act, 2017 and the Basel III guidelines issued by the SBP. The key features of the issue are as follows:

Issue amount	Rs. 2,000 million
Issue date	August 10, 2017
Maturity date	Up to 8 years from date of issue.
Rating	BBB+ (Triple B Plus) by VIS Credit Rating Company Limited (VIS) was announced on October 12, 2020, based on condensed interim financial statements of Silk Bank Limited as of June 30, 2020. Later on, the same rating were harmonized by VIS according to their methodology and assigned rating at 'B' (Single B) with a 'Rating Watch-Negative' status on June 16, 2023. The VIS shall review the ratings once these and other subsequent financial statements are issued.
Security	The instrument is unsecured and subordinated as to payment of principal and profit to all other indebtedness of the Bank, including deposits.
Profit payment frequency	Profit will be payable semi-annually in arrears on the outstanding principal amount and will be calculated on a 365 day year basis.
Redemption	0.14% of the issue amount during the first 7 years and remaining 99.86% in last two equal semi-annual installments of 49.93% each.
Mark-up	6 months KIBOR plus 1.85% per annum.
Call option	The Bank may call TFCs in part or in full, after 5 years from date of issue on any profit payment date, subject to SBP approval and with not less than 30 days prior notice to the Trustee and Investors. The call option once announced will be irrevocable.
Lock-in-clause	As per the lock-in requirement for Tier II issues, neither profit nor principal will be payable (even at maturity) in respect of the TFC, if such payment will result in a shortfall in the Bank's Minimum Capital Requirement (MCR) or Capital Adequacy Ratio (CAR) or results in an increase in any existing shortfall in MCR or CAR.
Loss absorbency clause	The instrument will be subject to loss absorbency and / or any other requirements under SBP's Basel III Capital Rules. Upon the occurrence of a point of non-viability event as defined by SBP's Basel III Capital Rule, the SBP may at its option, fully and permanently convert the TFCs into common shares of the Bank and / or have them immediately written off (either partially or in full). Number of shares to be issued to TFC holders at the time of conversion will be equal to the 'Outstanding Face Value of the TFCs' divided by fair value per share of the Bank's common equity on the date of trigger of the non-viability event as declared by the SBP, subject to a cap of 1,238,390,093 shares.

20.2 Due to the lock-in-clause as mentioned in note 20.1 and as per SBP instructions, the Bank has received an unsecured and interest free subordinated loan from the sponsor in order to make the payment of the installments including profit thereon in respect of the above mentioned TFC's. Upon compliance with Capital Adequacy Ratio (CAR), this subordinated loan will be repaid to the Sponsor.

		June 30, 2021	December 31, 2020
		Un-audited	Audited
		Rupees in '000	
21	OTHER LIABILITIES		
	Mark-up / return / interest payable in local currency	733,510	894,554
	Mark-up / return / interest payable in foreign currencies	6,546	6,367
	Unearned commission and income on bills discounted	62,566	52,959
	Accrued expenses	733,307	553,317
	Acceptances	364,041	545,553
	Mark to market loss on forward contracts	46,297	158,312
	Payable to defined benefit plan - contractual staff	77,236	70,185
	Provision against off-balance sheet obligations	116,012	116,012
	Workers' Welfare Fund (WWF)	102,394	134,504
	Advance received against future sale of non-banking assets	102,900	95,917
	Advance received against future sale of operating fixed assets	118,500	118,500
	Deferred income against non-banking assets	135,743	135,743
	Islamic pool management reserve	7,977	7,729
	Lease liability against right-of-use assets	3,328,825	3,877,771
	Non checking account	56,592	243,463
	PRF remitting account	41,807	45,931
	Fund received against application of Housing Scheme	58,233	66,224
	Others	853,030	571,978
		<u>6,945,516</u>	<u>7,695,019</u>

	June 30, 2021	December 31, 2020	
	Un-audited	Audited	
Note	Rupees in '000		
21.1 Provision against off-balance sheet obligations			
Opening balance	116,012	116,012	
Charge for the period / year	-	-	
Reversals for the period / year	-	-	
Amount written off	-	-	
Closing balance	116,012	116,012	21.1.1
21.1.1 This includes provisions made against letter of guarantee issued by the Bank.			
22 SHARE CAPITAL- NET			
22.1 Authorised capital			
June 30, 2021	December 31, 2020		
Un-audited	Audited		
Number of shares in '000			
10,500,000	10,500,000	Ordinary shares of Rs.10 each	105,000,000 105,000,000
22.2 Issued, subscribed and paid up capital			
June 30, 2021	December 31, 2020		
Un-audited	Audited		
Number of shares in '000			
9,081,861	9,081,861	Ordinary shares of Rs. 10 each	90,818,612 90,818,612
-	-	Fully paid in cash	(67,387,238) (67,387,238)
9,081,861	9,081,861	Less: Discount on issue of shares	23,431,374 23,431,374
23 SURPLUS ON REVALUATION OF ASSETS - NET OF TAX			
Surplus / (Deficit) on revaluation of:			
- Available for sale securities	(783,098)	(1,663,280)	11.1
- Fixed assets	50,116	51,906	
- Non-banking assets acquired in satisfaction of claims	1,946,503	1,947,831	16
	1,213,521	336,457	
Deferred tax on (surplus) / deficit on revaluation of:			
- Available for sale securities	274,084	582,149	15
- Fixed assets	(9,395)	(10,021)	15
- Non-banking assets acquired in satisfaction of claims	(14,744)	(15,123)	15
	249,945	557,005	
	1,463,466	893,462	
24 CONTINGENCIES AND COMMITMENTS			
Guarantees	13,450,370	12,649,548	24.1
Commitments	16,642,986	27,295,663	24.2
Contingent liabilities	1,183,882	1,258,480	24.3
	31,277,238	41,203,691	
24.1 Guarantees:			
Financial guarantees	59,940	59,940	
Performance guarantees	8,239,463	7,892,158	
Other guarantees	5,150,967	4,697,450	
	13,450,370	12,649,548	

	June 30, 2021 Un-audited	June 30, 2020 Un-audited
Note	Rupees in '000	
31 OPERATING EXPENSES		
Total compensation expense	1,839,288	1,898,370
Property expense		
Rent & taxes	5,209	19,999
Insurance on non-banking assets acquired in satisfaction of claims	929	629
Utilities cost	91,208	79,032
Security (including guards)	11,088	15,787
Repair & maintenance (including janitorial charges)	37,072	44,536
Depreciation on buildings	35,621	47,559
Depreciation on right-of-use assets	313,582	336,689
Depreciation on non-banking assets acquired in satisfaction of claims	23,516	32,273
Professional charges	601	7,533
	518,826	584,037
Information technology expenses		
Software maintenance	97,737	106,518
Hardware maintenance	54,211	44,000
Depreciation	40,215	36,300
Amortisation	23,034	38,166
Website development charges	286	194
	215,483	225,178
Other operating expenses		
Directors' fees and allowances	15,010	15,200
Fees and allowances to Shariah Board	7,467	7,557
Legal & professional charges	53,503	56,216
Outsourced services costs	94,224	83,532
Travelling & conveyance	30,655	45,768
NIFT clearing charges	3,041	5,601
Depreciation	94,373	121,124
Training & development	3,268	6,111
Postage & courier charges	2,865	15,652
Communication	218,468	195,080
Stationery & printing	44,059	34,571
Marketing, advertisement & publicity	77,523	69,517
Auditors' remuneration	11,809	12,650
Insurance (including deposit protection)	76,393	65,543
Repairs & maintenance	33,745	29,317
Brokerage and commission	4,057	5,219
Subscriptions and news papers	12,726	9,290
Entertainment	19,411	20,191
Vehicle running & maintenance	11,176	9,275
Card related expenses (debit and credit cards)	70,118	58,886
Security	11,868	12,224
Others	1,298	1,179
	897,057	879,703
	3,470,654	3,587,288
32 OTHER CHARGES		
Penalties imposed by State Bank of Pakistan	7,257	13
Operational loss	8,992	17,222
	16,249	17,235
33 PROVISIONS & WRITE OFFS - NET		
Provisions against loans & advances	12.3 7,367,002	827,669
Provision against other assets - net	16.5.1 (49,594)	180,000
Write offs against fixed assets	21,275	813
Recovery of written off / charged off bad debts	(236,710)	(69,850)
	7,101,973	938,632

	June 30, 2021 Un-audited	June 30, 2020 Un-audited
	Rupees in '000	
34 TAXATION		
Current	-	180,280
Prior years	58,172	-
Deferred	<u>(3,214,217)</u>	<u>1,112,866</u>
	<u>(3,156,045)</u>	<u>1,293,146</u>

34.1 The income tax returns of the Bank have been e-filed upto tax year 2021. The Commissioner Inland Revenue has amended the assessment of the Bank, and the Bank has filed appeals against the amendments. The appeals are pending before Appellate Tribunal Inland Revenue (ATIR) against certain disallowances amounting to Rs.3,026 million (2020: Rs.1,996 million) relating to Assessment / Tax Year(s) 2000-2001, 2001-2002, 2002-2003, 2004 and 2015 to 2019. The appeals which are pending before Commissioner (Appeals) against the disallowances amounting to Rs.682 million (2020: Rs.1,712 million) relating to tax years 2003 and 2006. The management of the Bank, in consultation with its tax advisor, is confident that the decisions in respect of these appeals would be in the Bank's favor.

34.2 For the tax year 2020, amendment in assessment proceedings under section 122(1) of the Ordinance have been concluded. However, no order has been passed by the Commissioner to date. For the tax year 2021, return of income e-filed is deemed to be an assessment order under section 120 of the Ordinance.

34.3 The proceedings regarding monitoring of withholding taxes pertaining to the Tax Years 2011 to 2019 were initiated and completed. Orders were issued by the Assessing Officer creating total tax demand of Rs.241.880 million which includes penalty and default surcharge out of which the Bank has paid an amount of Rs.169.312 million. The matters for the tax years 2011 and 2012 have been concluded, the Bank has not filed further appeals and the Bank has paid the demand so created. The Bank's appeals for Tax Years 2013 and 2014 before the CIR (A) were rejected after which appeals before the ATIR, Karachi have been filed. The ATIR has remanded-back the case to the Assessing Officer, however, no proceedings were initiated. With respect to Tax Years 2015 and 2016, the Bank has filed appeals against orders before CIR (A). The CIR(A) remanded back the matter to the Assessing Officer, however, no proceedings were initiated. With respect to Tax Years 2017 to 2019, the Bank has filed appeals against orders before CIR (A), the CIR(A) remanded back the matter to the Assessing Officer. The Assessing Officer passed the orders by creating tax demands of Rs.499,831 for tax year 2017, Rs.303,191 for tax year 2018 and no tax demand for tax year 2019. The orders passed for the tax years 2017 to 2019 are subject to rectification, therefore an application under section 221 of the Ordinance was filed.

The proceedings regarding monitoring of withholding taxes for the tax year 2020 has been initiated, however, no order is passed by the Assessing Officer.

34.4 The income tax returns of the Bank's Azad Kashmir operations have been filed up to the tax year 2021. The Commissioner Inland Revenue has amended the assessment from the tax years 2016 to 2020 and passed orders under section 122(5A) of the Ordinance (for tax years 2016 and 2017) and under section 122(1) of the Ordinance (for the tax years 2018, 2019 and 2020). Appeals against orders were filed and these matters are pending for adjudication before the Commissioner (Appeals) and ATIR. The management of the Bank, in consultation with its tax advisor, is confident that the decisions in respect of these appeals would be in the Bank's favor.

	June 30, 2021 Un-audited	June 30, 2020 Un-audited
35 BASIC AND DILUTED EARNINGS PER SHARE		
(Loss) / profit after taxation for the period (Rupees in '000)	<u>(6,034,938)</u>	<u>1,886,459</u>
Weighted average number of ordinary shares (Number of shares)	<u>9,081,861</u>	<u>9,081,861</u>
Basic and Diluted (loss) / earning per share (Rupee)	<u>(0.66)</u>	<u>0.21</u>

	June 30, 2021 Un-audited	June 30, 2020 Un-audited
	Rupees in 000	
36 CASH AND CASH EQUIVALENTS		
Cash and balance with treasury banks	14,878,704	11,593,227
Balance with other banks	<u>707,938</u>	<u>969,331</u>
	<u>15,586,642</u>	<u>12,562,558</u>

37 FAIR VALUE MEASUREMENTS

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

Fair value of fixed term loans, other assets, other liabilities, fixed term deposits and borrowings cannot be calculated with sufficient reliability due to absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments.

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

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

37.1 Fair value of financial assets

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

- Level 1:** Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2:** Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3:** Fair value measurements using input for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The table below analyses financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

	June 30, 2021 - Un-audited				Total
	Carrying Value	Level 1	Level 2	Level 3	
Rupees in '000					
On balance sheet financial instruments					
Financial assets - measured at fair value					
Investments:					
Federal Government Securities					
Market Treasury Bills	983,535	-	983,535	-	983,535
Pakistan Investment Bonds	78,814,338	-	78,814,338	-	78,814,338
GOP Ijarah Sukuks	4,592,987	-	4,592,987	-	4,592,987
Bai Muajjal	257,658	-	257,658	-	257,658
Shares					
Listed companies	90,891	90,891	-	-	90,891
Non-Government Debt Securities					
Term Finance Certificates - Listed	50,125	-	50,125	-	50,125
	84,789,534	90,891	84,698,643	-	84,789,534
Financial assets - disclosed but not measured at fair value					
Cash and balances with treasury banks	14,878,704	-	-	-	-
Balances with other banks	707,938	-	-	-	-
Lendings to financial institutions	7,842,573	-	-	-	-
Advances	82,056,943	-	-	-	-
Other assets	7,701,771	-	-	-	-
	113,187,929	-	-	-	-
	197,977,463	90,891	84,698,643	-	84,789,534
Off-balance sheet financial instruments - measured at fair value					
Forward purchase of foreign exchange	9,063,008	-	9,063,008	-	9,063,008
Forward sale of foreign exchange	3,409,061	-	3,409,061	-	3,409,061
Forward sale of government securities transactions	998,828	-	998,828	-	998,828

December 31, 2020 - Audited					
Carrying Value	Level 1	Level 2	Level 3	Total	
Rupees in '000					
On balance sheet financial instruments					
Financial assets - measured at fair value					
Investments:					
Federal Government Securities					
Market Treasury Bills		13,653,399	-		13,653,399
Pakistan Investment Bonds		95,967,524	-		95,967,524
GOP Ijarah Sukuks		4,943,811	-		4,943,811
Bai Muajjal		257,658	-		257,658
Shares					
Listed companies	419,987	419,987	-	-	419,987
Non-Government Debt Securities					
Term Finance Certificates - Listed		62,347	-		62,347
	115,304,726	419,987	114,884,739	-	115,304,726
Financial assets - disclosed but not measured at fair value					
Cash and balances with treasury banks		13,795,269	-	-	-
Balances with other banks		543,571	-	-	-
Lendings to financial institutions		6,759,921	-	-	-
Advances		91,961,645	-	-	-
Other assets		9,886,968	-	-	-
		122,947,374	-	-	-
	238,252,100	419,987	114,884,739	-	115,304,726
Off-balance sheet financial instruments - measured at fair value					
Forward purchase of foreign exchange		7,452,132	-	7,452,132	-
Forward sale of foreign exchange		2,696,076	-	2,696,076	-
Forward sale of government securities transactions		13,609,696	-	13,609,696	-

Valuation techniques used in determination of fair valuation of financial instruments within level 2 are:

Item	Valuation approach and input used
Market Treasury Bills and Pakistan Investment Bonds	Fair values are derived using the PKRV rates.
GOP Ijarah Sukuks	Fair values of GOP Ijarah Sukuks are derived using the PKISRV rates announced by the Financial Market Association (FMA) through Reuters. These rates denote an average of quotes received from eight different pre-defined / approved dealers / brokers.
Shares - listed	Fair values of investments in listed shares are valued on the basis of closing quoted market prices available at the Pakistan Stock Exchange.
Sukuks - Listed and Term Finance Certificates - Listed	Investments in debt securities i.e. term finance certificates and sukuk certificates issued by a company or a body corporate for the purpose of raising funds in the form of redeemable capital are valued on the basis of the rates announced by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by the Securities and Exchange Commission of Pakistan.
Foreign exchange contracts	The valuation has been determined by interpolating the mid rates announced by the State Bank of Pakistan.

37.2 Fair value of non-financial assets

Information about the fair value hierarchy of Bank's non-financial assets as at the end of the reporting period are as follows:

	Carrying Value	Level 1	Level 2	Level 3	Total
Rupees in '000					
June 30, 2021 - Un-audited					
Operating fixed assets - land and buildings	2,035,346	-	-	2,035,346	2,035,346
Non-banking assets acquired in satisfaction of claims	10,259,589	-	-	10,259,589	10,259,589
	12,294,935	-	-	12,294,935	12,294,935
December 31, 2020 - Audited					
Operating fixed assets - land and buildings	2,041,196	-	-	2,041,196	2,041,196
Non-banking assets acquired in satisfaction of claims	10,360,497	-	-	10,360,497	10,360,497
	12,401,693	-	-	12,401,693	12,401,693

37.2.1 Certain categories of operating fixed assets (land and buildings) and non-banking assets acquired in satisfaction of claims are carried at revalued amounts (level 3 measurement) determined by professional valuers based on their assessment of the market values as disclosed in annual financial statements for the year ended December 31, 2020.

38 SEGMENT INFORMATION

Segment Details with respect to Business Activities

June 30, 2021 - Un-audited				
	Consumer / SME	Whole Sale Banking	Treasury	Total
Rupees in '000				
Profit and Loss Account				
Net mark-up / return / profit / (loss)	3,112,596	(2,404,828)	599,979	1,307,747
Inter segment revenue - net	-	-	-	-
Non mark-up / interest income / (loss)	1,058,854	134,950	(1,103,658)	90,146
Total Income / (loss)	4,171,450	(2,269,878)	(503,679)	1,397,893
Segment direct expenses	(1,890,918)	(1,556,367)	(39,618)	(3,486,903)
Inter segment expense allocation	(728,053)	763,267	(35,204)	-
Total expenses	(2,618,971)	(793,110)	(74,822)	(3,486,903)
Provisions	(188,567)	(6,913,406)	-	(7,101,973)
Profit / (loss) before tax	1,363,912	(9,976,394)	(578,501)	(9,190,983)
Statement of Financial Position				
Cash & Bank balances	-	3,814,566	11,772,076	15,586,642
Investments	-	-	84,937,754	84,937,754
Net inter segment lending	96,669,043	(205,596,843)	108,927,800	-
Lendings to financial institutions	1,157,186	204,209	6,481,178	7,842,573
Advances - performing	25,466,796	33,078,264	-	58,545,060
Advances - non-performing - net of provision	1,532,199	21,979,684	-	23,511,883
Others	2,684,360	36,535,109	15,407	39,234,876
Total Assets	127,509,584	(109,985,011)	212,134,215	229,658,788
Borrowings	736,804	1,131,941	64,654,231	66,522,976
Subordinated debt	-	2,438,866	-	2,438,866
Deposits & other accounts	102,723,295	48,655,084	-	151,378,379
Net inter segment borrowing	19,820,686	(166,023,423)	146,202,737	-
Others	4,216,449	5,223,702	429,526	9,869,677
Total Liabilities	127,497,234	(108,573,830)	211,286,494	230,209,898
Equity	12,350	(1,411,181)	847,721	(551,110)
Total Equity & Liabilities	127,509,584	(109,985,011)	212,134,215	229,658,788
Contingencies & Commitments	1,148,242	16,658,099	13,470,897	31,277,238

June 30, 2020 - (Un-audited)				
	Consumer / SME	Whole Sale Banking	Treasury	Total
Rupees in '000				
Profit and Loss Account				
Net mark-up / return / profit / (loss)	2,861,920	(2,515,375)	520,483	867,028
Inter segment revenue - net	-	-	-	-
Non mark-up / interest income	1,035,558	166,175	5,718,889	6,920,622
Total Income / (loss)	3,897,478	(2,349,200)	6,239,372	7,787,650
Segment direct expenses	(1,777,411)	(1,851,403)	(40,599)	(3,669,413)
Inter segment expense allocation	(702,974)	747,616	(44,642)	-
Total expenses	(2,480,385)	(1,103,787)	(85,241)	(3,669,413)
Provisions	(483,011)	(455,621)	-	(938,632)
Profit / (loss) before tax	934,082	(3,908,608)	6,154,131	3,179,605

December 31, 2020 - Audited				
	Consumer / SME	Whole Sale Banking	Treasury	Total
Rupees in '000				
Statement of Financial Position				
Cash & Bank balances	-	5,056,591	9,282,249	14,338,840
Investments	-	-	115,449,492	115,449,492
Net inter segment lending	94,681,076	(207,299,852)	112,618,776	-
Lendings to financial institutions	1,105,946	195,167	5,458,808	6,759,921
Advances - performing	26,914,000	36,184,329	-	63,098,329
Advances - non-performing - net of provision	1,732,091	27,131,225	-	28,863,316
Others	784,581	38,253,216	130,312	39,168,109
Total Assets	125,217,694	(100,479,324)	242,939,637	267,678,007
Borrowings	726,225	1,136,700	87,485,028	89,347,953
Subordinated debt	-	2,439,066	-	2,439,066
Deposits & other accounts	98,338,154	61,899,454	-	160,237,608
Net inter segment borrowing	22,064,057	(178,169,222)	156,105,165	-
Others	4,089,258	6,263,962	430,579	10,783,799
Total Liabilities	125,217,694	(106,430,040)	244,020,772	262,808,426
Equity	-	5,950,716	(1,081,135)	4,869,581
Total Equity & Liabilities	125,217,694	(100,479,324)	242,939,637	267,678,007
Contingencies & Commitments	1,222,840	16,222,947	23,757,904	41,203,691

Segment determination are made on the basis of management accountability, monitoring and decision making of these reporting segments at regular intervals. Transactions between reportable segments are based on an appropriate transfer pricing mechanism using agreed rates. Furthermore, segment assets and liabilities include intersegment balances. Costs which are not allocated to segments are included in the Head office. Income taxes are managed at bank level and are not allocated to operating segments.

The Bank has related party transactions with its associates, employee benefit plans and its directors and key management personnel.

The Bank enters into transactions with related parties in the ordinary course of business and on substantially the same terms as for comparable transactions with person of similar standing. Contributions to and accruals in respect of staff retirement benefits and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to the executives / officers is determined in accordance with the terms of their appointment.

Majority of the transactions with related parties comprise loans and advances, deposits, investments, 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 balances and transactions with related parties during the period / year, other than those which have been disclosed elsewhere in these condensed interim financial statements are as follows:

	June 30, 2021 - Un-audited				December 31, 2020 - Audited			
	Directors	Key Management personnel	Associates	Other Related Parties	Directors	Key Management personnel	Associates	Other Related Parties
Rupees in '000								
Balances								
Investments								
Opening balance	-	-	144,766	413,197	-	-	131,881	416,226
Investment made / share profit during the period / year	-	-	3,454	-	-	-	12,885	602,706
Investment redeemed / disposed off during the period / year	-	-	-	(413,192)	-	-	-	(605,735)
Closing balance	-	-	148,220	5	-	-	144,766	413,197
Advances								
Opening balance	626	18,250	-	2,162,921	22,342	9,925	-	2,312,557
Addition during the period / year	2,184	37,396	-	1,286,251	48,865	126,373	-	116,960
Repaid during the period / year	(2,343)	(32,322)	-	(1,085,371)	(70,581)	(118,048)	-	(266,596)
Closing balance	467	23,324	-	2,363,801	626	18,250	-	2,162,921
Provision held against advances	-	-	-	130,608	-	-	-	130,608
Other Assets								
Interest / mark-up accrued	-	-	-	111,046	-	311	-	165,994
Insurance claim receivable	-	-	47,645	-	-	-	21,787	-
Prepaid Insurance	-	-	3,883	-	-	-	661	-
Subordinated debt								
Opening balance	-	-	-	440,266	-	-	-	126,218
Issued / purchased during the period / year	-	-	-	-	-	-	-	314,048
Redemption during the period / year	-	-	-	-	-	-	-	-
Closing balance	-	-	-	440,266	-	-	-	440,266
Deposits and other accounts								
Opening balance	11,303	139,705	40,956	1,332,045	7,076	85,006	41,608	1,488,688
Received during the period / year	51,751	538,554	106,634	3,980,500	393,096	584,149	186,749	3,352,869
Withdrawn during the period / year	(48,172)	(561,807)	(99,099)	(4,463,620)	(388,869)	(529,450)	(187,401)	(3,509,512)
Closing balance	14,882	116,452	48,491	848,925	11,303	139,705	40,956	1,332,045
Other Liabilities								
Interest / mark-up payable	-	-	215	615	-	-	783	4,079
Others	143	1	-	-	-	-	-	-
Contingencies and Commitments								
Other contingencies	-	-	-	17,389	-	-	-	17,389

	June 30, 2021 - Un-audited				June 30, 2020 - Un-audited			
	Directors	Key Management Personnel	Associates	Other Related parties	Directors	Key Management Personnel	Associates	Other Related parties
Rupees in '000								
Transactions								
Income								
Mark-up / return / interest earned	-	1,408	-	90,972	909	849	-	155,645
(Loss) / gain on sale of securities	-	-	-	(60,489)	-	-	-	38,950
Share of profit from associate	-	-	3,454	-	-	-	8,665	-
Expense								
Mark-up / return / interest paid	210	1,218	1,577	24,844	120	1,192	1,303	71,543
Short term employment benefits	22,076	163,847	-	-	61,660	203,995	-	-
Contribution to Defined Benefit Plan	93	5,835	-	-	2,823	6,883	-	-
Meeting fee	15,010	-	-	-	15,200	-	-	-
Insurance premium paid	-	-	22,534	-	-	-	24,189	-
Insurance claims settled	-	-	20	-	-	-	2,867	-

	June 30, 2021 Un-audited	December 31, 2020 Audited
	Rupees in '000	
41.5 Contingencies and Commitments		
Guarantees	889,042	956,667
Commitments	<u>1,292,361</u>	<u>1,311,856</u>
	<u>2,181,403</u>	<u>2,268,523</u>
	June 30, 2021 Un-audited	June 30, 2020 Un-audited
	Rupees in '000	
41.6 Profit / return earned of financing, investments and placement		
On:		
Financing	246,914	4,891,987
Investments	126,068	83,719
Due from Financial Institutions	<u>881,436</u>	<u>257,865</u>
	<u>1,254,418</u>	<u>5,233,571</u>
41.7 Profit expensed on Deposits and other Dues Expensed		
On:		
Deposits and other accounts	782,205	1,563,510
Due to Financial Institutions	-	(296)
Cost of foreign currency swaps against foreign currency deposits / borrowings	45,362	60,873
Lease liability against right-of-use assets	<u>41,449</u>	<u>61,644</u>
	<u>869,516</u>	<u>1,685,731</u>
	June 30, 2021 Un-audited	December 31, 2020 Audited
	Rupees in '000	
41.8 Islamic Banking Business Un-appropriated Profit / (Accumulated Losses)		
Opening Balance	252,664	(3,490,439)
Add: Islamic Banking (loss) / profit for the period / year	<u>(27,805)</u>	<u>3,743,103</u>
Closing Balance	<u>224,859</u>	<u>252,664</u>

42 GENERAL

42.1 Corresponding figures have been rearranged / reclassified to reflect more appropriate presentation.


42.2 The figures have been rounded off to the nearest thousand rupees, unless stated otherwise.

43 NON-ADJUSTING EVENTS AFTER THE REPORTING DATE

There are no adjusting events that are required to be adjusted or disclosed in the condensed interim financial statements.

44 DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on 14-Nov-2024 by the Board of Directors of the Bank.


Chief Financial Officer


Director


President & Chief Executive Officer


Director


Director

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