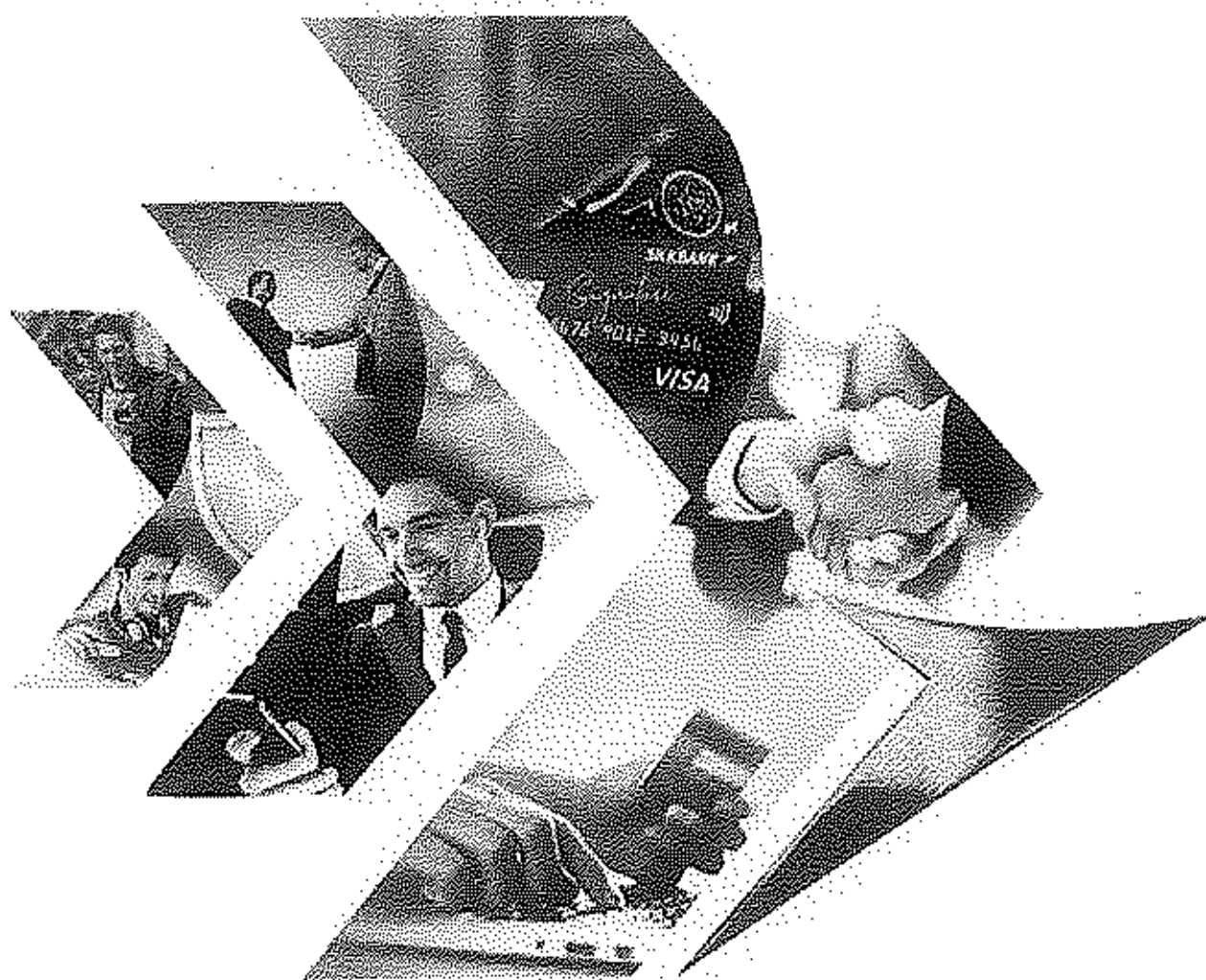


Half Yearly
Report
2022

SILKBANK 
Yes we can



TOGETHER FOR A BRIGHTER FUTURE

Director's Report as of June 30, 2022**REPORT**

Dear Shareholders,

We are pleased to present the financial statements of the Bank for the half year ended June 30, 2022.

Economic Review:

Global economy faces challenges stemming out of supply chain disruptions post covid and geopolitical conflicts. Internationally Central Banks initiated hawkish monetary policies. In lieu of global change in monetary stance of developed economies, FED funding for emerging markets has become both expensive and difficult. International Monetary Fund (IMF) forecasted global GDP growth to slow down to 3.20% in 2022 versus 6.10% in 2021.

Pakistan's economy is challenged by vulnerabilities in form of inflation, twin deficits and PKR depreciation. Macroeconomic instability has impacted business confidence and led to sharp monetary policy tightening by the central bank. The policy rate was hiked by 800bps to 15% by the end of June 2022. The current account deficit (CAD) for the fiscal year FY22 widened to \$ 17.5billion, compared to a deficit of \$ 1.6 billion in the previous year. As a result, SBP FX reserves fell to \$ 9.8 billion by June 2022. The Pakistan Rupee (Rs.) also weakened significantly on rising imports and declining reserves, posting a sharp 30% decline. The interbank closed at 205 at the end of June.

Exports of the country posted a positive delta of 25% in FY22 reaching US\$ 39.41 billion versus US\$ 31.58 billion during last year. Textile, chemicals, pharmaceuticals, leather and rice remained major sectors contributing to growth of exports. Imports grew by 34% during FY2022 reaching US\$ 84.19 billion million as compared to US\$ 62.73 billion last year. Imports grew mainly because of higher volume and prices of energy and non-energy commodities.

Average inflation for July 21 – June 22 rose to 12.10% from 8.90% in the corresponding year. In June 22 inflation was recorded at 21.3%. Rising energy, food and transportation prices pushed inflation numbers to the highest since 2008. Nonfood non energy inflation for urban areas was recorded at 11.50% and for rural areas at 13.60% on year-on-year basis.

Large scale manufacturing grew by 11.75 % Year on Year (YoY) during July 21 – June 22. The growth in LSM was broad based with Food, Tobacco, Wearing Apparel, Textile, Chemicals, Automobiles, Iron & Steel Products, Leather Products and Paper & Paperboard sectors.

In view of multiple challenges faced by the economy consumption is expected to fall down during the course of the year. It is expected that the IMF staff level agreement will be reached that in turn will help the country in unlocking funds from the friendly countries.

Financial Performance:

In the first half year of 2022, the Bank posted loss after tax of Rs. 2.09 billion as compared to the loss of Rs. 6.04 billion sustained in the last corresponding period. During this period, total deposits of the Bank increased by Rs. 4.72 billion, closing at Rs. 148.47 billion, while gross advances decreased by Rs. 2.64 billion.

Summarized financial performance of Silkbank Limited for the half year ended June 30, 2022, is as follows:

	Rs in 'million'
Loss before tax	(6,048)
Tax - Current	-
Prior	(85)
Deferred	4,041
Loss after tax	(2,092)
	Rupee
Basic and diluted - Loss per share – Basic	(0.23)

In comparison to the last corresponding period, the Bank Net interest income (NII) decline by Rs. 1.13 billion. This decline in the NII was offset by the increase of Rs. 1.46 billion in the Non markup /interest income and reduced provisioning of Rs. 2.9 billion against the non-performing loans (NPL) recorded under the requirements of the SBP Prudential Regulation on timeline basis.

The decline in NII was primarily attributable to higher interest rates during the period compared to the corresponding period, which led to increased funding costs for the Bank and a rise in non-earning assets.

On the non-markup/interest income side, the Bank's earnings improved by Rs. 453 million, driven by higher fees, commissions, and foreign exchange income. Additionally, compared to the last year, the loss on the sale of Govt. securities also shown reduction of Rs. 935 million during the current period.

Moreover, despite elevated inflation and the depreciation of the Rupee against the US Dollar, the Bank's operating expenses rose by only Rs. 103 million compared to the corresponding period, reflecting the effectiveness of ongoing cost control measures.

Business Performance:

Branch Banking

Branch Banking served over 232,865 customers contributing more than 70% of the Bank's deposit base. Total deposit as at 30 June 2022 stood at approximately Rs 103.67 billion. The total Year to Date deposit grew by Rs. 5.74 billion till 30th June 2022 out of which the current account portfolio grew by Rs. 4.69 billion.

Silkbank Limited

Central Office:

Ground Floor, No.13, COM-3 Mall,

Block-6, KDA Scheme # 5,

Clifton 75800, Karachi-Pakistan

PABX: 021-111-00-7455

Website: www.silkbank.com.pk

During this quarter, we maintained the momentum built in first quarter for deposit mobilization through active market penetration and deployment of strategic sales approach. The sales team received ongoing briefings and training on the benefits of the AIO and BVA Plus accounts, while also focusing on TDR products. These combined efforts resulted in a year-to-date deposit growth of Rs. 6.83 billion compared to the December 2021 base, translating to a 6% increase in book size.

Bancassurance generated business of Rs. 30.91 million in annual premium which translates into NFI of Rs.12.06 million during Q2-22.

Furthermore, following the successful launch of Silkbank Verified by Visa Debit Cards, we initiated customer engagement campaigns through social media and branches to increase debit card spending at POS and online. The first campaign, launched in Q2, featured weekly lucky draws designed to encourage customers to use their Silkbank Debit Cards.

Consumer Banking: In the 1st half of year 2022 consumer banking were able to achieve many innovative milestones and kept on adding new products & features to its already hefty menu. As a result, Business posted a profit before tax of Rs. 1.4 billion over a unsecured portfolio of over Rs. 18.6 billion.

- **Credit Cards:**

Keeping the business momentum going, Silkbank credit cards took many initiatives to streamline the revenues. Focus was shifted to Online and International Spend to generate non funded income. Other campaigns like 2X Cashback on Grocery Shopping, 100% Cashback on International Spend Campaign were launched. Also, various campaigns were launched to support booking of Flexible Installment Plans which resulted in industry highest ever ENR Volume of 370 million in April 2022. Also, special campaigns were launched to target Non spenders and entice them to start spending.

The business posted profit before tax of Rs. 510 million in first half of the year. 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. 6.7 billion. With the acquisition of 22,387 new cards from January to June 2022, the CIF (Cards in Force) increased to 181,232 as of June, 2022. Total spending on Credit Cards in six months of 2022 amounted to Rs. 18 billion.

- **Ready Line:**

First half of the year 2022, acquisition was slow therefore Business focus was on optimizing the portfolio with various initiatives. We have partnered with major local as well as international online retailers for tactical & seasonal campaigns offering lucrative deal to our valued customers.

As a result, to these and many other successful initiatives, we were able to completely turnaround profitability of Ready Line to Rs. 680 million by June-22 with an EBIT of Rs. 352 million alone in Q2 2022. By the end of June 2022, the FNR stood at Rs. 7.73 billion with 48,664 customers.

• **Personal Loan:**

2nd Quarter of 2022 has been a slow growth period for Personal Loan product with little focus on new acquisition. Despite this setback, at the end of June 2022, the portfolio stands at Rs. 4.0 billion with 19,663 active customers and YTD profit before tax of Rs. 186 million.

Emaan Islamic Banking (Emaan)

Emaan Islamic Banking demonstrated commendable performance during the year 2022, successfully navigating challenging economic conditions and a distressed business environment. The deposit portfolio closed at Rs. 28,810 million, with a CASA to time deposit ratio of 85:15. Throughout the year, 2,598 new accounts were opened, increasing the total to 40,378 accounts.

Service and quality have been paramount for Emaan Islamic Banking, which prides itself on integrating service excellence into every process. Service indicators reflect the bank's dedication to customer service, resulting in a "Very Good" rating for the year.

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

As of June 30, 2022, the Minimum Capital Requirement (MCR) stood at negative Rs. 11.12 billion and the Capital Adequacy Ratio (CAR) at negative 35.23% 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:

As already mentioned in the Financial Section of the report, 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.

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.

Subsequently, the Board meetings of UBL and Silkbank were held on December 02 and December 04, 2024, respectively, wherein both the Boards approved the proposed amalgamation of the Bank with and into UBL through a share swap arrangement under Section 48 of the Banking Companies Ordinance, 1962. The Boards also authorized the execution of the Agreement to Amalgamate, the Scheme of Amalgamation, and other related documentation necessary for implementing the amalgamation.

The approved share swap ratio entails the issuance of one (1) new ordinary share of UBL, with a face value of Rs. 10, in exchange for 325 existing shares of the Bank, each with a face value of Rs. 10. This arrangement will result in the issuance of 27,944,188 ordinary shares of UBL, excluding any right issuance.

Additionally, the Boards resolved to convene Extraordinary General Meetings (EOGMs) for shareholder approval of the amalgamation and related matters. The EOGM of the Bank is scheduled for December 26, 2024, while UBL's EOGM is set for December 30, 2024.

This amalgamation remains subject to the fulfillment of all necessary legal formalities and obtaining the requisite corporate, regulatory, and third-party approvals. In light of this process, the external auditors have included a note in their audit opinion, highlighting a 'Material Uncertainty Related to Going Concern'.

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

Acknowledgement:

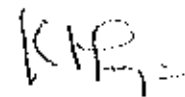
We, once again, take this opportunity to express our deepest gratitude to our customers and business partners for their continued support and trust, and our sincere appreciation to the State Bank of Pakistan for their guidance and cooperation.

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**

December 13, 2024

Slik Bank Limited - Director's Report June 2022

ڈائریکٹرز کی رپورٹ

معزز شیئر ہولڈرز،

ہم نہایت مسرت کے ساتھ 30 جون 2022 کو ختم ہونے والی ششماہی کے مالیاتی بیانات پیش کر رہے ہیں۔

معاشی جائزہ

عالمی معیشت، کووڈ کے بعد پھلنے لگی ہے اور جغرافیائی و سیاسی تنازعات سے پیدا ہونے والے لچیلے ججز کا سامنا کر رہی ہے۔ بین الاقوامی سطح پر مرکزی بینکوں نے سخت مانیٹری پالیسیوں کا آغاز کیا۔ ترقی یافتہ معیشتوں کے مانیٹری رویے میں اس تبدیلی کے باعث، اب ابھرتی ہوئی معیشتوں کے لیے فیڈ فنڈنگ مہنگی اور مشکل ہو گئی ہے۔ انٹرنیشنل مانیٹری فنڈ (IMF) نے 2022 میں عالمی GDP کی شرح نمو %6.10 سے کم ہو کر %3.20 تک پہنچنے کی پیش گوئی کی ہے۔

پاکستانی معیشت کو مہنگائی، جڑواں خساروں، اور پاکستانی روپے کی قدر میں کمی جیسی کمزوریوں کا سامنا ہے۔ معاشی عدم استحکام نے کاروباری اعتماد کو متاثر کیا ہے، جس کے نتیجے میں اسٹیٹ بینک نے مانیٹری پالیسی میں سخت اقدامات کیے ہیں۔ جون 2022 کے آخر تک پالیسی ریٹ میں 800 بیس پوائنٹس کا اضافہ کر کے اسے %15 تک بڑھا دیا گیا۔ مالی سال 2022 میں کرنٹ اکاؤنٹ خسارہ (CAD) 17.5 ارب ڈالر تک بڑھ گیا، جو پچھلے سال 1.6 ارب ڈالر تھا۔ اس کے نتیجے میں، اسٹیٹ بینک کے زرمبادلہ کے ذخائر جون 2022 تک کم ہو کر 9.8 ارب ڈالر رہ گئے۔ درآمدات میں اضافے اور ذخائر میں کمی کی وجہ سے پاکستانی روپے کی قدر میں بھی نمایاں کمی آئی، جس میں %30 کی تیزی سے گراؤٹ دیکھی گئی۔ انٹرنیشنل ریٹ جون کے اختتام پر 205 روپے پر بند ہوا۔

ملکی برآمدات نے مالی سال 2022 میں %25 مثبت اضافہ ریکارڈ کیا، جو کہ گزشتہ سال کے %31.58 ارب امریکی ڈالر کے مقابلے میں بڑھ کر %39.41 ارب امریکی ڈالر تک پہنچ گئیں۔ ٹیکسٹائل، کیمیکلز، فارماسیوٹیکلز، لیڈر، اور چاول وہ اہم شعبے رہے جنہوں نے برآمدات کی ترقی میں اہم کردار ادا کیا۔

درآمدات میں بھی مالی سال 2022 کے دوران %34 کا اضافہ ہوا، جو کہ گزشتہ سال کے %62.73 ارب امریکی ڈالر کے مقابلے میں بڑھ کر %84.19 ارب امریکی ڈالر تک پہنچ گئیں۔ درآمدات میں یہ اضافہ تر توانائی اور غیر توانائی اجناس کی زیادہ مقدار اور قیمتوں کی وجہ سے ہوا۔

جولائی 2021 سے جون 2022 کے دوران اوسط مہنگائی بڑھ کر %12.10 ہو گئی، جو پچھلے سال %8.90 تھی۔ جون 2022 میں مہنگائی کی شرح %21.3 ریکارڈ کی گئی۔ توانائی، خوراک، اور ٹرانسپورٹ کی بڑھتی ہوئی قیمتوں نے مہنگائی کی شرح کو 2008 کے بعد سب سے زیادہ سطح پر پہنچا دیا۔ غیر خوراک اور غیر توانائی مہنگائی شہری علاقوں میں سالانہ بنیاد پر %11.50 جبکہ دیہی علاقوں میں %13.60 ریکارڈ کی گئی۔

بڑے پیمانے پر مینوفیکچرنگ (LSM) نے جولائی 2021 سے جون 2022 کے دوران سالانہ بنیادوں پر %11.75 کی ترقی ٹاہر کی۔ LSM کی یہ ترقی وسیع پیمانے پر تھی اور اس میں خوراک، تباکو، ایبوسائٹ، ٹیکسٹائل، کیمیکلز، آٹوموبائلز، اور اسٹیل کی مصنوعات، لیڈر مصنوعات، اور کاغذ و گتہ کے شعبے شامل تھے۔

مصیبت کو دور پیش متعدد چیلنجز کے پیش نظر توقع کی جا رہی ہے کہ سال کے دوران کھپت میں کمی واقع ہوگی۔ امید کی جا رہی ہے کہ آئی ایم ایف کے ساتھ معاہدہ طے پا جائے گا، جس کے نتیجے میں ملک کو دوستانہ ممالک سے فنڈز حاصل کرنے میں مدد ملے گی۔

مالی کارکردگی:

سال 2022 کے پہلے نصف حصے میں، بینک نے 2.09 ارب روپے بعد از ٹیکس خسارہ ظاہر کیا، جبکہ پچھلے سال کی اسی مدت میں 6.04 ارب روپے کا خسارہ ہوا تھا۔ اس عرصے کے دوران، بینک کے کل فنانس میں 14.72 ارب روپے کا اضافہ ہوا، جو کہ 148.47 ارب روپے پر بند ہوئے، جبکہ مجموعی ایڈوائسز میں 2.64 ارب روپے کی کمی واقع ہوئی۔

سال کے پہلے نصف کے اختتام یعنی 30 جون 2022 تک سلک بینک لمیٹڈ کی مالی کارکردگی کا خلاصہ درج ذیل ہے:

روپے بلین میں

(6,048)

نقصان قبل از ٹیکس

-

ٹیکس - موجودہ

(85)

گزشتہ

4,041

ملتی شدہ

(2,092)

نقصان بعد از ٹیکس

روپیہ

(0.23)

بنیادی اور ڈائیلیونڈ نقصان فی حصص

گزشتہ سال کی اسی مدت کے مقابلے میں، بینک کا نیٹ انٹرسٹ انکم (NII) 1.13 ارب روپے کمی کا شکار ہوا۔ تاہم، NII میں یہ کمی 1.46 ارب روپے کے نان مارک اپ/انٹرسٹ انکم میں اضافے اور نان پرفارمنگ لوز (NPL) پر انٹیٹیٹ بینک آف پاکستان کی محتاط شرائط کی ضروریات کے تحت 2.9 ارب روپے کی کم پروویڈنٹس کے ذریعے پورا کر لی گئی۔

NII میں کمی بنیادی طور پر اس دوران شرح سود میں اضافے کی وجہ سے ہوئی، جو کہ گزشتہ دورانیہ کے مقابلے میں زیادہ تھی، جس کے نتیجے میں بینک کے لیے فنانسنگ کے اخراجات میں اضافہ ہوا اور نان مارکنگ ایسیٹس میں اضافہ ہوا۔

نان مارک اپ/انٹرسٹ انکم کے لحاظ سے بینک کی آمدنی 453 بلین روپے بڑھ گئی، جو زیادہ فیسوں، کمیشنوں، اور غیر ملکی زرمبادلہ کی آمدنی کی بدولت ہے۔ اس کے علاوہ، گزشتہ سال کے مقابلے میں حکومت کی سیکورٹیز کی فروخت پر ہونے والے خسارے میں موجودہ دور میں 935 بلین روپے کمی آئی۔

مزید برآں، بلند مہنگائی اور روپے کی امریکی ڈالر کے مقابلے میں قدر میں کمی کے باوجود، بینک کے آپریٹنگ اخراجات میں صرف 103 بلین روپے کا اضافہ ہوا، جو جاری لاگت کنٹرول تدابیر کی کامیابی کو ظاہر کرتا ہے۔

کاروباری کارکردگی:

برائچ بینکنگ

برائچ بینکنگ نے 232,865 سے زائد کسٹمرز کو خدمات فراہم کیں، جو بینک کے ڈپازٹس کا 70% سے زیادہ حصہ ہیں۔ 30 جون 2022 کو کل ڈپازٹ تقریباً 103.67 ارب روپے تک پہنچ گیا۔ 30 جون 2022 تک کل سال بہ سال ڈپازٹ میں 5.74 ارب روپے کا اضافہ ہوا، جن میں سے کرنٹ اکاؤنٹ پورٹ فولیو میں 4.69 ارب روپے کا اضافہ ہوا۔

اس سرمایہ کے دوران، ہم نے پہلی سرمایہ میں جمع شدہ ڈپازٹ کی متحرک مارکیٹ میں پیش رفت کو فروخت کی شاندار حکمت عملی کے ذریعے برقرار رکھا۔ سیکورٹیز کو AIO اور BVA پلس اکاؤنٹس کے فوائد پر مسلسل بریفنگ اور تربیت فراہم کی گئی، جبکہ TDR پروڈکٹس پر بھی زور دیا گیا۔ ان مشنز کو کوششوں کے نتیجے میں، دسمبر 2021 کی بنیاد کے مقابلے میں سال بہ سال ڈپازٹ میں 6.83 ارب روپے کا اضافہ ہوا، جو کہ بگ سائز میں 6% کے اضافے کی نشاندہی کرتا ہے۔ بینکا سٹورس نے سالانہ پرییم میں 30.91 بلین روپے کا کاروبار کیا، جو سال 2022 کی دوسری سرمایہ کے دوران NFI کے طور پر 12.06 بلین روپے میں تبدیل ہوا۔

مزید برآں، سلک بینک کی ویری فائیزڈ ہائی ویزا ڈیبٹ کارڈز کی کامیاب لانچ کے بعد، ہم نے سوشل میڈیا اور براؤزر کے ذریعے کسٹمر انجمنٹ مہمات کا آغاز کیا، تاکہ POS اور آن لائن ڈیبٹ کارڈ خرچ کو بڑھایا جاسکے۔ پہلی مہم جو سال 2022 کی دوسری سرمایہ میں شروع کی گئی، اس میں ہفتہ وار کی ڈراما شامل تھے، جس کا مقصد کسٹمرز کو سلک بینک ڈیبٹ کارڈ استعمال کرنے کی ترغیب دینا تھا۔

کنزپومر بینکنگ:

سال 2022 کے پہلے نصف میں، کنزپومر بینکنگ نے نئی جدید سگنل حاصل کیے اور اپنی پہلے سے پھر پور مینو میں نئے پروڈکٹس اور خصوصیات شامل کیں۔ اس کے نتیجے میں، کاروبار نے 18.6 ارب روپے سے زائد کے آن سیکورڈ پورٹ فولیو پر 1.4 ارب روپے کا منافع قبل از ٹیکس رپورٹ کیا۔

کریڈٹ کارڈز:

کاروباری رفتار کو برقرار رکھتے ہوئے، سلک بینک کریڈٹ کارڈز نے آمدنی کو آسان بنانے کے لیے کئی اقدامات کیے۔ غیر فنڈڈ آمدنی پیدا کرنے کے لیے آن لائن اور بین الاقوامی خرچ پر زور دیا گیا۔ دیگر مہمات جیسے کہ گرومیری خریداری پر 2X کیش بیک، بین الاقوامی خرچ پر 100% کیش بیک کی مہم شروع کی گئیں۔ مزید برآں، پکڈ آرٹنگٹوں کے منصوبوں کی بگنگ کو سہولت دینے کے لیے مختلف مہمات شروع کی گئیں، جس کے نتیجے میں اپریل 2022 میں انڈسٹری کا سب سے زیادہ ENR حجم 370 بلین روپے رہا۔ اس کے علاوہ، خصوصی مہمات شروع کی گئیں تاکہ خرچ نہ کرنے والوں کو ہدف بنایا جاسکے اور انہیں خرچ کرنے کی ترغیب دی جاسکے۔

کاروبار نے سال کے پہلے نصف میں 510 بلین روپے کا منافع قبل از ٹیکس رپورٹ کیا۔ کوویڈ 19 کے اثرات سے ادائیگی کی صنعت پر پڑنے والے منفی اثرات سے ENR (اینڈنگ نیٹ ریٹیل) کو دوبارہ حاصل کرنے کے لیے کامیاب کوششیں کی گئیں، جس کے نتیجے میں نصف سال کا اختتام 6.7 ارب روپے پر ہوا۔ جنوری سے جون 2022 کے دوران 22,387 نئے کارڈز کے حصول کے ساتھ، CIF (کارڈ زائن فورس) جون 2022 تک بڑھ کر 181,232 ہو گئے۔ 2022 کے چھ ماہ میں کریڈٹ کارڈز پر کل خرچ 18 ارب روپے تھا۔

ریڈی الائن:

سال 2022 کے پہلے نصف میں، حصول میں سست روی تھی، لہذا کاروبار کی توجہ مختلف اقدامات کے ذریعے پورٹ فولیو کو بہتر بنانے پر مرکوز تھی۔ ہم نے اپنے معزز کسٹمرز کو فائدہ بخش ڈیلز فراہم کرنے کے لیے مقامی اور بین الاقوامی آن لائن ریٹیلرز کے ساتھ tactical اور seasonal تشہیری مہمات میں شراکت داری کی ہے۔

اس کے نتیجے میں، ان اور دیگر کامیاب اقدامات کی بدولت، ہم نے ریڈی الائن کی منافعیت کو مکمل طور پر تبدیل کر کے جون 2022 تک 680 ملین روپے تک پہنچا دیا، جس میں صرف سال 2022 کی دوسری سہ ماہی میں 352 ملین روپے کا EBIT شامل ہے۔ جون 2022 کے آخر تک، ای این آر 7.73 ارب روپے تک پہنچ گیا جس کے ساتھ 48,664 کسٹمرز تھے۔

پرنٹ لون:

سال 2022 کی دوسری سہ ماہی میں پرنٹ لون پروڈکٹ کے لیے شرح ترقی سست روی کا شکار رہی، اور نئے حصول پر کم توجہ دی گئی۔ اس کے باوجود، جون 2022 کے آخر تک، پورٹ فولیو 4.0 ارب روپے تک پہنچ گیا جس میں 19,663 فعال کسٹمرز شامل ہیں اور سال بہ سال منافع قبل از ٹیکس 186 ملین روپے رہا۔

ایمان اسلامک بینکنگ (ایمان):

ایمان اسلامک بینکنگ نے سال 2022 کے دوران قابل ستائش کارکردگی کا مظاہرہ کیا، مشکلات سے بھرپور اقتصادی حالات اور کاروباری ماحول کے باوجود کامیابی سے کام کیا۔ ڈپازٹ پورٹ فولیو 28,810 ملین روپے پر بند ہوا، جس میں CASA اور ٹائم ڈپازٹ کا تناسب 85:15 تھا۔ پورے سال کے دوران، 2,598 نئے اکاؤنٹس کھولے گئے، جس سے کل اکاؤنٹس کی تعداد 40,378 ہو گئی۔

سروس اور معیار، ایمان اسلامک بینکنگ کے لیے اہمیت رکھتے ہیں، جو عمل میں سروس کی بہتر بنیٹ کو شامل کرنے پر فخر کرتا ہے۔ سروس انڈیکسٹرز بینک کی کسٹمر سروس کے لیے لگن کو ظاہر کرتے ہیں، جس کے نتیجے میں سال کے لیے "Very Good" ریٹنگ حاصل ہوئی۔

کم از کم کیپٹل کی ضروریات (MCR) اور کیپٹل ایڈیکویٹی ریٹو (CAR)

30 جون 2022 تک، کم از کم کیپٹل کی ضروریات (MCR) منفی 11.12 ارب روپے پر موجود تھیں اور کیپٹل ایڈیکویٹی ریٹو (CAR) کی شرح منفی 35.23% تھی، جو کہ بالترتیب 10 ارب روپے اور 11.50% کی متعین کم از کم حدود کے برعکس ہے۔

کریڈٹ ریٹنگ:

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

مستقبل کا منظر نامہ:

جیسا کہ مالیاتی سیکشن میں پہلے ذکر کیا گیا ہے، یونائیٹڈ بینک لمیٹڈ (UBL) نے سلک بینک لمیٹڈ ("بینک") کو UBL کے ساتھ مکمل انضمام کی پیشکش باضابطہ طور پر فراہم کی ہے۔ UBL نے پاکستان اسٹاک ایکسچینج لمیٹڈ ("PSX") کو یہ معلومات فراہم کیں، جس میں مکمل انضمام کے حوالے سے پیشکش کی تصدیق کی گئی۔ اسی کے مطابق، بینک نے بھی 1 نومبر 2024 کو PSX کو اس مواد کی معلومات فراہم کیں۔

ہم مزید اطلاع دیتے ہیں کہ بینک کے بورڈ آف ڈائریکٹرز نے 6 نومبر 2024 کو ہونے والے اجلاس میں بینک کو UBL کے ساتھ مکمل انضمام کی اصولی منظوری دے دی۔ یہ انضمام بینکنگ کمپنیز آرڈیننس 1962 کے سیکشن 48 کے تحت اسٹیٹ بینک آف پاکستان کی منظوری سے عمل میں لایا جائے گا ("مکمل انضمام")۔ بینک نے 6 نومبر 2024 کو PSX کو اس مواد کی معلومات فراہم کیں۔

بعد ازاں، یو بی ایل اور سلک بینک کی بورڈ کی میٹنگز بالترتیب 2 دسمبر اور 4 دسمبر 2024 کو منعقد ہوئیں، جن میں دونوں بورڈز نے بینک کی یو بی ایل کے ساتھ ضم ہونے کی تجویز کو منظوری دی، جو کہ بینکنگ کمپنیز آرڈیننس 1962 کے سیکشن 48 کے تحت شیئر سویپ انتظام کے ذریعے کیا جائے گا۔ بورڈز نے Agreement to Scheme of Amalgamation-Amalgamate، اور دیگر متعلقہ دستاویزات پر عملدرآمد کی بھی منظوری دی جو انضمام کے نفاذ کے لیے ضروری ہیں۔

منظور شدہ شیئر سویپ تناسب کے تحت، UBL کا نیا عام شیئر، جس کی قیمت 10 روپے ہوگی، بینک کے 325 موجودہ شیئرز کے بدلے میں جاری کیا جائے گا، جن میں سے ہر ایک کی قیمت 10 روپے ہوگی۔ اس انتظام کے نتیجے میں کسی رائٹ انیشو کے بغیر 27,944,188 عام شیئرز جاری کیے جائیں گے۔

مزید برآں، بورڈز نے انضمام اور متعلقہ امور کے لیے شیئر ہولڈرز کی منظوری حاصل کرنے کے لیے غیر معمولی جنرل اجلاس (EOGMs) طلب کرنے کی منظوری دی۔ بینک کا غیر معمولی اجلاس عام 26 دسمبر 2024 کو منعقد ہوگا، جبکہ UBL کا غیر معمولی اجلاس عام 30 دسمبر 2024 کو ہوگا۔

یہ انضمام تمام ضروری قانونی تقاضوں کی تکمیل اور مطلوبہ کارپوریٹ، ریگولیٹری، اور تھریڈ پارٹی منظور یوں کے حصول سے مشروط ہے۔ اس عمل کے پیش نظر، ایکسٹرنل آڈیٹرز نے اپنی آڈٹ رپورٹ میں 'Material Uncertainty Related to Going Concern' کا ذکر شامل کیا ہے۔

ہم اپنے شیئر ہولڈرز کو مکمل انضمام کے بارے میں پیش رفت سے متعلق مزید اعلانات کے ذریعے باخبر رکھیں گے۔

اظہارِ تشکر

ہم ایک بار پھر اپنے صارفین اور کاروباری شراکت داروں کا اُن کے بینک پر اعتماد اور تعاون کے لیے تہ 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 مختاری

پریذیڈنٹ اینڈ سی ای او

13 دسمبر 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,
Dewarwall 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, 2022, 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, 2022, 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 indicate, among other things, that the Bank has incurred a net loss of Rs. 2,091.90 million (2021: Rs. 6,034.94 million) for the period ended June 30, 2022, resulting in accumulated losses of Rs. 34,552.20 million (December 31, 2021: Rs. 32,490.28 million) and negative net equity of Rs. 9,654.96 million (December 31, 2021: negative net equity of Rs. 7,160.646 million) as at June 30, 2022. 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, 2022.

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, which, if sanctioned by the SBP, pursuant to this proposed merger plan, 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 of new shares issued in the capital of UBL in favor of the shareholders of the bank.


2. As fully explained in note 13.2.2 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. 24.25 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, 2022, and 2021 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, 2022.

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


Grant Thornton Anjum Kalim
Chartered Accountants
Karachi

Date: December 13, 2024

UDIN: RR2022101260012Ck97W

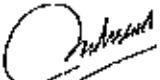
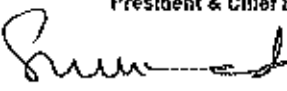
SILKBANK LIMITED
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2022

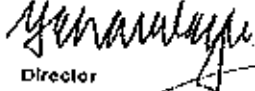
		June 30, 2022	December 31, 2021
	Un-audited	Audited	
	Rupees in '000		
ASSETS			
Cash and balances with treasury banks	8	14,291,844	12,224,513
Balances with other banks	9	1,004,911	517,553
Lendings to financial institutions	10	5,888,187	3,388,407
Investments	11	158,159,067	144,283,901
Advances	12	88,908,819	75,429,764
Fixed assets	13	5,763,297	5,885,493
Intangible assets	14	383,336	390,129
Deferred tax assets	15	19,516,327	15,137,587
Other assets	16	15,378,528	15,265,673
		289,294,095	272,552,920
LIABILITIES			
Bills payable	17	3,182,464	4,262,080
Borrowings	18	134,885,310	122,122,429
Deposits and other accounts	19	148,470,002	143,755,073
Liabilities against assets subject to finance lease		-	-
Subordinated debt	20	2,438,666	2,438,666
Deferred tax liabilities		-	-
Other liabilities	21	10,162,809	7,135,318
		298,949,051	279,713,566
NET ASSETS		(9,654,956)	(7,160,646)
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	644,981	1,077,389
Accumulated losses		(34,552,201)	(32,490,279)
		(9,654,956)	(7,160,646)
CONTINGENCIES AND COMMITMENTS	24		

The annexed notes 1 to 43 form an integral part of these condensed interim financial statements. Q7M


Chief Financial Officer

Director


President & Chief Executive Officer

Director


Director

SILKBANK LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT - UNAUDITED
FOR THE HALF YEAR ENDED JUNE 30, 2022

	Note	Quarter ended		Half year ended	
		June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Rupees in '000					
Mark-up / return / profit / interest earned	26	6,905,271	4,011,528	12,728,113	7,965,577
Mark-up / return / profit / interest expensed	27	(7,360,844)	(3,111,183)	(12,548,187)	(6,657,830)
Net mark-up / return / profit / interest income / (expense)		(455,573)	900,345	179,925	1,307,747
NON MARK-UP / INTEREST INCOME					
Fee and commission income	28	707,509	531,884	1,405,185	1,088,034
Dividend income		-	-	-	-
Foreign exchange income		180,413	72,866	258,051	122,069
Income / (loss) from derivatives		2	(14,757)	(9,358)	(91,497)
(Loss) / gain on securities	29	(146,388)	28,114	(162,856)	(1,118,044)
Other income	30	30,227	52,840	81,885	87,584
Total non-markup / interest income		771,763	670,947	1,552,907	90,146
Total Income		316,190	1,571,292	1,732,833	1,397,893
NON MARK-UP / INTEREST EXPENSES					
Operating expenses	31	(1,800,690)	(1,666,477)	(3,673,576)	(3,470,654)
Workers Welfare Fund		-	-	-	-
Other charges	32	(1,984)	(12,408)	(4,105)	(16,249)
Total non-markup / interest expenses		(1,802,674)	(1,678,885)	(3,677,681)	(3,486,903)
Loss before provisions, extra ordinary / unusual item and taxation		(1,486,484)	(107,593)	(1,844,848)	(2,089,010)
Provisions and write off - net Extra ordinary / unusual items	33	(4,419,403)	(5,306,168)	(4,202,943)	(7,101,973)
LOSS BEFORE TAXATION		(5,905,887)	(5,413,762)	(6,047,791)	(9,190,983)
Taxation	34	2,260,639	1,883,220	3,955,888	3,150,045
LOSS AFTER TAXATION		(3,645,248)	(3,530,542)	(2,091,903)	(6,034,938)
Rupee					
Basic and Diluted Loss Per Share	35	(0.40)	(0.39)	(0.23)	(0.60)

The annexed notes 1 to 43 form an integral part of these condensed interim financial statements. *RFM*


Chief Financial Officer


President & Chief Executive Officer


Director


Director


Director

SILKBANK LIMITED

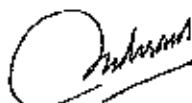
**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME - UNAUDITED
FOR THE HALF YEAR ENDED JUNE 30, 2022**

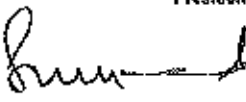
	Quarter ended		Half year ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
	Rupees in '000			
Loss after taxation for the period	(3,645,248)	(3,550,632)	(2,091,903)	(6,034,908)
Other comprehensive (loss) / Income				
Items that may be reclassified to profit and loss account in subsequent periods:				
Movement in (deficit) / surplus on revaluation of investments - net of tax	(255,948)	312,638	(428,781)	672,117
Items that will not be reclassified to profit and loss account in subsequent periods:				
Remeasurement gains on defined benefit obligations - net of tax	29,338	41,126	26,912	41,126
Movement in surplus on revaluation of fixed assets - net of tax	(545)	(582)	(2,094)	(1,164)
Movement in surplus on revaluation of non-banking assets - net of tax	(309)	(351)	(1,503)	(849)
	28,485	40,193	23,315	39,013
Total comprehensive loss	(3,872,711)	(3,197,501)	(2,497,379)	(5,423,808)

The annexed notes 1 to 43 form an integral part of these condensed interim financial statements.


Chief Financial Officer


Director


President & Chief Executive Officer


Director

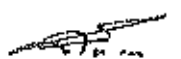

Director

SILKBANK LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY - UNAUDITED
FOR THE HALF YEAR ENDED JUNE 30, 2022

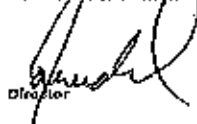
	Share Capital	Surplus / (deficit) on revaluation of		Capital Reserve	Revenue Reserve	Total Equity
		Investments	Fixed / Non Banking Assets	Statutory Reserve*	Accumulated Loss	
Rupees in '000						
Balance as at January 01, 2021 - Audited	23,431,374	(1,031,131)	1,974,593	820,890	(20,278,145)	4,869,581
Loss after taxation for the half year ended June 30, 2021 - Un-audited	-	-	-	-	(6,034,936)	(6,034,936)
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	-	-	-	-	1,050	1,050
Transfer from surplus on revaluation of non-banking assets on account of disposal of assets - net of tax	-	-	-	-	247	247
Balance as at June 30, 2021 - Un-audited	23,431,374	(509,014)	1,972,480	820,890	(26,265,840)	(551,110)
Loss after taxation for the half year ended December 31, 2021 - Un-audited	-	-	-	-	(6,246,283)	(6,246,283)
Other comprehensive loss - net of tax - Un-audited	-	(340,097)	(66,000)	-	(24,121)	(410,218)
Transfer to statutory reserves	-	-	-	-	-	-
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 incremental depreciation - net of tax	-	-	-	-	1,012	1,012
Transfer from surplus on revaluation of non-banking assets on account of disposal of assets - net of tax	-	-	-	-	44,164	44,164
Balance as at December 31, 2021 - Audited	23,431,374	(849,111)	1,928,480	820,890	(32,490,279)	(7,160,646)
Loss after taxation for the half year ended June 30, 2022 - Un-audited	-	-	-	-	(2,091,903)	(2,091,903)
Other comprehensive income / (loss) - net of tax - Un-audited	-	(428,791)	(3,597)	-	28,912	(405,476)
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	-	-	-	-	1,012	1,012
Transfer from surplus on revaluation of non-banking assets on account of disposal of assets - net of tax	-	-	-	-	267	267
Balance as at June 30, 2022 - Un-audited	23,431,374	(1,277,902)	1,922,883	820,890	(34,652,201)	(9,654,956)

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

The annexed notes 1 to 43 form an integral part of these condensed interim financial statements.



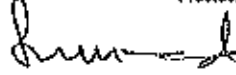
Chief Financial Officer



Director



President & Chief Executive Officer



Director



Director

SILKBANK LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT - UNAUDITED
FOR THE HALF YEAR ENDED JUNE 30, 2022

		June 30, 2022	June 30, 2021
	Note	Rupees in '000	
CASH FLOW FROM OPERATING ACTIVITIES			
Loss before taxation		(6,047,791)	(8,190,983)
Less: dividend income		-	-
		(6,047,791)	(8,190,983)
Adjustments:			
Depreciation on fixed assets	31	142,855	170,209
Depreciation on right-of-use assets	31	297,660	313,582
Depreciation on non-banking assets acquired in satisfaction of claims	31	17,600	23,516
Amortization of intangible assets	31	27,546	23,034
Amortization of (discount) / premium on investments - net		(35,365)	145,601
Finance charge on lease liability against right-of-use assets	27	189,188	182,283
Provisions against loans & advances	33	4,408,588	7,987,002
Gain on sale of fixed assets	30	-	(3,608)
Unrealized gain on revaluation of investments - held-for-trading	28	(3)	(3,904)
Unrealized loss on revaluation of investments - REIT Units	29	14,561	-
Share of profit from associate	30	-	(3,454)
Gain / (loss) on sale of non-banking assets acquired in satisfaction of claims	30	(571)	48,485
Provision reversal against other assets - net	33	-	(49,594)
Write offs against fixed assets	33	-	21,276
		5,041,837	8,242,627
		(1,005,954)	(948,456)
(Increase) / Decrease in operating assets			
Loans to financial institutions		(2,439,740)	(1,082,652)
Net investments in held-for-trading securities		32,276,185	2,152,223
Advances		2,112,578	2,537,700
Other assets (excluding advance taxation)		(22,235)	2,218,768
		31,856,789	6,826,039
(Decrease) / Increase in operating liabilities			
Bills payable		(1,069,618)	(184,618)
Borrowings		12,562,661	(22,824,977)
Deposits		4,714,929	(8,659,229)
Other liabilities (excluding current taxation)		3,139,497	(200,557)
		19,347,691	(32,049,382)
		60,198,576	(27,171,789)
		(162,311)	(188,821)
		50,036,265	(27,362,620)
Income tax paid			
Net cash flow generated / (used in) from operating activities			
CASH FLOW FROM INVESTING ACTIVITIES			
Net investment in available-for-sale securities		(47,221,269)	29,066,664
Net investment in held-to-maturity securities		502,158	34,890
Net investment in fixed assets and intangible assets		(344,810)	(238,201)
Proceeds on disposal of non-banking assets acquired in satisfaction of claims		28,000	60,600
Proceeds on disposal of fixed assets		38,320	50,968
Net cash flow (used in) / generated from investing activities		(47,197,601)	28,996,721
CASH FLOW FROM FINANCING ACTIVITIES			
Payment of subordinated debts		-	(200)
Payment of lease liability against right-of-use assets		(313,975)	(388,039)
Net cash flow used in financing activities		(313,975)	(388,239)
Increase in cash and cash equivalents		2,524,669	1,247,602
Cash and cash equivalents at the beginning of the period		12,772,066	14,338,860
Cash and cash equivalents at the end of the period	38	15,296,735	15,586,462

The annexed notes 1 to 43 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, 2022

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, 2021: 111 branches) including 27 (December 31, 2021: 27) Islamic banking branches in Pakistan. The Bank closed 6 branches including 4 Islamic banking 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, 2022 are Sinthos Capital (comprising of Mr. Shaoukat 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. Zuqarnain Nawaz Chatla / Mr. Zubair Nawaz Chatla 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, 2022, the equity of the Bank is negative Rs. 10.30 billion excluding surplus on revaluation of assets. This includes share capital (net of losses and discount on shares) of negative Rs. 11.12 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 35.23% (December 31, 2021: negative 24.13%) as against the minimum CAR requirement of SBP of 11.50% (December 31, 2021: 11.50%). Consequently, the Bank is non-compliant with MCR and CAR at June 30, 2022 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) of the Bank's ordinary shares. 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.

1.4.1 Later, the UBL's and the Bank's Board of Directors in their separate meetings held on December 02, 2024 and December 04, 2024 respectively, have approved:

- The Amalgamation of the Bank with and into UBL through a share swap arrangement in accordance with section 48 of the Banking Companies Ordinance, 1962;
- Execution of the Agreement to Amalgamate, Scheme of Amalgamation and other ancillary documentation in connection with the Amalgamation;
- The swap ratio of one (1) new ordinary share of UBL having face value of PKR, 10/- (Pakistan Rupee Ten Only) in exchange of 325 already issued shares of the Bank, each share having a face value of PKR 10/- (Pakistan Rupee Ten Only), issuance of 27,944,188 ordinary shares of UBL other than right issue; and
- Convening of Extraordinary General Meeting (EOGM) of UBL on December 30, 2024 and of the Bank on December 26, 2024 for consideration and approval of the Amalgamation and above-mentioned matters by the respective shareholders of UBL and the Bank.

The Amalgamation shall remain subject to inter alia:

- a. the execution of definitive agreements for and in connection with the Amalgamation by the parties to such definitive agreements;
- b. the completion of necessary corporate and regulatory formalities, including obtaining necessary shareholders' and regulatory approvals in accordance with applicable laws; and
- c. the sanction of the Scheme by the State Bank of Pakistan.

Subsequent to the meetings, the Agreement to Amalgamate has been executed on December 06, 2024.

On Amalgamation, the Bank's assets and liabilities shall be merged with and into 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;
- 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 01, 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, 'Format of Interim Financial Statements' (as updated from time to time), 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 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 (IFS). 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, 2021.

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 which 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, 2021.

5.1 Standards, interpretations of and amendments to accounting and reporting standards that are effective in the year 2022

As referred to in note 4.3 to the Bank's financial statements for the year ended December 31, 2021, there are certain standards, amendments and interpretations that are effective for the annual period beginning on or after January 01, 2022. 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:

- 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, 2021, that are mandatory for the Bank's accounting periods beginning on or after January 01, 2022 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, 2021.

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, 2021.

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, 2021.

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, 2021 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.

	Note	June 30, 2022 Un-audited	December 31, 2021 Audited
Rupees in '000			
8 CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		2,601,394	2,337,294
Foreign currencies		1,036,448	838,750
		3,636,842	3,176,044
With State Bank of Pakistan in			
Local currency current accounts	8.1	6,720,270	7,201,500
Foreign currency current accounts		766,672	659,084
Foreign currency deposit accounts	8.2	968,926	800,611
		10,475,867	8,751,104
With National Bank of Pakistan in			
Local currency current accounts		167,862	254,501
National Prize Bonds		11,273	42,864
		14,291,644	12,224,513
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 the SBP to comply with Special Cash Reserve requirement (FE-25 scheme, as prescribed by SBP). It carries interest rates of 0.12% (December 31, 2021: 0%).		
		June 30, 2022 Un-audited	December 31, 2021 Audited
Rupees in '000			
9 BALANCES WITH OTHER BANKS			
In Pakistan			
In current accounts		514,265	192,670
In deposit account		80	78
		514,366	192,948
Outside Pakistan			
In current accounts		490,546	354,606
		1,004,911	547,553
10 LENDINGS TO FINANCIAL INSTITUTIONS			
Repurchase agreement lendings (Reverse repo)		4,098,958	1,910,922
Foreign placement		1,789,209	1,477,485
		5,888,167	3,388,407

11 INVESTMENTS

11.1 Investments by type:	June 30, 2022 - Un-audited				December 31, 2021 - Audited			
	Cost / amortised cost	Provision for impairment	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for impairment	Surplus / (deficit)	Carrying value
	Rupees in '000							
11.1	Note							
Held-for-trading securities								
Federal Government Securities								
Market Treasury Bills	6,280	-	3	6,283	20,035,716	-	9,399	20,045,078
Pakistan Investment Bonds	-	-	-	-	11,370,287	-	(37,900)	11,332,387
	6,280	-	3	6,283	32,305,993	-	(28,501)	32,277,435
Available-for-sale securities								
Federal Government Securities								
Market Treasury Bills	29,165,353	-	(110,909)	29,054,444	17,798,300	-	11,028	17,810,328
Pakistan Investment Bonds	104,236,663	-	(1,803,384)	102,433,279	67,601,717	-	(1,247,547)	66,354,170
GOP (jarah) Sukuk	3,824,179	-	(90,266)	3,733,913	6,374,372	-	(107,897)	6,266,475
Shares								
Listed	26,609	-	11,869	37,468	25,609	-	38,467	64,076
Unlisted	6,680	(6,680)	-	-	6,680	(6,680)	-	-
Real Estate Investment Trust Units	810,032	-	(14,561)	895,471	-	-	-	-
Non Government Debt Securities								
Term Finance Certificates - Listed	60,396	-	(221)	60,175	60,600	-	(375)	60,225
Term Finance Certificates - Unlisted	8,780	(8,780)	-	-	8,780	(8,780)	-	-
	138,326,092	(14,460)	(2,109,482)	136,201,850	91,038,958	(14,460)	(1,308,324)	89,740,174
Held-to-maturity securities								
Federal Government Securities								
Pakistan Investment Bonds	21,803,201	-	-	21,803,201	21,847,401	-	-	21,847,401
Bal Musajjal	-	-	-	-	257,658	-	-	257,658
Non Government Debt Securities								
Shares repurchase (fully provided)	74,910	(74,910)	-	-	74,910	(74,910)	-	-
	21,878,111	(74,910)	-	21,803,201	22,100,269	(74,910)	-	22,025,359
Associates								
SPI Insurance Company Limited	147,933	-	-	147,933	147,933	-	-	147,933
Total Investments	160,357,916	(89,370)	(2,109,479)	158,169,067	145,703,143	(89,370)	(1,379,072)	144,283,801
11.2 Investments by segment:								
Federal Government Securities								
Market Treasury Bills	29,171,833	-	(110,906)	29,060,927	30,735,016	-	20,388	30,755,404
Pakistan Investment Bonds	126,038,764	-	(1,905,384)	124,133,380	101,022,685	-	(1,280,455)	99,742,230
GOP (jarah) Sukuk	3,824,179	-	(90,266)	3,733,913	6,374,372	-	(107,897)	6,266,475
Bal Musajjal	-	-	-	-	257,658	-	-	257,658
	169,134,678	-	(2,106,656)	167,028,020	145,389,731	-	(1,389,064)	144,021,787
Shares								
Listed	26,609	-	11,869	37,468	25,609	-	38,467	64,076
Unlisted	6,680	(6,680)	-	-	6,680	(6,680)	-	-
	31,289	(6,680)	11,869	37,468	31,289	(6,680)	38,467	64,076
Non Government Debt Securities								
Term Finance Certificates - Listed	60,396	-	(221)	60,175	60,600	-	(375)	60,225
Term Finance Certificates - Unlisted	8,780	(8,780)	-	-	8,780	(8,780)	-	-
	69,176	(8,780)	(221)	60,176	69,380	(8,780)	(375)	60,125
Shares repurchase (fully provided)	74,910	(74,910)	-	-	74,910	(74,910)	-	-
Real Estate Investment Trust Units	810,032	-	(14,561)	895,471	-	-	-	-
Associates								
SPI Insurance Company Limited	147,933	-	-	147,933	147,933	-	-	147,933
Total Investments	180,357,916	(89,370)	(2,109,479)	158,169,067	145,703,143	(89,370)	(1,379,072)	144,283,801

	June 30, 2022 Un-audited	December 31, 2021 Audited
	Rupees In '000	
11.2.1 Investments given as collateral		
Marked Treasury Bills	28,033,803	38,750,411
Pakistan Investment Bonds	98,495,676	76,769,949
	<u>128,649,478</u>	<u>115,620,360</u>

11.3 Provision for diminution in value of investments

	June 30, 2022	December 31, 2021
11.3.1 Opening balance	80,370	89,370
Change / (reversals)		
Charge for the period / year	-	-
Reversals for the period / year	-	-
Amounts written off		
Closing balance	<u>89,370</u>	<u>89,370</u>

11.3.2 Particulars of provision against debt securities

Category of classification	June 30, 2022 - Un-audited		December 31, 2021 - Audited	
	Non Performing Investments	Provision	Non Performing Investments	Provision
	Rupees In '000			
Domestic	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	83,690	83,690	83,690	83,690
Total	<u>83,690</u>	<u>83,690</u>	<u>83,690</u>	<u>83,690</u>

11.4 The market value of securities classified as held-to-maturity is Rs. 21,803 million (December 31, 2021: Rs. 22,105 million).

12 ADVANCES

	Performing		Non Performing		Total	
	June 30, 2022	December 31, 2021	June 30, 2022	December 31, 2021	June 30, 2022	December 31, 2021
	Un-audited	Audited	Un-audited	Audited	Un-audited	Audited
	Rupees In '000					
Loans, cash credits, running finances, etc. (specific financing and related assets)	49,383,606	52,401,503	44,181,016	43,858,231	93,644,621	96,260,734
Bills discounted and purchased	2,852,874	2,857,092	-	-	2,852,874	2,857,092
Advances - gross	52,236,480	55,258,595	44,181,016	43,858,231	97,018,499	99,657,322
Less: Provision against advances						
- Specific	-	-	27,362,606	23,361,430	27,362,606	23,361,430
- General	747,234	866,128	-	-	747,234	866,128
	747,234	866,128	27,362,606	23,361,430	28,109,840	24,227,558
Advances - net of provision	<u>52,088,361</u>	<u>54,920,850</u>	<u>18,820,268</u>	<u>20,499,914</u>	<u>68,808,819</u>	<u>76,429,764</u>

12.1 Particulars of advances (Gross)

	June 30, 2022 Un-audited	December 31, 2021 Audited
in local currency	97,018,469	99,657,322
in foreign currencies	-	-
	<u>97,018,469</u>	<u>99,657,322</u>

12.2 Advances include Rs. 44.10 billion (December 31, 2021: Rs. 43.86 billion) which have been placed under non-performing status as detailed below.

Category of classification - specific	June 30, 2022 - Un-audited		December 31, 2021 - Audited	
	Non Performing Loans	Provision	Non Performing Loans	Provision
	Rupees In '000			
Domestic	-	-	-	-
Substandard	1,433,086	67,038	694,485	71,634
Doubtful	813,728	17,331	1,111,354	465,298
Loss	41,839,081	27,288,237	42,055,685	22,824,660
Total	<u>44,182,874</u>	<u>27,362,606</u>	<u>43,861,344</u>	<u>23,361,430</u>

12.3 Particulars of provision against advances:

	June 30, 2022 - Un-audited			December 31, 2021 - Audited		
	Specific	General	Total	Specific	General	Total
	Rupees In '000					
Opening balance	23,361,430	866,128	24,227,558	13,851,591	742,004	14,693,665
Charge for the period / year	6,386,871	-	6,386,871	10,833,249	124,094	10,957,343
Reversals for the period / year	(866,211)	(118,894)	(985,105)	(465,783)	-	(465,783)
	4,627,490	(118,894)	4,498,666	10,347,455	124,094	10,471,550
Amounts written off	(626,284)	-	(626,284)	(637,657)	-	(637,657)
Closing balance	<u>27,362,606</u>	<u>747,234</u>	<u>28,109,840</u>	<u>23,361,430</u>	<u>866,128</u>	<u>24,227,558</u>

- 12.3.1 It includes non-performing advances amounting to Rs. 10,283 million (December 31, 2021: Rs. 10,283 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. The Bank intends to settle these exposures through Real Estate Investment Trust (REIT) arrangements which have been 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 been established. Out of the total land mortgaged with the Bank as a collateral securing these non-performing exposures, the land measuring 14.34 acres and 32.20 acres have been released and transferred in favour of SIDR and SWIR respectively. However, the Bank still holds other land of the related borrowers under mortgage having market value of around Rs. 24 billion.
- 12.3.1.1 After formation of SIDR, and transfer of land, an initial sale proceed of Rs. 470 million have been realised to the Bank against these respective non-performing exposures.
- 12.3.1.2 Against the land transferred to SWIR, REIT units in SWIR having par value of Rs. 5 billion have been issued 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, 2022, 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.9,240 million (December 31, 2021: Rs. 13,114 millions), 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, 2021: 4%) of unsecured portfolio of the Bank.

		June 30, 2022	December 31, 2021
	Note	Un-audited	Audited
		Rupees in '000	
13	FIXED ASSETS		
		141,634	-
	Capital work-in-progress	2,969,794	2,968,545
	Property and equipment	2,654,869	2,016,040
	Right-of-use assets	<u>6,783,297</u>	<u>5,885,483</u>
13.1	Capital work-in-progress		
		916	-
	Civil works	140,718	-
	Advances to suppliers and contractors	<u>141,634</u>	<u>-</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 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 loans, 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, 2022	June 30, 2021	
	Un-audited	Un-audited	
		Rupees in '000	
13.3	Additions to fixed assets		
	The following additions have been made to fixed assets during the period:	324,058	140,919
	Capital work-in-progress		
	Property and equipment	2,289	688
	Furniture and fixture	7,855	46,178
	Electrical, office and computer equipment	166,162	6,472
	Vehicles	4,418	718
	Leasehold improvements	<u>182,424</u>	<u>54,003</u>
	Total	<u>606,482</u>	<u>203,925</u>

	June 30, 2022 Un-audited	June 30, 2021 Un-audited
	Rupees in '000	
13.4 Disposal of fixed assets		
The net book value of fixed assets disposed off during the period is as follows:		
Furniture and fixture	-	305
Electrical, office and computer equipment	-	323
Vehicles	38,320	46,471
Total	38,320	47,100

	June 30, 2022 Un-audited	December 31, 2021 Audited
	Rupees in '000	
14 INTANGIBLE ASSETS		
Capital work-in-progress	66,511	58,280
Software	316,824	330,849
	383,335	390,129

	June 30, 2022 Un-audited	June 30, 2021 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	20,762	88,282
Software (directly purchased)	13,521	60,258
Total	34,273	136,540

	June 30, 2022 Un-audited	December 31, 2021 Audited
	Rupees in '000	
15 DEFERRED TAX ASSETS		

Deductible Temporary Differences on

- Tax losses carried forward
- Deficit on revaluation of investments
- Provision for diminution in value of investments
- Provision against non-performing advances
- Provision against Workers' Welfare Fund (WWF)
- Provision against other assets
- Depreciation on non-banking assets
- Impairment in value of fixed assets
- Unabsorbed tax depreciation

Note

	June 30, 2022 Un-audited	December 31, 2021 Audited
	6,402,534	5,209,116
23	817,018	467,213
	3,424	3,073
	10,909,781	8,780,796
	52,476	47,084
	340,139	305,253
	101,601	86,255
	128,428	118,153
	888,286	753,510
	19,644,689	15,238,472

Taxable Temporary Differences on

- Surplus on revaluation of non-banking assets
- Surplus on revaluation of fixed assets
- Post retirement employee benefits
- Accelerated tax depreciation

23
23

	June 30, 2022 Un-audited	December 31, 2021 Audited
23	(14,614)	(14,391)
23	(9,072)	(8,768)
	(42,426)	(21,238)
	(62,250)	(56,488)
	(128,361)	(100,885)
	19,616,327	15,137,587

- 15.1 The Bank has an aggregate amount of deferred tax assets of Rs. 10,516 million (December 31, 2021: Rs. 15,130 million) out of which an amount of Rs. 10,910 million (December 31, 2021: 8,261 million) has been recorded in accordance with the provision of the Seventh Schedule to the Income Tax Ordinance, 2001, which require that Provisions for advances and off-balance sheet items shall be allowed upto a maximum of 1% of total advances and provisions for advances and off-balance sheet items shall be allowed at 5% of total advances for consumers and small and medium enterprises. Pursuant to the Amalgamation arrangement as detailed in Note 1.4, the unamalgamated entity is expected to realize these deferred tax assets mainly against its future years tax liabilities and available tax benefits with respect to non-performing loans.

		June 30, 2022	December 31, 2021
	Note	Un-audited	Audited
		Rupees in '000	
16 OTHER ASSETS			
Income / mark-up accrued in local currency - net of provision		9,012,186	7,838,586
Income / mark-up accrued in foreign currency - net of provision		10	8
Accrued rent		18,210	138,414
Advances, deposits, advance rent and other prepayments		252,080	214,318
Profit paid in advance on fixed deposits		43,185	31,537
Advance taxation (payments less provisions)		2,683,805	2,006,254
Net defined benefit assets		108,763	60,687
Non-banking assets	16.2	3,009,899	3,143,549
Branch adjustment account		-	288,932
Mark to market gain on forward contracts		326,241	42,287
Acceptances		327,765	365,758
Contract assets	16.4	-	-
Receivable from sale of non-banking assets acquired in satisfaction of claims	16.5	60,150	972,844
Fee receivable from Credit Card members		184,742	167,905
Others		673,609	799,331
		<u>15,180,655</u>	<u>18,066,420</u>
Less: Provision held against other assets	16.6	(857,232)	(857,232)
Other assets - net of provisions		15,323,423	16,209,188
Surplus on revaluation of non-banking assets		55,105	58,385
Other assets - total		<u>16,378,628</u>	<u>15,267,573</u>
16.1 Market value of Non-banking assets acquired in satisfaction of claims		<u>2,305,772</u>	<u>2,350,702</u>
16.2 Non-banking assets			
- acquired in satisfaction of claims		3,003,133	3,051,678
- under agreement to sale third parties		96,766	91,971
		<u>3,099,899</u>	<u>3,143,649</u>

- 16.3 The non-banking assets acquired in satisfaction of claims (NBAs) aggregating to Rs. 1,844 million (December 31, 2021: 1,844 million) are currently un-developed and have been evaluated based on the valuation reports from the valuers on Pakistan Bank Association list of approved valuers. The Bank exposure exceeds the prescribed limit of 2.5% of aggregate advances and investments (excluding investment in Governmental securities) as prescribed by SBP under regulation Debt Property Swap.

- 16.4 The Contract assets represent the variable consideration, receivable to the Bank from SIDR, against the land transferred to it in 2021, which was previously held as Non-banking assets. Such transfer of land was made under the REIT arrangement to which certain mortgaged land of Respective borrowers as detailed in Note 12.3.1 was also released. At the time of issuance of these condensed interim financial statements, the management has assessed the expected value of these Contract assets as Nil, as significant time has been lapsed in launch of SIDR's project, which have multiple implications on achieving the project's required profitability level and payouts to SIDR unit holders.

- 16.5 During the period, REIT units of SWIR having par value equivalent to Rs.910 million have also been issued in consideration to the land transferred to SWIR (previously held as Non-banking assets) under REIT arrangement in which certain mortgaged land of Respective borrowers was also released (Note 12.3.1). Such REIT units are now classified as Investments (Note 11) from the 'Receivable from sale of non-banking assets acquired in satisfaction of claims', which are classified hereunder. The Bank is expected to realize dividends over the REIT units held during the tenure and liquidation proceeds at the culmination of the respective REIT.

	June 30, 2022	December 31, 2021				
	Un-audited	Audited				
	Rupees in '000					
16.6 Provision held against other assets						
Non-banking assets acquired in satisfaction of claims	849,232	849,232				
Others	8,000	8,000				
	<u>857,232</u>	<u>857,232</u>				
16.6.1 Movement in provision held against other assets						
Opening balance	857,232	1,270,223				
Charge for the period / year	-	-				
Reversals for the period / year	-	(51,094)				
Net reversals for the period / year	-	(51,094)				
Reversal on disposal / write off	-	(381,897)				
Closing balance	<u>857,232</u>	<u>857,232</u>				
17 BILLS PAYABLE						
In Pakistan	3,192,464	4,282,080				
Outside Pakistan	-	-				
	<u>3,192,464</u>	<u>4,282,080</u>				
18 BORROWINGS						
Secured						
Borrowings from State Bank of Pakistan						
- under export refinance scheme	1,779,049	1,751,356				
- under Credit Guarantee Scheme for Small and Rural Enterprises	833	1,000				
Repurchase agreement borrowings	<u>128,762,034</u>	<u>115,860,227</u>				
Total secured	<u>130,542,816</u>	<u>117,612,583</u>				
Unsecured						
Call borrowings	-	2,100,000				
Trading liability	4,000,000	1,910,922				
Overdrawn nostro accounts	142,494	498,024				
Total unsecured	<u>4,142,494</u>	<u>4,508,946</u>				
	<u>134,685,310</u>	<u>122,122,429</u>				
19 DEPOSITS AND OTHER ACCOUNTS						
	June 30, 2022 - Un-audited			December 31, 2021 - Audited		
	In Local Currency	In Foreign Currencies	Total	In Local Currency	In Foreign Currencies	Total
	Rupees in '000					
Customers						
Current deposits	38,820,877	4,648,980	43,369,857	34,086,788	4,104,688	38,193,674
Saving deposits	58,599,320	4,271,762	62,871,072	57,507,882	4,064,176	61,572,058
Term deposits	34,507,747	1,829,780	36,337,527	36,102,070	2,268,330	38,371,300
Margin deposits	1,101,490	-	1,101,490	958,541	-	958,541
Call deposits	2,318,406	-	2,318,406	1,427,904	-	1,427,904
	<u>135,347,840</u>	<u>10,550,512</u>	<u>145,998,352</u>	<u>130,086,085</u>	<u>10,437,392</u>	<u>140,523,477</u>
Financial Institutions						
Current deposits	290,553	7,770	298,323	211,657	14,888	226,345
Saving deposits	1,177,466	26,940	1,204,406	2,127,850	23,699	2,151,549
Term deposits	860,830	117,992	968,822	752,030	101,672	853,702
	<u>2,318,949</u>	<u>152,702</u>	<u>2,471,650</u>	<u>3,091,537</u>	<u>140,059</u>	<u>3,231,596</u>
	<u>137,666,789</u>	<u>10,803,214</u>	<u>148,470,002</u>	<u>133,177,622</u>	<u>10,577,451</u>	<u>143,755,073</u>

		June 30, 2022	December 31, 2021
	Note	Un-audited	Audited
		Rupees in '000	
20 SUBORDINATED DEBT			
Subordinated Term Finance Certificates	20.1	1,098,400	1,098,400
Subordinated loan from Sponsors	20.2	440,266	440,266
		<u>2,438,666</u>	<u>2,438,666</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 was harmonized by VIS according to their revised methodology and assigned rating of '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 89.86% in last two equal semi-annual installments of 49.93% each.
Mark-up	6 months KIBOR plus 1.05% per annum.
Call option	The Bank may call TFCs in part or in full, after 5 years from date of issue or 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 1,238,390,063 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 instruments 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, 2022	December 31, 2021
	Note	Un-audited	Audited
		Rupees in '000	
21 OTHER LIABILITIES			
Mark-up / return / interest payable in local currency		2,149,372	615,455
Mark-up / return / interest payable in foreign currencies		7,679	6,843
Unearned commission and income on bills discounted		83,220	76,140
Accrued expenses		853,813	1,050,641
Acceptances		327,765	385,768
Mark to market loss on forward contracts		101,388	53,133
Branch adjustment account		1,535,837	-
Payable to defined benefit plan - contractual staff		86,350	79,697
Provision against off-balance sheet obligations	21.1	108,812	109,812
Workers' Welfare Fund (WWF)		102,395	102,394
Advance received against future sale of non-banking assets		111,022	75,114
Advance received against future sale of asset held for sale		118,500	118,500
Deferred income against non-banking assets		128,848	128,848
Isolitic pool management reserve		8,526	8,255
Lease liability against right-of-use assets		3,227,175	3,339,381
Non-checking account		86,887	70,286
FDI remitting account		29,404	41,172
Fund received against application of Housing Scheme		50,145	53,395
Others		814,421	841,595
		<u>10,162,609</u>	<u>7,135,318</u>

		June 30, 2022 Un-audited	December 31, 2021 Audited	
		Rupees In '000		
21.1	Provision against off-balance sheet obligations			
	Opening balance	100,812	116,012	
	Charge for the period / year	-	(6,200)	
	Reversals for the period / year	-	(0,200)	
	Amount written off	-	-	
	Closing balance	<u>100,812</u>	<u>109,612</u>	21.1.1
21.1.1	This includes provisions made against letters of guarantees issued by the Bank.			
22	SHARE CAPITAL- NET			
22.1	Authorised capital			
	June 30, 2022 Un-audited	December 31, 2021 Audited		
	Number of shares in '000			
	<u>10,000,000</u>	<u>10,000,000</u>	Ordinary shares of Rs. 10 each	<u>100,000,000</u> <u>100,000,000</u>
22.2	Issued, subscribed and paid up capital			
	June 30, 2022 Un-audited	December 31, 2021 Audited		
	Number of shares in '000			
	<u>9,081,861</u>	<u>9,081,861</u>	Ordinary shares of Rs. 10 each	<u>90,818,612</u> <u>90,818,612</u>
			Fully paid in cash	<u>(87,387,238)</u> <u>(87,387,238)</u>
			Less: Discount on issue of shares	<u>23,431,374</u> <u>23,431,374</u>
23	SURPLUS ON REVALUATION OF ASSETS - NET OF TAX			
	(Deficit) / Surplus on revaluation of			
	- Available for sale securities	(2,094,921)	(1,306,324)	
	- Fixed assets	46,637	48,327	
	- Non-banking assets acquired in satisfaction of claims	1,900,032	1,801,312	
		(148,352)	643,315	
	Deferred tax on deficit / (surplus) on revaluation of			
	- Available for sale securities	817,019	457,213	15
	- Fixed assets	(6,072)	(6,788)	16
	- Non-banking assets acquired in satisfaction of claims	(14,614)	(14,391)	16
		<u>796,333</u>	<u>434,054</u>	
		<u>644,981</u>	<u>1,077,369</u>	
24	CONTINGENCIES AND COMMITMENTS			
	Guarantees	13,500,536	13,454,462	24.1
	Commitments	18,202,744	15,938,275	24.2
	Contingent liabilities	859,888	838,001	24.3
		<u>32,673,168</u>	<u>30,330,738</u>	
24.1	Guarantees:			
	Financial guarantees	664,940	474,910	
	Performance guarantees	8,230,294	8,407,858	
	Other guarantees	4,605,302	4,571,864	
		<u>13,500,536</u>	<u>13,454,462</u>	
24.2	Commitments:			
	Documentary credits and short-term trade-related transactions			
	- letters of credit	1,964,466	2,688,685	
	Commitments in respect of:			
	- forward foreign exchange contracts	18,247,376	13,149,863	24.2.1
	- forward government securities transactions	-	-	24.2.2
	Commitments for acquisition of:			
	- operating fixed assets	003	220	
	- intangible assets	-	121,397	
		<u>18,202,744</u>	<u>15,938,275</u>	

	June 30, 2022 Un-audited	December 31, 2021 Audited
Rupees in '000		
24.2.1 Commitments in respect of forward foreign exchange contracts		
Purchase	11,132,623	9,875,056
Sale	5,114,863	3,174,907
	<u>16,247,376</u>	<u>13,149,863</u>

	June 30, 2022 Un-audited	December 31, 2021 Audited
Rupees in '000		
24.2.2 Commitments in respect of forward government securities transactions		
Purchase	-	-
Sale	-	-
	<u>-</u>	<u>-</u>

24.2.3 The Bank makes commitments to extend credit in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn.

	June 30, 2022 Un-audited	December 31, 2021 Audited
Rupees in '000		
24.3 Contingent liabilities:		
Claims against the Bank not acknowledged as debt	834,248	902,361
Claims against the Bank by Competition Commission of Pakistan & others	35,649	35,640
	<u>869,897</u>	<u>938,001</u>

24.3.1 Suits for damages of Rs. 24.25 billion (December 31, 2021: Rs. 24.31 billion) have been filed against the Bank by various borrowers / employees in respect of certain disputes relating to loans and advances. The management of the Bank and its legal counsel consider that the suits are a counterblast in response to the recovery suits filed by the Bank. The Bank and its legal counsel are confident that the cases will be dismissed as actual damages have to be proven in such suits.

24.4 Subsequently, at the time of issuance of these condensed interim financial statements these contingencies are reduced as follows:

	June 30, 2022 Un-audited	December 31, 2021 Audited
Rupees in '000		
Claims against the Bank not acknowledged as debt	802,067	701,180
Claims against the Bank by Competition Commission of Pakistan & others	35,600	35,000
	<u>837,667</u>	<u>826,180</u>

24.4.1 Further the suits for damages now reduced from Rs. 24.25 billion to Rs 24.22 billion.

24.6 For contingencies relating to taxation refer note 34.1-34.4.

26 DERIVATIVE INSTRUMENTS

Product Analysis	June 30, 2022 - Un-audited	
	Notional Principal	Mark to Market gain / (loss)
Rupees in '000		
Counterparties		
Hedging		
- Banks	8,468,394	174,467
- Other entities	7,780,882	20,366
Total	<u>16,247,376</u>	<u>194,833</u>

	December 31, 2021 - Audited	
	Notional Principal	Mark to Market gain / (loss)
Rupees in '000		
Counterparties		
Hedging		
- Banks	11,034,242	(38,672)
- Other entities	2,115,721	27,936
Total	<u>13,149,863</u>	<u>(10,836)</u>

		June 30, 2022	June 30, 2021
		Un-audited	Un-audited
	Note	Rupees in '000	
26	MARK-UP / RETURN / PROFIT / INTEREST EARNED		
	On:		
	a) Loans and advances	4,654,181	3,982,410
	b) Investments	7,945,885	3,865,570
	c) Lendings to financial institutions	227,631	117,648
	d) Balances with banks	428	43
		<u>12,728,113</u>	<u>7,965,677</u>
27	MARK-UP / RETURN / PROFIT / INTEREST EXPENSED		
	On:		
	a) Deposits	4,986,716	3,647,400
	b) Borrowings	7,034,376	2,642,626
	c) Subordinated debt	93,648	89,487
	d) Cost of foreign currency swaps against foreign currency deposits / borrowings	252,870	176,086
	e) Lease liability against right-of-use assets	169,188	192,283
	f) Others	11,389	0,930
		<u>12,648,187</u>	<u>6,657,830</u>
28	FEE & COMMISSION INCOME		
	Branch banking customer fees	93,363	83,519
	Card related fees (debit and credit cards)	998,088	881,613
	Credit related fees	159,782	166,720
	Commission on trade	78,932	90,603
	Commission on guarantees	41,473	31,229
	Commission on remittances including home remittances	11,331	6,631
	Commission on bancassurance	18,428	18,072
	Others	2,788	8,747
		<u>1,405,185</u>	<u>1,086,034</u>
29	(LOSS) / GAIN ON SECURITIES		
	Realised	29.1 (148,288)	(1,119,048)
	Unrealised - held for trading	3	3,904
	Unrealised - REIT Units	(14,561)	-
		<u>(162,856)</u>	<u>(1,116,044)</u>
29.1	Realised (loss) / gain on:		
	Federal Government Securities	(148,288)	(1,059,459)
	Shares	-	(60,489)
		<u>(148,288)</u>	<u>(1,119,048)</u>
30	OTHER INCOME / (LOSS)		
	Rent on property and non-banking assets	-	308
	Gains on sale of fixed assets - net	-	3,508
	Loss on sale of non-banking assets - net	571	(46,485)
	Rent on lockers	11,739	10,913
	Postage, telex and other service charges recovered	26,600	12,874
	Share of profit from associate	-	3,454
	Early loan termination charges	24,075	27,420
	Gain on termination leases	-	75,594
		<u>61,885</u>	<u>87,584</u>

	June 30, 2022 Un-audited	June 30, 2021 Un-audited
	Rupees in '000	
31 OPERATING EXPENSES		
Total compensation expense	1,703,414	1,839,286
Property expense		
Rent & taxes	7,500	5,209
Insurance on non-banking assets acquired in satisfaction of claims	4,954	929
Utilities cost	102,430	91,208
Security (including guards)	14,806	11,088
Repair & maintenance (including janitorial charges)	29,094	37,072
Depreciation on buildings	35,589	35,521
Depreciation on right-of-use assets	297,660	313,682
Depreciation on non-banking assets acquired in satisfaction of claims	17,500	23,516
Professional charges	2,179	601
	611,712	518,826
Information technology expenses		
Software maintenance	148,666	87,737
Hardware maintenance	56,792	54,211
Depreciation	34,790	40,215
Amortisation	27,546	23,034
Website development charges	289	286
	265,983	215,483
Other operating expenses		
Directors' fees and allowances	18,772	16,010
Fees and allowances to Shariah Board	7,845	7,467
Legal & professional charges	53,226	53,603
Outsourced services costs	108,884	94,224
Travelling & conveyance	35,107	30,656
NEFT clearing charges	5,416	3,041
Depreciation	72,476	94,373
Training & development	1,421	3,268
Postage & courier charges	654	2,865
Communication	287,638	219,468
Stationery & printing	49,032	44,050
Marketing, advertisement & publicity	148,156	77,523
Auditors' remuneration	12,175	11,809
Insurance (including deposit protection)	83,161	76,393
Repairs & maintenance	40,585	33,745
Brokerage and commission	2,762	4,057
Subscriptions and news papers	10,157	12,726
Entertainment	18,795	19,411
Vehicle running & maintenance	13,543	11,178
Card related expenses (debit and credit cards)	99,024	70,118
Security	25,462	11,868
Others	3,076	1,298
	1,082,467	897,057
	3,673,576	3,470,654
32 OTHER CHARGES		
Penalties imposed by State Bank of Pakistan	1,240	7,257
Operational loss	2,285	8,992
	4,105	18,249

		June 30, 2022	June 30, 2021
		Un-audited	Un-audited
	Note	Rupees in '000	
33	PROVISIONS & WRITE OFFS - NET		
	Provisions against loans & advances	12.3 4,408,566	7,367,002
	Provision against other assets - net	16.6.1 -	(49,584)
	Write offs against fixed assets	-	21,275
	Recovery of written off / charged off bad debts	(205,823)	(236,710)
		<u>4,202,843</u>	<u>7,101,973</u>
34	TAXATION		
	Current	-	-
	Prior years	84,760	68,172
	Deferred	(4,040,648)	(3,214,217)
		<u>(3,955,888)</u>	<u>(3,146,045)</u>
34.1	The prior year tax amounting to Rs. 85 million pertains to minimum tax for the financial year 2017 as the Bank charges such tax in the year when the five year carry forward period expires under section 113 of the Income Tax Ordinance, 2001. The Income tax returns of the Bank have been e-filed upto tax year 2022. 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 (December 31, 2021: Rs. 3,026 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 (December 31, 2021: Rs.682 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 Income Tax Ordinance, 2001, have been concluded. However, no order has been passed by the Commissioner to date. For the tax year 2021 & 2022 returns of income e-filed is deemed to be an assessment order under section 129 of the Income Tax Ordinance, 2001.		
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.241,860 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 2018, 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.343,191 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 Income Tax Ordinance, 2001 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 Income Tax Ordinance, 2001 (for tax years 2016 and 2017) and under section 122(1) of the Income Tax Ordinance, 2001 (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, 2022	June 30, 2021
		Un-audited	Un-audited
35	BASIC AND DILUTED EARNINGS PER SHARE		
	Loss after taxation for the period (Rupees in '000)	(2,091,803)	(6,034,938)
	Weighted average number of ordinary shares (Number)	9,081,861	9,081,861
	Basic and diluted loss per share (Rupee)	(0.23)	(0.66)
36	CASH AND CASH EQUIVALENTS		
	Cash and balance with treasury banks	14,291,844	14,878,704
	Balance with other banks	1,004,911	707,938
		<u>15,296,755</u>	<u>15,586,642</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 liabilities, 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, 2022 - 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	29,060,727	-	29,060,727	-	29,060,727
Pakistan Investment Bonds	124,133,360	-	124,133,360	-	124,133,360
GOP (Jawah Sukuk)	3,833,913	-	3,833,913	-	3,833,913
Bal Muzamil	-	-	-	-	-
Shares					
Listed companies	37,468	37,468	-	-	37,468
Non-Government Debt Securities					
Term Finance Certificates - Listed	50,175	-	50,175	-	50,175
	167,116,663	37,468	157,078,195	-	157,116,663
Financial assets - disclosed but not measured at fair value					
Cash and balances with treasury banks	14,291,844	-	-	-	-
Balances with other banks	1,004,911	-	-	-	-
Lendings to financial institutions	5,888,167	-	-	-	-
Advances	68,003,619	-	-	-	-
Other assets	9,591,539	-	-	-	-
	99,666,080	-	-	-	-
	266,800,743	37,468	157,078,195	-	157,116,663
Off-balance sheet financial instruments - measured at fair value					
Forward purchase of foreign exchange	11,132,623	-	11,132,623	-	11,132,623
Forward sale of foreign exchange	5,114,863	-	5,114,863	-	5,114,863
Forward purchase of government securities transactions	-	-	-	-	-
Forward sale of government securities transactions	-	-	-	-	-

December 31, 2021 - 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	38,755,404	-	38,755,404	-
Pakistan Investment Bonds	99,742,230	-	99,742,230	-
GOP Bazar Sukuks	5,266,475	-	5,266,475	-
Rai Muajjal	257,658	-	257,658	-
Shares				
Listed companies	64,076	64,076	-	-
Non-Government Debt Securities				
Sukuks - Listed	-	-	-	-
Term Finance Certificates - Listed	50,125	-	50,125	-
	144,135,668	64,076	144,071,892	-
Financial assets - disclosed but not measured at fair value				
Cash and balances with treasury banks	12,224,513	-	-	-
Balances with other banks	547,653	-	-	-
Landings in financial institutions	3,388,407	-	-	-
Advances	75,429,764	-	-	-
Other assets	8,158,654	-	-	-
	100,748,291	-	-	-
	244,884,259	64,076	144,071,892	-
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange	9,975,056	-	9,975,056	-
Forward sale of foreign exchange	3,174,807	-	3,174,807	-
Forward purchase of government securities transactions	-	-	-	-
Forward sale of government securities transactions	-	-	-	-

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 Bazar Sukuks	Fair values of GOP Bazar Sukuks are derived using the PKRSRV 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 sukuks 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, 2022 - Unaudited				
Fixed assets - land and buildings	2,023,848	-	2,023,848	2,023,848
Non-banking assets acquired in satisfaction of claims	2,305,772	-	2,305,772	2,305,772
	4,329,620	-	4,329,620	4,329,620
December 31, 2021 - Audited				
Fixed assets - land and buildings	2,029,497	-	2,029,497	2,029,497
Non-banking assets acquired in satisfaction of claims	2,350,702	-	2,350,702	2,350,702
	4,380,199	-	4,380,199	4,380,199

37.2.1 Certain categories of operating fixed assets (land and buildings), 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, 2021.

38 SEGMENT INFORMATION

Segment Details with respect to Business Activities

June 30, 2022 - Un-audited				
Consumer / SME	Whole Sale Banking	Treasury	Total	
Rupees in '000				
Profit and Loss Account				
Net mark-up / return / profit / (expense)	3,734,190	(3,058,800)	(495,374)	170,026
Inter segment revenue - net	-	-	-	-
Non Mark-up / Interest Income / (Loss)	1,346,358	153,820	52,829	1,552,907
Total Income / (loss)	5,080,548	(2,905,270)	(442,445)	1,732,833
Segment direct expenses	(2,014,790)	(1,510,533)	(43,258)	(3,577,581)
Inter segment expense allocation	(721,257)	721,155	102	-
Total expenses	(2,736,047)	(789,478)	(43,156)	(3,577,581)
Provisions	(33,162)	(4,169,781)	-	(4,202,943)
Profit / (loss) before tax	2,311,339	(7,873,626)	(485,601)	(5,047,901)
Statement of Financial Position				
Cash & Bank balances	-	6,173,098	7,123,557	13,296,756
Investments	-	-	158,159,087	158,159,087
Net inter segment lending	166,888,459	(218,211,123)	110,522,884	-
Loans to financial institutions	1,520,829	288,381	4,098,959	6,888,167
Advances - performing	23,486,697	28,801,654	-	52,288,351
Advances - non-performing - net of provision	1,145,412	15,874,956	-	16,820,368
Others	2,281,422	36,612,418	147,847	41,041,487
Total Assets	134,122,818	(124,880,716)	280,051,893	289,294,096
Borrowings	519,352	1,171,041	132,994,017	134,685,310
Subordinated debt	-	2,438,665	-	2,438,666
Deposits & other accounts	109,274,728	39,245,274	-	148,470,002
Net inter segment borrowing	19,735,506	(167,498,221)	147,762,626	-
Others	4,843,142	6,341,768	2,370,163	13,555,073
Total Liabilities	134,122,818	(118,300,672)	283,128,805	289,949,051
Equity	-	(8,580,144)	(3,075,812)	(11,655,956)
Total Equity & Liabilities	(34,122,818)	(124,880,716)	280,051,893	289,294,096
Contingencies & Commitments	834,248	15,491,644	16,247,376	32,573,168

June 30, 2021 - (Un-audited)				
Consumer / SME	Whole Sale Banking	Treasury	Total	
Rupees in '000				
Profit and Loss Account				
Net mark-up / return / profit / (expense)	3,112,598	(2,404,828)	590,070	1,307,747
Inter segment revenue - net	-	-	-	-
Non Mark-up / Interest Income	1,056,854	134,950	(1,103,058)	80,146
Total Income / (loss)	4,171,450	(2,269,878)	(503,678)	1,387,893
Segment direct expenses	(1,590,918)	(1,556,367)	(39,818)	(3,186,003)
Inter segment expense allocation	(728,053)	783,257	(35,204)	-
Total expenses	(2,318,971)	(773,110)	(74,022)	(3,166,103)
Provisions	(188,587)	(6,813,406)	-	(7,001,993)
Profit / (loss) before tax	1,263,812	(9,076,304)	(578,501)	(8,190,993)

December 31, 2021 - Auditor				
Consumer / SME	Whole Sale Banking	Treasury	Total	
Rupees in '000				
Statement of Financial Position				
Cash & Bank balances	-	3,769,578	9,002,388	12,772,068
Investments	-	9,854	144,274,247	144,283,001
Net inter segment lending	89,884,568	(201,535,850)	101,571,284	-
Loans to financial institutions	1,265,882	221,823	1,910,922	3,388,407
Advances - performing	23,703,370	31,228,471	-	54,920,850
Advances - non-performing - net of provision	1,534,084	18,884,930	-	20,499,014
Others	2,458,980	34,190,308	23,096	38,679,782
Total Assets	128,815,171	(113,144,188)	258,781,937	272,552,920
Borrowings	680,415	1,071,941	120,370,073	122,122,429
Subordinated debt	-	2,438,665	-	2,438,666
Deposits & other accounts	104,381,733	39,393,340	-	143,755,073
Net inter segment borrowing	10,168,179	(160,411,842)	141,245,783	-
Others	4,706,803	6,883,326	607,109	11,397,350
Total Liabilities	128,815,290	(111,424,689)	252,222,045	279,713,666
Equity	(110)	(1,710,519)	(5,441,008)	(7,160,848)
Total Equity & Liabilities	(34,122,818)	(113,144,188)	258,781,937	272,552,920
Contingencies & Commitments	902,381	18,278,414	13,149,883	30,330,738

Segment determination are made on the basis of management accountability, monitoring and decision making of these reporting segments at regular intervals. Transactions between reporting 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.

June 30, 2022 Un-audited	December 31, 2021 Audited
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Rupees in '000

40 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

Minimum Capital Requirement (MCR)

Paid-up capital (net of losses)	<u>(11,120,827)</u>	<u>(9,058,905)</u>
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Capital Adequacy Ratio (CAR):

Eligible Common Equity Tier 1 (CET 1) Capital	<u>(31,587,969)</u>	<u>(24,791,601)</u>
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Eligible Additional Tier 1 (ADT 1) Capital	<u>-</u>	<u>-</u>
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Total Eligible Tier 1 Capital	<u>(31,587,969)</u>	<u>(24,791,601)</u>
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Eligible Tier 2 Capital	<u>-</u>	<u>-</u>
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Total Eligible Capital (Tier 1 + Tier 2)	<u>(31,587,969)</u>	<u>(24,791,601)</u>
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Risk Weighted Assets (RWAs):

Credit Risk	<u>80,240,089</u>	<u>91,043,527</u>
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Market Risk	<u>366,140</u>	<u>2,618,208</u>
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Operational Risk	<u>9,061,934</u>	<u>9,061,934</u>
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Total	<u>89,669,063</u>	<u>102,723,667</u>
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Common Equity Tier 1 Capital Adequacy Ratio	<u>-35.23%</u>	<u>-24.13%</u>
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Tier 1 Capital Adequacy Ratio	<u>-36.23%</u>	<u>-24.13%</u>
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Total Capital Adequacy Ratio	<u>-36.23%</u>	<u>-24.13%</u>
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Leverage Ratio (LR):

Eligible Tier-1 Capital	<u>(31,587,969)</u>	<u>(24,791,601)</u>
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Total Exposures	<u>304,729,273</u>	<u>288,790,214</u>
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Leverage Ratio	<u>-10.37%</u>	<u>-8.58%</u>
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Liquidity Coverage Ratio (LCR):

Total High Quality Liquid Assets	<u>41,078,063</u>	<u>39,582,583</u>
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Total Net Cash Outflow	<u>26,695,579</u>	<u>30,082,245</u>
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Liquidity Coverage Ratio	<u>153.88%</u>	<u>131.58%</u>
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Net Stable Funding Ratio (NSFR):

Total Available Stable Funding	<u>169,126,281</u>	<u>166,523,610</u>
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Total Required Stable Funding	<u>104,842,230</u>	<u>109,666,704</u>
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Net Stable Funding Ratio	<u>161.31%</u>	<u>151.85%</u>
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41 ISLAMIC BANKING BUSINESS

The Bank is operating with 27 Islamic Banking branches at the end of June 30, 2022 (December 31, 2021: 27). The Bank closed 4 Islamic banking branches in 2023.

The statement of financial position of these branches as at June 30, 2022 are as follows:

Note	June 30, 2022	December 31, 2021
	Un-audited	Audited
Rupees in '000		
ASSETS		
	2,369,288	2,141,118
Cash and balances with treasury banks	36,722	52,576
Balances with other banks		
Due from financial institutions	41.1 27,130,871	22,629,715
Investments	41.2 3,833,913	5,524,133
Islamic financing and related assets - not	41.3 2,862,876	2,857,092
Fixed assets	812,020	874,818
Intangible assets	5,323	5,111
Due from Head Office	-	2,036,327
Other assets	1,643,075	1,384,422
Total assets	38,683,767	37,715,112
LIABILITIES		
	557,088	395,904
Bills payable	-	-
Due to financial institutions	41.4 28,808,360	29,325,648
Deposits and other accounts	1,174,231	-
Due to Head Office	-	-
Subordinated debt	1,179,830	1,189,851
Other liabilities	31,719,610	30,921,313
Total liabilities	7,164,247	6,793,799
NET ASSETS		
	6,626,000	6,625,000
Islamic banking fund	-	-
Reserves	(90,266)	(107,897)
Deficit on revaluation of assets	41.8 629,613	276,096
Unappropriated profit	7,164,247	6,793,799
CONTINGENCIES AND COMMITMENTS		
41.5		

The profit and loss account of the Bank's Islamic banking branches for the half year ended June 30, 2022 is as follows:

Note	June 30, 2022	June 30, 2021
	Un-audited	Un-audited
Rupees in '000		
Profit / return earned	41.6 1,598,062	1,254,419
Profit / return expensed	41.7 (878,477)	(889,618)
Net profit / return	719,585	364,802
Other income		
Fee and commission income	20,309	15,920
Foreign exchange income	20,460	11,407
Income from derivatives	-	-
Loss on securities	(2)	(3,864)
Other income	13,641	12,442
Total other income	64,408	35,994
Total income	773,973	420,896
Other expenses		
Operating expenses	(413,056)	(406,458)
Workers Welfare Fund	(7,200)	-
Other charges	-	(188)
Total other expenses	(420,256)	(406,656)
Profit before provisions	352,817	14,240
Provisions and write offs - net	-	(42,045)
(Loss) / Profit for the period	352,817	(27,805)

41.1 Due from Financial Institutions

Bai Muajjal receivable from State Bank of Pakistan
Bai Muajjal receivable from other financial institution

June 30, 2022 - Un-audited			December 31, 2021 - Audited		
In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total
Rupees in '000					
-	-	-	-	-	-
27,130,571	-	27,130,571	22,829,715	-	22,829,715
27,130,571	-	27,130,571	22,829,715	-	22,829,715

41.2 Investments by segments:

Federal Government Securities:

Ijarah Sukoks
Risi Muajjal

Total Investments

June 30, 2022 - Un-audited				December 31, 2021 - Audited			
Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
Rupees in '000							
3,824,179	-	(90,266)	3,833,913	5,374,372	-	(107,897)	5,206,475
-	-	-	-	257,658	-	-	257,658
3,824,179	-	(90,266)	3,833,913	5,832,030	-	(107,897)	5,624,133

41.3 Islamic financing and related assets - net

Murahafa

Musayyarah

Diminishing Musharaka

Gross Islamic financing and related assets

Less: provision against Islamic financings

- Specific

- General

Islamic financing and related assets - net of provision

Note	June 30, 2022	December 31, 2021
	Un-audited	Audited
Rupees in '000		
	21,094	16,242
	-	-
	2,830,881	2,840,850
12	2,852,875	2,857,092
	-	-
	-	-
	-	-
	2,852,875	2,857,092

41.4 Deposits

Customers

Current deposits

Saving deposits

Term deposits

Margin deposits

Call deposits

Financial Institutions

Current deposits

Saving deposits

Term deposits

June 30, 2022 - Un-audited			December 31, 2021 - Audited		
In Local Currency	In Foreign Currencies	Total	In Local Currency	In Foreign Currencies	Total
Rupees in '000					
5,028,313	769,172	5,797,485	4,008,872	476,456	4,575,128
17,478,544	980,358	18,458,902	18,658,173	803,808	19,361,979
3,908,323	337,890	4,246,213	3,865,868	418,131	4,082,100
28,486	-	28,486	31,200	-	31,200
117,988	-	117,988	47,047	-	47,047
26,553,684	2,087,220	28,642,864	28,401,051	1,096,393	28,097,454
44,585	821	45,406	148,880	750	149,739
20,070	-	20,070	877,255	-	877,255
100,000	-	100,000	101,103	-	101,100
164,655	821	165,476	1,227,344	750	1,228,094
26,720,319	2,088,041	28,808,360	27,828,405	1,897,143	29,325,548

	June 30, 2022 Un-audited	December 31, 2021 Audited
	Rupees in '000	
41.5 Contingencies and Commitments		
Guarantees	1,172,691	992,302
Commitments	1,846,530	1,324,828
	<u>3,019,221</u>	<u>2,317,220</u>

	June 30, 2022 Un-audited	June 30, 2021 Un-audited
	Rupees in '000	
41.6 Profit/return earned of financing, investments and placement		
On:		
Financing	183,241	246,914
Investments	203,017	126,068
Due from Financial Institutions	1,231,804	881,436
	<u>1,598,062</u>	<u>1,254,418</u>

	June 30, 2022 Un-audited	December 31, 2021 Audited
	Rupees in '000	
41.7 Profit expensed on Deposits and other Dues Expensed		
On:		
Deposits and other accounts	788,739	782,205
Due to Financial Institutions	-	-
Cost of foreign currency swaps against foreign currency deposits / borrowings	87,066	45,862
Lease liability against right-of-use assets	45,683	41,449
	<u>879,477</u>	<u>869,516</u>

	June 30, 2022 Un-audited	December 31, 2021 Audited
	Rupees in '000	
41.8 Islamic Banking Business Unappropriated profit		
Opening Balance	278,898	262,884
Add: Islamic Banking profit for the period / year	352,817	24,032
Closing Balance	<u>628,513</u>	<u>270,896</u>

42 GENERAL

42.1 Comparative information has been reclassified, rearranged or additionally incorporated in these condensed interim financial statements for the purposes of better presentation.

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

43 DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on December 13, 2024, by the Board of Directors of the Bank.


Chief Financial Officer


President & Chief Executive Officer


Director


Director


Director

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