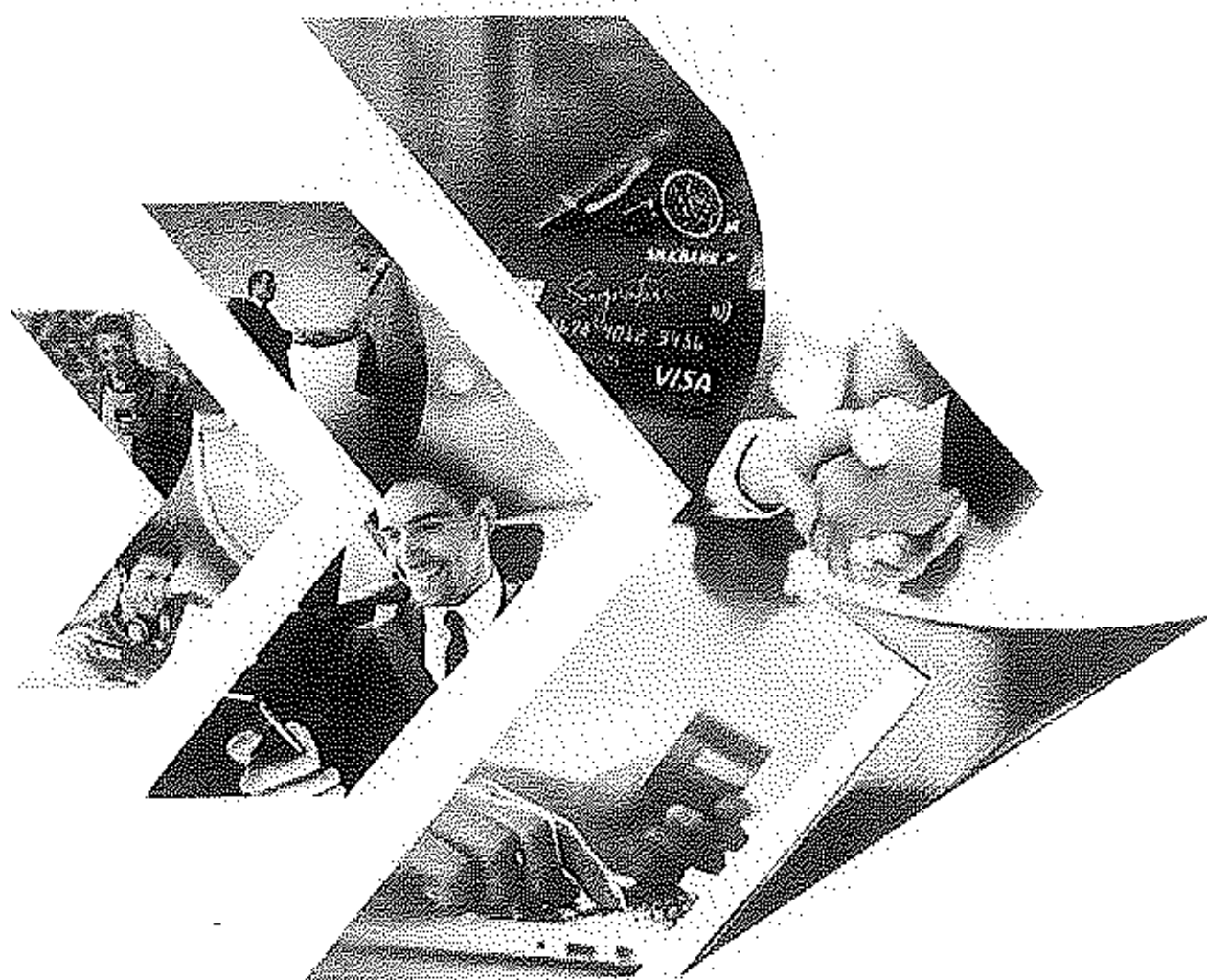


3rd Quarterly
Report
2022

SILKBANK 
Yes we can



TOGETHER FOR A BRIGHTER FUTURE

Director's Report as of September 30, 2022**REPORT****Dear Shareholders,**

We are pleased to present the financial statements of the Bank for the third quarter ended September 30, 2022.

Economic Review:

Globally central banks were aggressively responding to new realities that are being confronted due to supply disruption, price hikes, and geopolitical wars. This not only resulted in higher inflation but also currencies depreciation for emerging markets. It is widely believed that central bankers continue with hawkish monetary policies for some time.

Pakistan is facing an economic and humanitarian crisis due to floods on one hand and external vulnerabilities on the other. Kharif crops were affected by recent floods. SBP predicts a slowdown in GDP to 2.00% during fiscal year 22/23 versus an earlier estimated of 3.00% - 4.00%. On the external side, imports declined by 1.7% to US\$ 12.83 billion during July – August 2022. Exports grew by 10.8% to be at US\$ 6.2 billion during July – August 2022.

Tough monetary and fiscal measures started yielding early signs of improvement. The current account deficit for July – September 2022 was recorded at US\$ 2.53 billion as compared to US\$ 4.47 billion during April – June 2022. Worker's remittances recorded at US\$ 7.7 billion during the period of Jul-Sep F.Y-2023 showing a negative growth of 6.3% over the same period last year. F.X reserves were US\$ 13.58 billion with SBP reserves at US\$ 13.58 billion on September 30, 2022.

Stabilization economic policies had an adverse impact on Large-Scale Manufacturing as the growth was recorded at negative 0.4% during July - August 2022 as compared to growth of 11.75% during March – June 2022. On the fiscal side, the Federal Board of Revenue was able to surpass the target by Rs. 22.5 billion during Jul-Aug F.Y2023 and provisional net revenue collection grew by 9.7% to reach Rs. 948.1 billion against Rs. 864.5 billion in the comparable period last year.

The consumer price index remained at elevated levels with inflation recorded at 23.2% in September 2022. Inflation for the period of July – September 2022 averaged 25.13% versus 8.6% from July to September 2022.

In view of prevailing uncertainty, investors' sentiments remained bearish, the KSE-100 index closed at 41,128 points as of September 30, 2022, against 44,596 points as of December 31, 2021. Pakistan Rupee depreciated by 12% against US Dollar from June 30, 2022, to stand at Rs. 228.452 as of September 30, 2022.

Central Bank continued to take corrective measures thus increasing the policy rate to 15.00% in July 2022. The cumulative increase in policy rate has been 525 basis points since December 2021.

Financial Performance:

In the nine-month period ended September 30, 2022, the Bank posted a loss after tax of Rs. 3.12 billion as compared to Rs. 7.17 billion sustained in the last corresponding period. During this period, total deposits decreased by Rs. 3.08 billion, closing at Rs. 140.67 billion, while gross advances decreased by Rs. 3.92 billion.

Summarized financial performance of Silkbank Limited for the nine-month period ended September 30, 2022, is as follows:

	Rs in 'million'
Loss before tax	(7,659)
Tax - Current	-
Prior	(127)
Deferred	4,669
Loss after tax	(3,117)
	Rupee
Basic and Diluted - Loss per share	(0.34)

Compared to the corresponding period last year, the Bank reported a decline in Net Interest Income (NII) by Rs. 2.83 billion. However, this was offset by an increase in non-markup/interest income of Rs. 1.74 billion and a reduction in provisioning for non-performing loans (NPLs) by Rs. 4.46 billion, as per the timeline-based requirements of the SBP Prudential Regulations.

The decline in NII was primarily driven by higher interest rates during the period compared to the corresponding period, which resulted in increased funding costs for the Bank.

On the non-markup/interest income side, the Bank's earnings increased by Rs. 697 million, supported by higher income from fees, commissions, and foreign exchange, along with a reduction in the loss on the sale of securities by Rs. 1.02 billion during the current period.

Operating expenses closed with an increase of Rs. 364 million over the corresponding period last year. This was largely due to higher inflation and the depreciation of the Rupee against the US Dollar, which outweighed the impact of the Bank's implemented cost control strategies.

Business Performance:

Branch Banking

Branch Banking served over 237,806 customers contributing almost 70% of the Bank's deposit base. Total deposit as of September 30th, 2022, stood at approximately Rs. 97.58 billion. The total year-to-date deposit negative grew by Rs. 0.29 billion till September 30th, 2022, out of which the current account portfolio grew by Rs. 1.65 billion.

Silkbank Limited

Central Office:

Ground Floor, No.13, COM-3 Mall,
Block-6, KDA Scheme # 5,
Clifton 75600, Karachi-Pakistan
PABX: 021-111-00-7455
Website: www.silkbank.com.pk

Bancassurance generated NFI of Rs. 15 million during the 3rd Quarter 2022.

This quarter, we worked with the debit card alliance team to activate discount offers aimed at boosting customer engagement. Building on the success of previous debit card campaigns, which saw a significant increase in POS and online transactions, this campaign featured exclusive deals and discounts at customers' favorite eateries.

Consumer Banking:

These nine months of the year 2022 have been slow growth months as the acquisition was on halt due to bank-level challenges. Still, the Business managed to post a YTD profit before tax of Rs. 1.85 billion over a portfolio of over Rs. 18 billion.

- **Credit Cards:**

The 3rd quarter of 2022 proved to be a landmark quarter for Silkbank Credit Cards. With numerous campaigns and efforts, we were able to close off the quarter with Rs. 6.82 billion ENR keeping its upward trajectory. With the acquisition of 8,262 new cards, the CIF (Cards in Force) increased to 183,217. Total spending on Credit Cards in the 3rd quarter of 2022 alone amounted to Rs. 9.8 billion, totaling 27.8 billion YTD spend from Jan-Sep 22. To achieve this, various campaigns were launched like the Online Spend Campaign, Azaad Campaign with 0% Installment Plans.

- **Ready Line:**

Ready Line have always performed well but this year performance has been a little slow due to acquisition slowdown, still at the end of Q3, 2022 we stand at enormous ENR of Rs. 7.66 billion with 47,286 active customers by launching various spend and bill payment campaigns. Profit before tax of Rs. 254 million was recorded in Q3 with YTD profit of Rs. 934 million.

- **Personal Loan:**

Third quarter of 2022 was a slow quarter for product in terms of profitability and profit before tax of Rs. 37.5 million was recorded for Q3. By the end of September 2022, the portfolio stands at Rs. 3.63 billion with 18,467 active customers and YTD profit before tax of Rs. 224 million.

Emaan Islamic Banking (Emaan)

Emaan Islamic Banking has demonstrated resilience during the reporting period, despite operating in a challenging business environment. The deposit portfolio closed at Rs. 26,620 million, with a CASA to time deposit ratio of 84:16. A consistent emphasis on service quality throughout the period has led to significant improvements in service indicators.

During the year, Emaan successfully enrolled 3,715 new customers, increasing the total customer base to 41,435. Service and quality remain paramount for Emaan Islamic Banking, which takes pride in embedding service excellence into every process. The bank's commitment to customer service is reflected in its achievement of a "Very Good" rating for the year.

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

As of Sep 30, 2022, the Minimum Capital Requirement (MCR) stood at negative Rs. 12.15 billion and the Capital Adequacy Ratio (CAR) at negative 36.43% 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 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.

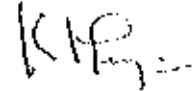
We are also equally thankful to our associates, staff and colleagues for their committed services, and look forward to their continued support.

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



**Shahram Raza Balchfiari
President & CEO**

December 13, 2024



**Khalid Aziz Mirza
Chairman**

Slik Bank Limited - Director's Report September 2022

ڈائریکٹرز کی رپورٹ

معزز شیئر ہولڈرز،

ہم نہایت مسرت کے ساتھ 30 ستمبر 2022 کو ختم ہونے تیسری سہ ماہی کے مالیاتی بیانات پیش کر رہے ہیں۔

معاشی جائزہ

دنیا بھر میں مرکزی بینک، اشیاء کی سپلائی میں مشکلات، قیمتوں میں اضافے اور جغرافیائی سیاسی جنگوں کی وجہ سے درپیش نئی مشکلات سے نبرد آزما ہیں۔ اس کے نتیجے میں نہ صرف مہنگائی میں اضافہ ہوا بلکہ ابھرتی ہوئی کاروباری منڈیوں میں بھی کرنسی کی قدر میں کمی بھی آئی۔ ان تمام عوامل کو مد نظر رکھتے ہوئے ایسا سمجھا جا رہا ہے کہ مرکزی بینکار کچھ وقت کے لیے سخت مالیاتی پالیسیوں کو جاری رکھیں گے۔

پاکستان، سیلابوں کی وجہ سے اقتصادی اور انسانی بحران کا سامنا کر رہا ہے، ایک طرف سیلابوں کے اثرات ہیں اور دوسری طرف بیرونی کمزوریوں کا سامنا ہے۔ حالیہ سیلابوں کی وجہ سے خریف فصلوں کو نقصان پہنچا۔ اسٹیٹ بینک آف پاکستان (SBP) نے مالی سال 22/23 میں جی ڈی پی کی شرح نمو 2.0% ہونے کی پیش گوئی کی ہے، جو پچھلے 3.00% سے 4.00% کے درمیان متوقع تھی۔ بیرونی شعبے میں جولائی - اگست 2022 کے دوران درآمدات میں 1.7% کمی ہو کر 12.83 ارب امریکی ڈالر رہ گئیں، جبکہ برآمدات 10.8% بڑھ کر 6.2 ارب امریکی ڈالر تک پہنچ گئیں۔

سخت مالیاتی اور فلاحی اقدامات نے بہت جلد بہتری کی ابتدائی نشانیاں دکھانا شروع کر دیں۔ جولائی تا ستمبر 2022 کے دوران کرنٹ اکاؤنٹ خسارہ 2.53 ارب امریکی ڈالر ریکارڈ کیا گیا، جو اپریل تا جون 2022 کے دوران 4.47 ارب امریکی ڈالر تھا۔ ورکرز کی ترسیلات زر مالی سال 2023 کے ماہ جولائی تا ستمبر کے دوران 7.7 ارب امریکی ڈالر ریکارڈ کی گئیں، جو پچھلے سال کی اسی مدت کے مقابلے میں 6.3% کی منفی نمو کو ٹھیک کرتی ہیں۔ غیر ملکی زرمبادلہ کے ذخائر 30 ستمبر 2022 کو 13.58 ارب امریکی ڈالر تھے، جبکہ اسٹیٹ بینک کے ذخائر 13.58 ارب امریکی ڈالر تھے۔

مشحوم کرنے والی اقتصادی پالیسیوں کا بڑا پیمانے پر مینوفیکچرنگ پر منفی اثر پڑا کیونکہ جولائی تا اگست 2022 کے دوران اس میں 0.4% کی منفی نمو ریکارڈ کی گئی، جو مارچ تا جون 2022 کے دوران 11.75% کی نمو کے مقابلے میں تھی۔ فلاحی شعبے میں، فیڈرل بورڈ آف ریونیو مالی سال 2023 ماہ جولائی تا اگست کے دوران 22.5 ارب روپے کے ہدف کو عبور کرنے میں کامیاب رہا اور عارضی طور پر نیٹ ریونیو کی وصولی 9.7% بڑھ کر 948.1 ارب روپے تک پہنچ گئی، جو پچھلے سال کی اسی مدت کے دوران 864.5 ارب روپے تھی۔

صدارت قیمت اشاریہ بلنڈسٹخ پر رہا، اور ستمبر 2022 میں مہنگائی 23.2% ریکارڈ کی گئی۔ مالی سال 2022 کے ماہ جولائی تا ستمبر 2022 کی مدت کے دوران مہنگائی اوسطاً 25.13% رہی، جو جولائی تا ستمبر 2021 کے دوران 8.6% تھی۔

موجودہ غیر ملکی صورتحال کے پیش نظر سرمایہ کاروں کے جذبات مندگی کا شکار رہے، اور 30 ستمبر 2022 تک کے ایس ای-100 انڈیکس پر 41,128 پوائنٹس پر بند ہوا، جو 31 دسمبر 2021 کو 44,596 پوائنٹس تھا۔ پاکستانی روپے کی قیمت 30 جون 2022 سے 12% کم ہوئی، اور 30 ستمبر 2022 کو یہ 228.452 روپے فی امریکی ڈالر ریکارڈ کی گئی۔

مالی کارکردگی:

30 ستمبر 2022 کو ختم ہونے والے نو ماہ کی مدت میں، بینک نے 3.12 ارب روپے کا بعد از ٹیکس نقصان رپورٹ کیا، جبکہ پچھلے سال کی اسی مدت میں 7.17 ارب روپے کا نقصان تھا۔ اس دوران کل ڈپازٹس میں 3.08 ارب روپے کی کمی ہوئی، جو 140.67 ارب روپے پر بند ہوئے، جبکہ مجموعی ایڈوانسز میں 3.92 ارب روپے کی کمی ہوئی۔

30 ستمبر 2022 کو ختم ہونے والے نو ماہ کی مدت کے لیے سٹاک لینڈ کی مالی کارکردگی کا خلاصہ درج ذیل ہے:

روپے بلین میں	نقصان قبل از ٹیکس
(7,659)	ٹیکس - موجودہ
-	گزشتہ
(127)	ماتوی شدہ
4,669	نقصان بعد از ٹیکس
(3,117)	
روپے	بنیادی اور ڈائریکٹوریٹ نقصان فی حصص
(0.34)	

گزشتہ سال کی اسی مدت کے مقابلے میں، بینک نے نیٹ انٹرسٹ انکم (NII) میں 2.83 ارب روپے کی کمی رپورٹ کی۔ تاہم، یہ کمی 1.74 ارب روپے کی نان مارک اپ / انٹرسٹ انکم میں اضافے اور نان پرفارمنگ لوز (NPLs) کے لیے پروویژننگ میں 4.46 ارب روپے کی کمی کے ذریعے پوری کی گئی، جیسا کہ اسٹیٹ بینک آف پاکستان کے پروڈنشل ریگولیشنز کی وقت پر مبنی ضروریات کے مطابق تھا۔

NII میں کمی کی بنیادی وجہ اس عرصے کے دوران زیادہ شرح سود رہی، جو پچھلے سال کی اسی مدت کے مقابلے میں زیادہ تھی، اور اس کی وجہ سے بینک کے لیے فنڈنگ کی لاگت میں اضافہ ہوا۔

نان مارک اپ / انٹرسٹ انکم کے تحت، بینک کی آمدنی 697 بلین روپے بڑھ گئی۔ یہ اضافہ فیس، کمیشن، فارن ایکچینج سے زیادہ آمدنی اور سیکورٹیز کی فروخت پر نقصان میں 1.02 ارب روپے کی کمی کی وجہ سے ہوا۔

آپریٹنگ اخراجات میں گزشتہ سال کی اسی مدت کے مقابلے میں 364 ملین روپے کا اضافہ ہو۔ اس کی بڑی وجہ زیادہ مہنگائی اور امریکی ڈالر کے مقابلے میں روپے کی قدر میں کمی تھی، جس نے بینک کی نافذ کردہ لاگت پر قابو پانے کی حکمت عملیوں کے اثر کو کم کر دیا۔

بزنس کی کارکردگی

برانچ بینکنگ

برانچ بینکنگ نے 237,806 سے زائد کسٹمرز کو خدمات فراہم کیں، جو بینک کے ڈپازٹ میں کا تقریباً 70% ہیں۔ 30 ستمبر 2022 تک کل ڈپازٹ تقریباً 97.58 ارب روپے رہے۔ 30 ستمبر 2022 تک سالانہ ڈپازٹ میں 0.29 ارب روپے کی منفی نمو ہوئی، جس میں سے کرنٹ اکاؤنٹ پورٹ فولیو 1.65 ارب روپے تک بڑھا۔

بینک شورٹس

بینک شورٹس نے 2022 کی تیسری سہ ماہی کے دوران 15 ملین روپے کا NFI پیدا کیا۔ اس سہ ماہی میں، ہم نے ڈیٹ کارڈ الاؤنس ٹیم کے ساتھ مل کر صارفین کی شمولیت کو بڑھانے کے لیے ڈسکاؤنٹ آفرز کو فعال کیا۔ پچھلی ڈیٹ کارڈ مہمات کی کامیابی کو مد نظر رکھتے ہوئے، جنہوں نے POS اور آن لائن ٹرانزیکشنز میں نمایاں اضافہ کیا، اس مہم میں صارفین کے پسندیدہ کھانوں پر خصوصی ڈیلز اور ڈسکاؤنٹس پیش کیے گئے۔

کنزپومر بینکنگ

سال 2022 کے ان نومبزیوں میں ترقی کی رفتار سست رہی کیونکہ بینک کی سطح پر چیلنجز کی وجہ سے حصول روک دیا گیا تھا۔ اس کے باوجود، بزنس نے 18 ارب روپے سے زائد کے پورٹ فولیو پر 1.85 ارب روپے کا YTD قبل از ٹیکس منافع حاصل کیا۔

کریڈٹ کارڈز:

2022 کی تیسری سہ ماہی سلک بینک کریڈٹ کارڈز کے لیے ایک تاریخی سہ ماہی ثابت ہوئی۔ مختلف اشتہاری مہمات اور کوششوں کے ذریعے، ہم نے سہ ماہی کو 6.82 ارب روپے کے ENR کے ساتھ مکمل کیا، جو مسلسل ترقی پذیر رہا۔ 8,262 نئے کارڈز کے حصول کے ساتھ، CIF (Cards in Force) کی تعداد 183,217 تک بڑھ گئی۔ صرف تیسری سہ ماہی میں کریڈٹ کارڈز پر کل اخراجات 9.8 ارب روپے رہے، جبکہ جنوری سے ستمبر 2022 تک YTD اخراجات کا مجموعہ 27.8 ارب روپے رہا۔ اس کامیابی کے لیے مختلف مہمات شروع کی گئیں، جیسے کہ آن لائن خرچ مہم اور "آزاد" مہم جس میں 0% قسط کے منصوبے شامل تھے۔

ریڈی لائن:

ریڈی لائن ہمیشہ شاندار کارکردگی دکھاتا رہا ہے، لیکن اس سال حصول میں کمی کی وجہ سے کارکردگی تھوڑی سست رہی۔ اس کے باوجود، 2022 کی تیسری سہ ماہی کے اختتام پر، ہم 7.66 ارب روپے کے شاندار ENR اور 47,286 فعال کسٹمرز کے ساتھ کھڑے ہیں۔ تیسری سہ ماہی میں 254 ملین روپے کا قبل از ٹیکس منافع ریکارڈ کیا گیا، جبکہ YTD منافع 934 ملین روپے رہا۔

پرسنل لون:

2022 کی تیسری سہ ماہی کے دوران پروڈکٹ کی منافعیت کے لحاظ سے کارکردگی مست رہی، اور تیسری سہ ماہی کے لیے 37.5 بلین روپے کا قبل از ٹیکس منافع ریکارڈ کیا گیا۔ ستمبر 2022 کے اختتام پر، پورٹ فولیو 3.63 ارب روپے تک پہنچ گیا، جس میں 18,467 فعال کسٹمرز شامل تھے، اور YTD قبل از ٹیکس منافع 224 بلین روپے رہا۔

ایمان اسلامی بینکنگ (ایمان):

ایمان اسلامک بینکنگ نے رپورٹنگ کے عرصے کے دوران مشکل کاروباری حالات کے باوجود بہتری کا مظاہرہ کیا۔ ڈپازٹ پورٹ فولیو 26,620 بلین روپے پر بند ہوا، جس میں CASA سے ٹائم ڈپازٹ کا تناسب 16:84 رہا۔ پورے عرصے کے دوران سروس کوالٹی پر مسلسل توجہ نے سروس انڈیکسز میں نمایاں بہتری پیدا کی۔

سال کے دوران، ایمان نے کامیابی سے 3,715 نئے صارفین کا اندراج کیا، جس سے کل صارفین کی تعداد 41,435 تک پہنچ گئی۔ معیاری خدمات کی فراہمی ایمان اسلامک بینکنگ کے لیے اہم حیثیت رکھتی ہے، اسی لیے بینک ہر عمل میں سروس ایکسیلنس کو شامل کرنے پر فخر محسوس کرتا ہے۔ بینک کی کسٹمرز کی خدمت کے عزم کا ثبوت اس کے "Very Good" ریٹنگ حاصل کرنے میں ہے۔

کم از کم کپٹل کی ضروریات (MCR) اور کپٹل ایڈیکویسی ریٹو (CAR)

30 ستمبر 2022 تک، کم از کم کپٹل کی ضروریات (MCR) منفی 12.15 ارب روپے تھی اور کپٹل ایڈیکویسی (CAR) منفی 36.43% تھی، جو کہ مقررہ کم از کم حدود 10 ارب روپے اور 11.50% سے کم ہے۔

کریڈٹ ریٹنگ:

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

مستقبل کا منظر نامہ:

جیسا کہ مالیاتی سیکشن میں پہلے ذکر کیا گیا ہے، یونائیٹڈ بینک لمیٹڈ (UBL) نے سٹاک بینک لمیٹڈ ("بینک") کو UBL کے ساتھ ممکنہ انضمام کی پیشکش باضابطہ طور پر فراہم کی ہے۔ UBL نے پاکستان اسٹاک ایکچینج لمیٹڈ ("PSX") کو یہ معلومات فراہم کیں، جس میں ممکنہ 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 ممکنہ انضمام کی اصولی منظوری دے دی۔ یہ انضمام بینکنگ کمیشنز آرڈیننس 1962 کے سیکشن 48 کے تحت اسٹیٹ بینک آف پاکستان کی منظوری سے عمل میں لایا جائے گا ("ممکنہ انضمام")۔ بینک نے 6 نومبر 2024 کو PSX کو اس مواد کی معلومات فراہم کیں۔

بعد ازاں، پوبلی ایل اور سلک بینک کی بورڈ کی میٹنگز بالترتیب 2 دسمبر اور 4 دسمبر 2024 کو منعقد ہوئیں، جس میں دونوں بورڈز نے بینک کی پوبلی 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 الٹو 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 تحریری پارٹی منظور یوں کے حصول سے مشروط ہے۔ اس عمل کے پیش نظر، خارجی آڈیٹرز نے اپنی آڈٹ رائے میں 'Material Uncertainty Related to Going Concern' کا ذکر شامل کیا ہے۔

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

اظہار 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 ولی 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

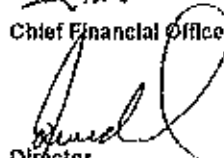
شہرام رضا بختیاری

پریزیڈنٹ اینڈ سی ای او

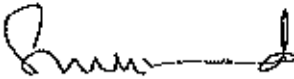
SILKBANK LIMITED
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2022

		September 30, 2022	December 31, 2021
	Note	Un-audited	Audited
		Rupees in '000	
ASSETS			
Cash and balances with treasury banks	8	7,027,950	12,224,513
Balances with other banks	9	714,309	547,553
Lendings to financial institutions	10	1,464,506	3,388,407
Investments	11	155,464,299	144,283,901
Advances	12	68,239,496	75,429,764
Fixed assets	13	5,696,381	5,885,493
Intangible assets	14	374,146	390,129
Deferred tax assets	15	19,763,498	15,137,587
Other assets	16	16,102,887	15,265,573
		273,747,382	272,552,920
LIABILITIES			
Bills payable	17	1,978,029	4,262,080
Borrowings	18	130,377,853	122,122,429
Deposits and other accounts	19	140,672,368	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	8,491,646	7,135,318
		283,958,562	279,713,566
NET ASSETS		(10,211,180)	(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	1,112,121	1,077,369
Accumulated losses		(35,575,566)	(32,480,279)
		(10,211,180)	(7,160,646)
CONTINGENCIES AND COMMITMENTS			
	24		

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


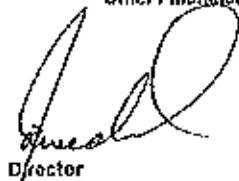
Director

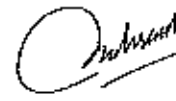

SILKBANK LIMITED**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT - UNAUDITED****FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2022**

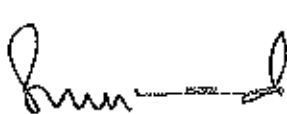
	Note	Quarter ended		Nine months ended	
		September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Rupees in '000					
Mark-up / return / profit / interest earned	26	7,628,476	4,010,002	20,256,589	11,975,579
Mark-up / return / profit / interest expensed	27	(6,496,570)	(3,278,173)	(21,044,757)	(9,037,003)
Net mark-up / return / profit / interest / income / (expense)		(868,094)	730,829	(788,168)	2,038,576
NON MARK-UP / INTEREST INCOME					
Fee and commission income	26	719,412	597,372	2,124,597	1,685,406
Dividend income		-	-	-	-
Foreign exchange income		196,426	74,683	454,476	186,762
Income / (loss) from derivatives		3,330	301	(6,028)	(91,186)
Loss on securities	20	(33,620)	(103,247)	(186,476)	(1,219,291)
Other income	30	25,700	66,702	67,685	154,266
Total non-markup / interest income		911,247	635,811	2,454,154	725,957
Total income / (loss)		(56,847)	1,386,640	1,676,986	2,764,533
NON MARK-UP / INTEREST EXPENSES					
Operating expenses	31	(1,396,688)	(1,736,271)	(5,578,474)	(5,208,928)
Workers Welfare Fund		-	-	-	-
Other charges	32	(1,670)	(134,923)	(6,776)	(151,172)
Total non-markup / interest expenses		(1,998,668)	(1,871,194)	(5,576,249)	(5,358,097)
Loss profit before provisions, extra ordinary / unusual item and taxation		(2,068,415)	(504,554)	(3,900,263)	(2,593,564)
Provisions and write offs - net Extra ordinary / unusual items	33	444,501	(1,120,076)	(3,768,442)	(8,222,048)
LOSS BEFORE TAXATION		(1,610,914)	(1,624,629)	(7,558,705)	(10,816,612)
Taxation	34	685,606	493,113	4,541,394	3,649,156
LOSS AFTER TAXATION		(1,025,408)	(1,131,516)	(3,117,311)	(7,168,454)
Basic and Diluted Loss Per Share	35	(0.11)	(0.12)	(0.34)	(0.79)

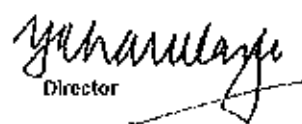
The annexed notes 1 to 43 form an integral part of these condensed interim financial statements.


Chief Financial Officer


Director


President & Chief Executive Officer


Director


Director

SILKBANK LIMITED

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME - UNAUDITED
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2022**

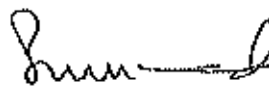
	Quarter ended		Nine months ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
	Rupees in '000			
Loss after taxation for the period	(1,025,408)	(1,131,516)	(3,117,311)	(7,168,454)
Other comprehensive income / (loss)				
Items that may be reclassified to profit and loss account in subsequent periods:				
Movement in surplus / (deficit) on revaluation of investments - net of tax	488,638	(121,712)	39,847	450,405
Items that will not be reclassified to profit and loss account in subsequent periods:				
Remeasurement gain on defined benefit obligations - net of tax	-	-	26,912	41,128
Movement in surplus on revaluation of fixed assets - net of tax	(548)	(501)	(2,840)	(1,745)
Movement in surplus on revaluation of non-banking assets - net of tax	(952)	(42,376)	(2,455)	(43,325)
	(1,498)	(42,857)	21,617	(3,944)
Total comprehensive loss	(659,268)	(1,206,185)	(3,055,647)	(6,719,993)

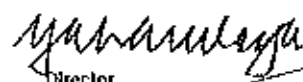
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Chief Financial Officer

Director


President & Chief Executive Officer


Director

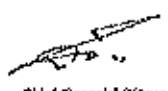

Director

SILKBANK LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY - UNAUDITED
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2022

	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	(1,041,134)	1,374,593	820,839	(20,978,145)	4,869,581
Loss after taxation for the nine months period ended September 30, 2021 - Un-audited	-	-	-	-	(7,300,454)	(7,300,454)
Other comprehensive income / (loss) - net of tax - Un-audited	-	450,405	(45,010)	-	41,126	406,461
Transfer from surplus on revaluation of fixed assets on account of incremental depreciation - net of tax	-	-	-	-	2,684	2,684
Transfer from surplus on revaluation of non-banking assets on account of incremental depreciation - net of tax	-	-	-	-	1,085	1,085
Transfer from surplus on revaluation of non-banking assets on account of disposal of assets - net of tax	-	-	-	-	42,994	42,994
Balance as at September 30, 2021 - Un-audited	23,431,374	(630,729)	1,929,523	820,839	(27,334,809)	(1,603,843)
Loss after taxation for the quarter ended December 31, 2021 - Un-audited	-	-	-	-	(5,114,767)	(5,114,767)
Other comprehensive loss - net of tax - Un-audited	-	(216,395)	(3,043)	-	(24,121)	(245,549)
Transfer to Statutory Reserves	-	-	-	-	-	-
Transfer from surplus on revaluation of fixed assets on account of incremental depreciation - net of tax	-	-	-	-	893	893
Transfer from surplus on revaluation of non-banking assets on account of incremental depreciation - net of tax	-	-	-	-	608	608
Transfer from surplus on revaluation of non-banking assets on account of disposal of assets - net of tax	-	-	-	-	2,117	2,117
Balance as at December 31, 2021 - Audited	23,431,374	(849,118)	1,926,480	820,839	(32,430,278)	(7,160,643)
Loss after taxation for the nine months period ended September 30, 2022 - Un-audited	-	-	-	-	(3,117,311)	(3,117,311)
Other comprehensive income / (loss) - net of tax - Un-audited	-	39,847	(5,055)	-	26,812	61,604
Transfer from surplus on revaluation of fixed assets on account of incremental depreciation - net of tax	-	-	-	-	2,585	2,585
Transfer from surplus on revaluation of non-banking assets on account of incremental depreciation - net of tax	-	-	-	-	1,618	1,618
Transfer from surplus on revaluation of non-banking assets on account of disposal of assets - net of tax	-	-	-	-	910	910
Balance as at September 30, 2022 - Un-audited	23,431,374	(809,271)	1,921,425	820,839	(35,276,965)	(10,315,180)

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

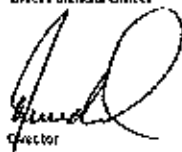
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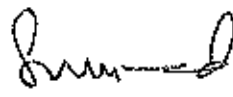
Chief Financial Officer



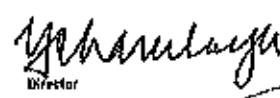
President & Chief Executive Officer



Director



Director



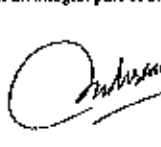
Director

SILKBANK LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT - UNAUDITED
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2022

		September 30, 2022	September 30, 2021
	Note	Rupees in '000	
CASH FLOW FROM OPERATING ACTIVITIES			
Loss before taxation		(7,658,705)	(10,816,612)
Less: dividend income		-	-
		(7,658,705)	(10,816,612)
Adjustments:			
Depreciation on fixed assets	31	216,203	248,644
Depreciation on right-of-use assets	31	448,862	457,131
Depreciation on non-banking assets acquired in satisfaction of claims	31	26,156	34,492
Amortization of intangible assets	31	41,341	34,458
Amortization of (discount) / premium on investments - net		(52,445)	173,068
Finance charge on lease liability against right-of-use assets	27	251,311	278,804
Provisions against loans & advances	33	4,046,449	8,612,218
Gain on sale of fixed assets	30	(41)	(8,288)
Unrealized gain on revaluation of investments - held-for-trading	29	(1,385)	(662)
Unrealized loss on revaluation of investments - REIT Units	29	14,681	-
Share of profit from associate	30	-	(3,454)
Loss on sale of non-banking assets acquired in satisfaction of claims	30	1,161	44,072
Provision reversal against other assets - net	33	-	(61,004)
Write offs against fixed assets	33	-	21,276
		4,992,476	8,641,624
		(2,666,227)	(874,088)
(Increase) / Decrease in operating assets:			
Lendings to financial institutions		1,923,801	3,322,613
Net investments in held-for-trading securities		28,560,251	3,618,481
Advances		3,143,819	3,945,774
Other assets (excluding advance taxation)		220,635	2,726,195
		33,848,506	13,612,273
(Decrease) / Increase in operating liabilities:			
Bills payable		(2,284,051)	(51,471)
Borrowings		8,255,424	(11,351,083)
Deposits		(3,082,705)	(13,067,722)
Other liabilities (excluding current taxation)		1,644,673	(89,833)
		4,433,341	(24,569,889)
		35,615,620	(12,031,704)
		(261,908)	(280,505)
Income tax paid			
Net cash flow generated from / (used in) operating activities		35,353,712	(12,282,209)
CASH FLOW FROM INVESTING ACTIVITIES			
Net investment in available-for-sale securities		(39,862,040)	11,840,681
Net investment in held-to-maturity securities		321,962	50,085
Net investment in fixed assets and intangible assets		(390,767)	(285,845)
Proceeds on disposal of non-banking assets acquired in satisfaction of claims		97,600	51,000
Proceeds on disposal of fixed assets		63,309	117,786
Net cash flow (used in) / generated from investing activities		(39,880,026)	11,883,717
CASH FLOW FROM FINANCING ACTIVITIES			
Payment of subordinated debt		-	(400)
Payment of lease liability against right-of-use assets		(503,493)	(660,732)
Net cash flow used in financing activities		(503,493)	(661,132)
Decrease in cash and cash equivalents		(5,029,807)	(970,624)
Cash and cash equivalents at the beginning of the period		12,772,066	14,338,840
Cash and cash equivalents at the end of the period	36	7,742,259	13,359,216

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 NINE MONTHS PERIOD ENDED SEPTEMBER 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 September 30, 2022 are Sinthos Capital (comprising of Mr. Shaukat Tarin, Mr. Sadeq Sayeed and Mr. Azmal Tarin), Arif Habib Corporation Limited, International Finance Corporation (IFC), Nomura European Investment Limited, Bank Muscat S.A.O.G and Mr. Zulqarnain Nawaz Chatla / Mr. Zubair Nawaz Chatla of Gournot 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 September 30, 2022, the equity of the Bank is negative Rs. 11.32 billion excluding surplus on revaluation of assets. This includes share capital (net of losses and discount on shares) of negative Rs. 12.14 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 36.43% (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 September 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 08, 2024.

On Amalgamation, the Bank's assets and liabilities shall be merged with and into UJBL 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 those 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

4.1 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.

4.2 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 annual 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.

		September 30, 2022	December 31, 2021
	Note	Un-audited	Audited
		Rupees in '000	
8 CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		2,247,476	2,337,294
Foreign currencies		820,632	838,750
		3,068,107	3,176,044
With State Bank of Pakistan in			
Local currency current accounts	8.1	2,167,018	7,204,509
Foreign currency current accounts		734,638	659,084
Foreign currency deposit accounts	8.2	864,297	890,511
		3,765,953	8,754,104
With National Bank of Pakistan in			
Local currency current accounts		199,487	254,601
National Prize Bonds		4,503	42,864
		7,027,950	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 (FF-25 scheme, as prescribed by SBP). It carries interest rates ranging from 0.12% to 1.55% (December 31, 2021: 0%).		
		September 30, 2022	December 31, 2021
		Un-audited	Audited
		Rupees in '000	
9 BALANCES WITH OTHER BANKS			
In Pakistan			
In current accounts		259,851	192,870
In deposit account		84	78
		259,935	192,948
Outside Pakistan			
In current accounts		454,374	354,605
		714,309	547,553
10 LENDINGS TO FINANCIAL INSTITUTIONS			
Repurchase agreement lendings (Reverse repo)		-	1,910,922
Foreign placement		1,464,605	1,477,465
		1,464,605	3,388,407

11 INVESTMENTS

11.1 Investments by type:	September 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							
Held-for-trading securities								
Federal Government Securities								
Market Treasury Bills	3,022,837	-	3,332	3,026,169	20,835,718	-	9,300	20,845,018
Pakistan Investment Bonds	-	-	-	-	11,370,287	-	(32,608)	11,337,679
GOP (sah) SukrAs	189,347	-	(1,942)	187,405	-	-	-	-
	3,212,184	-	1,390	3,213,574	32,205,983	-	(23,298)	32,182,685
Available-for-sale securities								
Federal Government Securities								
Market Treasury Bills	24,561,163	-	(29,383)	24,531,780	17,789,300	-	11,028	17,800,328
Pakistan Investment Bonds	101,839,445	-	(1,107,663)	100,731,782	87,801,117	-	(1,247,547)	86,553,570
GOP (sah) SukrAs	3,437,010	-	(107,816)	3,329,194	5,374,372	-	(107,807)	5,266,565
	129,837,618	-	(1,244,862)	128,592,756	103,964,789	-	(1,356,326)	102,608,463
Shares - Listed								
Listed	5	-	2	7	25,600	-	38,467	64,078
Unlisted	5,680	(5,680)	-	-	5,680	(5,680)	-	-
	5,685	(5,680)	2	7	31,280	(5,680)	38,467	64,078
Real Estate Investment Trust Units	910,032	-	(14,661)	895,371	-	-	-	-
Non Government Debt Securities								
Term Finance Certificates - Listed	60,338	-	(183)	59,155	50,500	-	(375)	50,125
Term Finance Certificates - Unlisted	8,780	(8,780)	-	-	8,780	(8,780)	-	-
	69,118	(8,780)	(183)	59,155	59,280	(8,780)	(375)	50,125
Held-to-maturity securities								
Federal Government Securities								
Pakistan Investment Bonds	21,783,397	-	-	21,783,397	21,847,701	-	-	21,847,701
Bal Muajjal	-	-	-	-	257,858	-	-	257,858
Non Government Debt Securities								
Shares repurchase (fully provided)	74,910	(74,910)	-	-	74,910	(74,910)	-	-
	21,858,307	(74,910)	-	21,783,397	22,180,269	(74,910)	-	22,105,359
Associates								
SPI Insurance Company Limited	147,933	-	-	147,933	147,933	-	-	147,933
Total Investments	166,811,867	(89,370)	(1,268,198)	165,464,299	145,703,143	(89,370)	(1,329,872)	144,283,901
11.2 Investments by segments:								
Federal Government Securities								
Market Treasury Bills	28,203,880	-	(26,051)	28,177,829	38,735,016	-	20,388	38,755,404
Pakistan Investment Bonds	123,773,843	-	(1,107,663)	122,666,179	101,022,885	-	(1,247,547)	99,775,338
GOP (sah) SukrAs	3,636,367	-	(109,762)	3,526,605	5,374,372	-	(107,807)	5,266,565
Bal Muajjal	-	-	-	-	257,858	-	-	257,858
	155,614,090	-	(1,243,476)	154,370,614	145,380,131	-	(1,357,034)	144,023,787
Shares								
Listed	5	-	2	7	25,600	-	38,467	64,078
Unlisted	5,680	(5,680)	-	-	5,680	(5,680)	-	-
	5,685	(5,680)	2	7	31,280	(5,680)	38,467	64,078
Non Government Debt Securities								
Term Finance Certificates - Listed	60,338	-	(183)	59,155	50,500	-	(375)	50,125
Term Finance Certificates - Unlisted	8,780	(8,780)	-	-	8,780	(8,780)	-	-
	69,118	(8,780)	(183)	59,155	59,280	(8,780)	(375)	50,125
Shares repurchase (fully provided)	74,910	(74,910)	-	-	74,910	(74,910)	-	-
Real Estate Investment Trust Units	910,032	-	(14,661)	895,371	-	-	-	-
Associates								
SPI Insurance Company Limited	147,933	-	-	147,933	147,933	-	-	147,933
Total Investments	166,811,867	(89,370)	(1,268,198)	165,464,299	145,703,143	(89,370)	(1,329,872)	144,283,901

	September 30, 2022 Un-audited	December 31, 2021 Audited
Rupees in '000		
11.2.1 Investments given as collateral		
Market Treasury Bills	26,178,894	39,750,411
Pakistan Government Bonds	100,058,467	78,769,849
	<u>126,237,361</u>	<u>118,520,260</u>
11.3 Provision for diminution in value of investments		
11.3.1 Opening balance	88,370	69,370
Charge / (reversals)		
Charge for the period / year	-	-
Reversals for the period / year	-	-
Amounts written off		
Closing balance	<u>88,370</u>	<u>69,370</u>

Category of Classification	September 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	63,690	63,690
Total	<u>83,690</u>	<u>83,690</u>	<u>63,690</u>	<u>63,690</u>

11.4 The SGP vide its letter dated October 13, 2022 has allowed the Bank to stagger its unrealized mark to market losses with respect to a certain portion of its fixed PIB portfolio having face value amounting to Rs. 14,071 million. Accordingly, the Bank is allowed to account for 25% unrealized mark to market loss related to respective portfolios upto September 30, 2022, 50% upto December 31, 2022, 75% upto March 31, 2023 and 100% upto June 30, 2023. Had such benefit (i.e. staggering of unrealized losses) not been taken by the Bank, the unrealized mark to market losses would have been higher by Rs. 883 million.

11.6 The market value of securities classified as held-to-maturity is Rs. 21,783 million (December 31, 2021: Rs. 22,405 million).

12 ADVANCES

	Performing		Non Performing		Total	
	September 30, 2022 Un-audited	December 31, 2021 Audited	September 30, 2022 Un-audited	December 31, 2021 Audited	September 30, 2022 Un-audited	December 31, 2021 Audited
Rupees in '000						
Note						
Loans, cash credits, running finances, etc.	50,568,788	52,401,503	44,781,319	43,858,231	95,350,107	96,259,734
Islamic financing and related Assets	288,243	2,657,092	-	-	288,243	2,657,092
Bills discounted and purchased	153,628	597,383	1,858	3,113	155,486	540,496
Advances - gross	<u>50,940,659</u>	<u>55,795,978</u>	<u>44,783,177</u>	<u>43,661,344</u>	<u>89,733,836</u>	<u>89,457,322</u>
Less: Provision against advances						
- Specific	-	-	26,770,078	23,361,430	26,770,078	23,361,430
- General	724,282	866,128	-	-	724,282	866,128
	<u>724,282</u>	<u>866,128</u>	<u>26,770,078</u>	<u>23,361,430</u>	<u>27,494,360</u>	<u>24,227,558</u>
Advances - net of provision	<u>50,216,377</u>	<u>54,929,850</u>	<u>18,013,099</u>	<u>20,489,914</u>	<u>68,139,476</u>	<u>75,229,764</u>

	September 30, 2022 Un-audited	December 31, 2021 Audited
Rupees in '000		
12.1 Particulars of advances (Gross)		
In local currency	85,733,836	90,657,322
In foreign currencies	-	-
	<u>85,733,836</u>	<u>90,657,322</u>

12.2 Advances include Rs. 44.78 billion (December 31, 2021: Rs. 43.66 billion) which have been placed under non-performing status as detailed below:

Category of Classification - Specific	September 30, 2022 - Un-audited		December 31, 2021 - Audited	
	Non Performing Loans	Provision	Non Performing Loans	Provision
Rupees in '000				
Domestic	2,163,860	117,889	694,425	71,634
Substandard	1,806,824	1,429	1,111,354	485,296
Doubtful	40,822,437	28,650,980	42,055,505	22,824,600
Loss	-	-	-	-
Total	<u>44,783,117</u>	<u>26,770,078</u>	<u>43,861,344</u>	<u>23,361,430</u>

12.3 Particulars of provision against advances:

	September 30, 2022 - Un-audited			December 31, 2021 - Audited		
	Specific	General	Total	Specific	General	Total
Rupees in '000						
Note						
Opening balance	23,361,430	866,128	24,227,558	13,951,501	742,034	14,693,535
Charge for the period / year	5,780,643	-	5,780,643	10,833,249	174,034	10,957,343
Reversals for the period / year	(1,602,648)	(141,866)	(1,744,514)	(485,783)	-	(485,783)
	4,148,315	(141,866)	4,006,449	10,847,458	124,094	10,471,552
Amounts written off	(778,687)	-	(778,687)	(637,652)	-	(637,652)
Closing balance	<u>28,770,078</u>	<u>724,282</u>	<u>27,494,340</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. 19,283 million (December 31, 2021: Rs. 19,283 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 32.28 acres have been released and transferred in favour of SIDR and SWIR respectively. However, the Bank still hold 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. 878 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 September 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.9,366 million (December 31, 2021: Rs. 13,114 million), which shall not be available for payment of cash or stock dividend / bonus to employees.
- 12.3.4 As per Prudential Regulation for consumer financing issued by the SBP, percentage of reserve is linked to non-performing loans to gross loans ratio. Consequently, the general provisioning on consumer financing is maintained at 4% (December 31, 2021: 4%) of unsecured portfolio of the Bank.

		September 30, 2022 Un-audited	December 31, 2021 Audited
	Note	Rupees in '000	
13	FIXED ASSETS		
	Capital work-in-progress	13.1	75,081
	Property and equipment	2,989,367	2,968,545
	Right-of-use assets	2,531,923	2,018,948
		<u>5,596,361</u>	<u>5,662,493</u>

13.1	Capital work-in-progress		
	Civil works	4,380	-
	Advances to suppliers and contractors	70,701	-
		<u>76,081</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 condensed interim financial statements, the remaining payment under the agreement has not been realized to the Bank. The buyer of the property has not complied with the terms of the agreement, and despite of non-compliance of the terms, has filed a suit in May 2024, to restrain the Bank from interfering in its possession, dispossessing the buyer from the property and other actions. The Bank has also filed a counter suit in the Sindh High Court in August 2024 that the agreement be considered null and void due to its non-compliance by the buyer.

		September 30, 2022 Un-audited	September 30, 2021 Un-audited
		Rupees in '000	
13.3	Additions to fixed assets		
	The following additions have been made to fixed assets during the period:		
	Capital work-in-progress	366,399	184,598
	Property and equipment		
	Furniture and fixtures	2,289	4,031
	Electrical, office and computer equipment	17,088	71,113
	Vehicles	266,626	6,422
	Leasehold improvements	4,118	10,208
		<u>290,318</u>	<u>91,772</u>
	Total	<u>656,717</u>	<u>256,370</u>

13.4 Disposal of fixed assets

The net book value of fixed assets disposed off during the period is as follows:

	September 30, 2022 Un-audited	September 30, 2021 Un-audited
	Rupees in '000	
Furniture and fixture	-	308
Electrical, office and computer equipment	83	326
Vehicles	63,185	63,148
Leasehold improvements	-	45,638
Total	63,268	109,500

14 INTANGIBLE ASSETS

Capital work-in-progress
Software

	September 30, 2022 Un-audited	December 31, 2021 Audited
	Rupees in '000	
	71,117	59,200
	303,029	330,849
	374,146	390,049

14.1 Additions to intangible assets

The following additions have been made to intangible assets during the period:

	September 30, 2022 Un-audited	September 30, 2021 Un-audited
	Rupees in '000	
Capital work-in-progress	25,359	131,245
Software (directly purchased)	13,521	54,840
Total	38,880	186,085

Note

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

23

	September 30, 2022 Un-audited	December 31, 2021 Audited
	Rupees in '000	
	7,031,233	5,209,118
	436,758	457,213
	3,424	3,073
	10,861,082	8,280,796
	52,476	47,094
	340,139	305,253
	102,940	86,255
	129,428	116,153
	915,384	753,519
	19,891,874	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

	September 30, 2022 Un-audited	December 31, 2021 Audited
	Rupees in '000	
	(14,417)	(14,391)
	(8,723)	(8,768)
	(42,426)	(21,238)
	(62,811)	(55,488)
	(128,376)	(100,885)
	19,763,498	15,137,587

- 16.1 The Bank has an aggregate amount of deferred tax assets of Rs. 19,763 million (December 31, 2021: Rs. 15,130 million) out of which an amount of Rs. 10,981 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 amalgamated entity is expected to realise these deferred tax assets mainly against its future years tax liabilities and available tax benefits with respect to non performing loans.

		September 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	8,333,317	7,838,586
	Income / mark-up accrued in foreign currency - net of provision	297	8
	Accrued rent	18,218	136,414
	Advances, deposits, advance rent and other prepayments	234,664	214,318
	Profit paid in advance on fixed deposits	63,147	31,537
	Advance taxation (payments less provisions)	2,141,023	2,008,254
	Net defined benefit assets	108,783	60,687
	Non-banking assets	16.2	3,143,549
	Branch adjustment account	468,302	246,832
	Mark to market gain on forward contracts	196,617	42,297
	Acceptances	290,618	385,758
	Contract assets	-	-
	Receivable from sale of non-banking assets acquired in satisfaction of claims	43,850	972,844
	Fee receivable from Credit Card members	208,544	187,006
	Others	780,040	790,331
		<u>15,906,983</u>	<u>16,068,420</u>
	Less: Provision held against other assets	16.6	(667,232)
	Other assets - net of provisions	<u>15,040,751</u>	<u>15,209,188</u>
	Surplus on revaluation of non-banking assets	23	63,856
	Other assets - total	<u>15,102,607</u>	<u>15,286,573</u>
16.1	Market value of Non-banking assets acquired in satisfaction of claims	<u>2,226,685</u>	<u>2,350,702</u>
16.2	Non-banking assets		
	- acquired in satisfaction of claims	2,972,708	3,051,678
	- under agreement to safe third parties	48,156	81,971
		<u>3,020,864</u>	<u>3,143,549</u>
16.3	The non-banking assets acquired in satisfaction of claims (NBAs) aggregating to Rs. 1,002 million (December 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 Government 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 per value equivalent to Rs.810 million have also been issued in consideration to the land transferred to SWIR (previously held as Non-banking assets) under REIT arrangement to 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.		

	Note	September 30, 2022 Un-audited Rupees in '000	December 31, 2021 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		-	(61,094)
Reversal on disposal / write off		-	(361,897)
Closing balance		<u>857,232</u>	<u>857,232</u>
17 BILLS PAYABLE			
In Pakistan		1,978,029	4,262,080
Outside Pakistan		-	-
		<u>1,978,029</u>	<u>4,262,080</u>
18 BORROWINGS			
Secured			
Borrowings from State Bank of Pakistan			
- under export finance scheme		1,331,970	1,751,358
- under Credit Guarantee Scheme for Small and Rural Enterprises		750	1,000
Repurchase agreement borrowings		128,355,611	115,800,227
Total secured		<u>129,888,331</u>	<u>117,612,585</u>
Unsecured			
Call borrowings		-	2,100,000
Trading liability		-	1,010,922
Overdrawn nostro accounts		689,522	498,924
Total unsecured		<u>689,522</u>	<u>4,509,846</u>
		<u>130,377,853</u>	<u>122,122,429</u>

19 DEPOSITS AND OTHER ACCOUNTS

	September 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	35,949,604	4,900,300	40,849,904	34,088,768	4,104,888	38,193,656
Saving deposits	54,013,577	4,641,430	58,655,007	57,507,882	4,084,178	61,592,060
Term deposits	34,894,779	1,602,318	36,497,097	38,102,970	2,288,330	38,371,300
Margin deposits	1,053,135	-	1,053,135	958,541	-	958,541
Call deposits	1,062,043	-	1,062,043	1,427,904	-	1,427,904
	<u>126,973,238</u>	<u>11,044,048</u>	<u>138,017,286</u>	<u>130,086,085</u>	<u>10,437,392</u>	<u>140,523,477</u>
Financial Institutions						
Current deposits	167,697	29,606	197,303	211,057	14,888	226,345
Saving deposits	1,445,317	30,044	1,475,361	2,127,850	23,899	2,161,649
Term deposits	850,930	131,588	982,518	752,030	101,672	853,702
	<u>2,463,944</u>	<u>191,238</u>	<u>2,655,082</u>	<u>3,001,537</u>	<u>140,659</u>	<u>3,231,596</u>
	<u>129,437,182</u>	<u>11,235,186</u>	<u>140,672,368</u>	<u>133,177,622</u>	<u>10,577,451</u>	<u>143,765,073</u>

	Note	September 30,	December 31,
		2022	2021
		Un-audited	Audited
		Rupees in '000	
20 SUBORDINATED DEBT			
Subordinated Term Finance Certificates	20.1	1,998,400	1,998,400
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 80 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 S&K 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 18, 2023. The VIS shall review the ratings once these and other subsequent financial statements are issued.
Security	The instrument is unsecured and subordinated as to payment of principal and profit to all other indebtedness of the Bank, including deposits.
Profit payment frequency	Profit will be payable semi-annually in arrears on the outstanding principal amount and will be calculated on a 365 day year basis.
Redemption	0.14% of the issue amount during the first 7 years and remaining 99.86% in last two equal semi-annual installments of 49.93% each.
Mark-up	6 months KIBOR plus 1.85% per annum.
Call option	The Bank may call TFCs in part or in full, after 5 years from date of issue on any profit payment date, subject to SBP approval and with not less than 30 days prior notice to the Trustee and investors. The call option once announced will be irrevocable.
Lock-in-clause	As per the lock-in requirement for Tier II issues, neither profit nor principal will be payable (even at maturity) in respect of the TFC, if such payment will result in a shortfall in the Bank's Minimum Capital Requirement (MCR) or Capital Adequacy Ratio (CAR) or results in an increase in any existing shortfall in MCR or CAR.
Loss absorbency clause	The instrument will be subject to loss absorbency and / or any other requirements under SBP's Basel III Capital Rules. Upon the occurrence of a point of non-viability event as defined by SBP's Basel III Capital Rule, the SBP may at its option, fully and permanently convert the TFCs into common shares of the Bank and / or have them immediately written off (either partially or in full). Number of shares to be issued to TFC holders at the time of conversion will be equal to the 'Outstanding Face Value of the TFCs' divided by fair value per share of the Bank's common equity on the date of trigger of the non-viability event as declared by the SBP, subject to a cap of 1,238,380,093 shares.

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

	Note	September 30,	December 31,
		2022	2021
		Un-audited	Audited
		Rupees in '000	
21 OTHER LIABILITIES			
Mark-up / return / interest payable in local currency		2,077,534	615,456
Mark-up / return / interest payable in foreign currencies		8,276	5,843
Unearned commission and income on bills discounted		85,535	76,149
Accrued expenses		987,230	1,050,541
Acceptances		290,518	385,758
Mark to market loss on forward contracts		184,287	53,133
Payable to defined benefit plan - contractual staff		79,707	79,097
Provision against off-balance sheet obligations	21.1	109,812	109,812
Workers' Welfare Fund (WWF)		102,395	102,394
Advance received against future sale of non-banking assets		61,368	75,114
Advance received against future sale of asset held for sale		118,600	118,500
Deferred income against non-banking assets		128,848	128,848
Islamic pool management reserve		8,896	8,255
Lease liability against right-of-use assets		3,151,038	3,339,381
Non checking account		69,884	70,286
PRR remitting account		25,316	41,172
Fund received against application of Housing Scheme		48,723	53,365
Others		973,782	841,585
		<u>6,491,646</u>	<u>7,135,318</u>

	September 30, 2022 Un-audited	December 31, 2021 Audited	
	Rupees in '000		
21.1 Provision against off-balance sheet obligations			
Opening balance	109,812	116,012	
Charge for the period / year	-	-	
Reversals for the period / year	-	(6,200)	
	-	(6,200)	
Amount written off	-	-	
Closing balance	<u>109,812</u>	<u>109,812</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			
September 30, 2022	December 31, 2021		
Un-audited	Audited		
Number of shares in '000			
<u>10,600,000</u>	<u>10,600,000</u>	Ordinary shares of Rs.10 each	<u>106,000,000</u> <u>106,000,000</u>
22.2 Issued, subscribed and paid up capital			
September 30, 2022	December 31, 2021		
Un-audited	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>(67,387,238)</u> <u>(67,387,238)</u>
<u>9,081,861</u>	<u>9,081,861</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	(1,245,022)	(1,308,324)	
- Fixed assets	45,642	48,327	
- Non-banking assets acquired in satisfaction of claims	1,898,663	1,901,312	
	<u>699,283</u>	<u>641,315</u>	
Deferred tax on (surplus) / deficit on revaluation of deficit			
- Available for sale securities	435,759	457,213	15
- Fixed assets	(8,723)	(8,768)	16
- Non-banking assets acquired in satisfaction of claims	(14,417)	(14,381)	15
	<u>412,619</u>	<u>434,064</u>	
	<u>1,112,121</u>	<u>1,077,369</u>	
24 CONTINGENCIES AND COMMITMENTS			
Guarantees	13,123,008	13,454,462	24.1
Commitments	14,971,895	15,838,275	24.2
Contingent liabilities	960,414	936,001	24.3
	<u>29,055,317</u>	<u>30,228,738</u>	
24.1 Guarantees:			
Financial guarantees	854,940	474,940	
Performance guarantees	6,377,643	6,407,658	
Other guarantees	3,890,626	4,671,864	
	<u>13,123,008</u>	<u>13,454,462</u>	
24.2 Commitments:			
Documentary credits and short-term trade-related transactions			
- letters of credit	996,617	2,608,695	
Commitments in respect of			
- forward foreign exchange contracts	13,974,176	13,149,863	24.2.1
- forward government securities transactions	-	-	24.2.2
Commitments for acquisition of:			
- operating fixed assets	803	220	
- intangible assets	-	121,307	
	<u>14,071,895</u>	<u>15,838,275</u>	

	September 30, 2022 Un-audited	December 31, 2021 Audited
	Rupees in '000	
24.2.1 Commitments in respect of forward foreign exchange contracts		
Purchase	10,771,616	8,875,056
Sale	3,202,559	3,174,907
	<u>13,974,175</u>	<u>13,149,963</u>

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.

	September 30, 2022 Un-audited	December 31, 2021 Audited
	Rupees in '000	
24.3 Contingent liabilities:		
Claims against the Bank not acknowledged as debt	914,774	802,381
Claims against the Bank by Competition Commission of Pakistan & others	35,640	35,640
	<u>950,414</u>	<u>838,021</u>

24.3.1 Suits for damages of Rs. 24.23 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:

	September 30, 2022 Un-audited	December 31, 2021 Audited
	Rupees in '000	
Claims against the Bank not acknowledged as debt	502,067	781,180
Claims against the Bank by Competition Commission of Pakistan & others	35,000	35,000
	<u>537,067</u>	<u>816,180</u>

24.4.1 Further the suits for damages now reduced from Rs. 24.23 billion to Rs 24.22 billion.

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

25 DERIVATIVE INSTRUMENTS

	September 30, 2022 - Un-audited	
	Forward Contracts	
	Notional Principal	Mark to Market gain / (loss)
	Rupees in '000	
Product Analysis		
Counterparties		
Hedging		
- Banks	12,882,424	14,412
- Other entities	1,011,751	(2,182)
Total	<u>13,974,175</u>	<u>12,230</u>
	December 31, 2021 - Audited	
	Forward Contracts	
	Notional Principal	Mark to Market gain / (loss)
	Rupees in '000	
Counterparties		
Hedging		
- Banks	11,034,242	(38,672)
- Other entities	2,115,721	27,836
Total	<u>13,149,963</u>	<u>(10,838)</u>

		September 30, 2022 Un-audited	September 30, 2021 Un-audited
	Note	Rupees in '000	
26	MARK-UP / RETURN / PROFIT / INTEREST EARNED		
	On:		
	a) Loans and advances	6,745,644	6,938,830
	b) Investments	13,204,038	5,807,905
	c) Lendings to financial institutions	303,763	228,780
	d) Balances with banks	3,143	64
		<u>20,256,588</u>	<u>11,976,519</u>
27	MARK-UP / RETURN / PROFIT / INTEREST EXPENSED		
	On:		
	a) Deposits	8,199,479	5,319,054
	b) Borrowings	12,108,487	3,926,063
	c) Subordinated debt	167,386	138,673
	d) Cost of foreign currency swaps against foreign currency deposits / borrowings	308,822	259,128
	e) Lease liability against right-of-use assets	251,311	278,864
	f) Others	16,272	15,221
		<u>21,044,757</u>	<u>9,937,003</u>
28	FEE & COMMISSION INCOME		
	Branch banking customer fees	120,598	133,374
	Card related fees (debit and credit cards)	1,550,032	1,083,803
	Credit related fees	225,061	238,640
	Commission on trade	111,720	126,039
	Commission on guarantees	61,722	54,843
	Commission on remittances including home remittances	15,551	10,579
	Commission on bancassurance	28,709	24,869
	Others	11,204	14,459
		<u>2,124,597</u>	<u>1,685,406</u>
29	GAIN / (LOSS) ON SECURITIES		
	Realised	29.1 (183,300)	(1,219,953)
	Unrealised - held for trading	1,385	682
	Unrealised - REIT Units	(14,681)	-
		<u>(186,476)</u>	<u>(1,219,271)</u>
29.1	Realised gain / (loss) on:		
	Federal Government Securities	(181,763)	(1,159,464)
	Shares	6,463	(60,489)
		<u>(183,300)</u>	<u>(1,219,953)</u>
30	OTHER INCOME / (LOSS)		
	Rent on property and non-banking assets	212	40,103
	Gain on sale of fixed assets - net	41	8,288
	Loss on sale of non-banking assets - net	(1,461)	(44,072)
	Rent on lockers	16,085	16,687
	Postage, telex and other service charges recovered	38,530	13,557
	Share of profit from associate	-	3,454
	Early loan termination charges	31,836	40,685
	Gain on termination leases	332	75,594
		<u>87,585</u>	<u>154,206</u>

	September 30, 2022 Un-audited	September 30, 2021 Un-audited
	Rupees in '000	
31 OPERATING EXPENSES		
Total compensation expense	2,021,274	2,702,075
Property expense		
Rent & taxes	11,964	0,198
Insurance on non-banking assets acquired in satisfaction of claims	4,954	2,477
Utilities cost	180,011	154,153
Security (including guards)	53,820	20,864
Repair & maintenance (including janitorial charges)	63,504	43,769
Depreciation on buildings	53,328	61,717
Depreciation on right-of-use assets	448,862	457,131
Depreciation on non banking assets acquired in satisfaction of claims	26,166	34,402
Professional charges	2,179	2,826
	644,776	775,627
Information technology expenses		
Software maintenance	223,182	156,163
Hardware maintenance	100,410	80,929
Depreciation	50,486	60,050
Amortisation	41,341	34,456
Website development charges	434	431
	415,833	332,021
Other operating expenses		
Directors' fees and allowances	26,980	21,850
Fees and allowances to Shariah Board	12,166	11,499
Legal & professional charges	87,107	138,731
Outsourced services costs	106,894	140,935
Travelling & conveyance	62,463	45,411
NIFT clearing charges	5,424	7,934
Depreciation	112,416	136,777
Training & development	3,812	4,089
Postage & courier charges	7,094	5,883
Communication	472,434	331,566
Stationery & printing	72,845	67,609
Marketing, advertisement & publicity	102,675	101,433
Auditors' remuneration	17,877	17,696
Insurance (including deposit protection)	149,346	114,073
Repairs & maintenance	75,050	62,724
Brokerage and commission	3,858	5,865
Subscriptions and news papers	14,836	17,390
Entertainment	29,781	28,554
Vehicle running & maintenance	32,462	10,518
Card related expenses (debit and credit cards)	179,614	105,818
Security	29,727	21,229
Others	3,361	1,521
	1,688,591	1,397,202
	5,570,474	5,206,926
32 OTHER CHARGES		
Penalties imposed by State Bank of Pakistan	2,148	140,151
Operational loss	3,627	11,021
	5,776	151,172

		September 30, 2022	September 30, 2021
		Un-audited	Un-audited
	Note	Rupees in '000	
33	PROVISIONS & WRITE OFFS - NET		
	Provisions against loans & advances	12.3 4,046,448	8,612,218
	Provision against other assets - net	16.6.1 -	(51,094)
	Write offs against fixed assets	-	21,275
	Recovery of written off / charged off bad debts	(288,907)	(360,361)
		<u>3,758,442</u>	<u>8,222,048</u>
34	TAXATION		
	Current	-	-
	Prior years	127,130	87,257
	Deferred	(4,668,633)	(3,736,416)
		<u>(4,541,384)</u>	<u>(3,649,159)</u>

34.1 The prior year tax amounting to Rs. 127 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 120 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.241.880 million which includes penalty and default surcharge out of which the Bank has paid an amount of Rs.169.312 million. The matters for the tax years 2011 and 2012 have been concluded, the Bank has not filed further appeals and the Bank has paid the demand so created. The Bank's appeals for Tax Years 2013 and 2014 before the CIR (A) were rejected after which appeals before the ATIR, Karachi have been filed. The ATIR has remanded back the case to the Assessing Officer, however, no proceedings were initiated. With respect to Tax Years 2015 and 2016, the Bank has filed appeals against orders before CIR (A). The CIR(A) remanded back the matter to the Assessing Officer, however, no proceedings were initiated. With respect to Tax Years 2017 to 2019, the Bank has filed appeals against orders before CIR (A), the CIR(A) remanded back the matter to the Assessing Officer. The Assessing Officer passed the orders by creating tax demands of Rs.499,831 for tax year 2017, Rs.303,191 for tax year 2018 and no tax demand for tax year 2019. The orders passed for the tax years 2017 to 2019 are subject to rectification, therefore an application under section 221 of the 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.

		September 30, 2022	September 30, 2021
		Un-audited	Un-audited
		Rupees in '000	
35	BASIC AND DILUTED EARNINGS PER SHARE		
	Profit / (loss) after tax for the period	(3,117,311)	(7,166,454)
	Weighted average of ordinary shares (Number)	9,081,861	9,081,861
	Basic and Diluted Earning / (Loss) Per Share	(0.34)	(0.79)
36	CASH AND CASH EQUIVALENTS		
	Cash and balance with treasury banks	7,027,950	12,316,251
	Balance with other banks	714,309	1,042,966
		<u>7,742,259</u>	<u>13,359,216</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 the 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 recognize 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 categorized:

	September 30, 2022 - Un-audited			Total
	Carrying Value	Level 1	Level 2	
	Rupees in '000			
On-balance sheet financial instruments				
Financial assets - measured at fair value				
Investments:				
Federal Government Securities	28,177,939	-	28,177,939	-
Market Treasury Bids	122,668,179	-	122,668,179	-
Pakistan Investment Bonds	3,628,696	-	3,628,696	-
GDP (Gareh Sukuk)	-	-	-	-
Mak Mujaizat	-	-	-	-
Shares	7	7	-	-
Listed companies	-	-	-	7
Non-Government Debt Securities	50,176	-	50,176	-
Term Finance Certificates - Listed	-	-	-	50,176
	154,420,896	7	154,420,898	-
Financial assets - disclosed but not measured at fair value				
Cash and balances with treasury banks	7,027,850	-	-	-
Balances with other banks	714,309	-	-	-
Loanings to financial institutions	1,464,608	-	-	-
Advances	68,739,496	-	-	-
Other assets	8,600,726	-	-	-
	86,247,886	-	-	-
	240,667,881	7	154,420,898	-
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange	10,771,616	-	10,771,616	-
Forward sale of foreign exchange	3,202,659	-	3,202,659	-
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	-	-	38,755,404
Pakistan Investment Bonds	59,742,230	59,742,230	-	-	59,742,230
GOP (Gharah Sukuk)	5,256,475	5,256,475	-	-	5,256,475
Dal Muzajal	257,658	257,658	-	-	257,658
Shares					
Listed companies	64,076	64,076	-	-	64,076
Non-Government Debt Securities					
Term Finance Certificates - Listed	50,125	50,125	-	-	50,125
	144,135,968	64,076	144,071,632	-	144,135,968
Financial assets - disclosed but not measured at fair value					
Cash and balances with treasury banks	12,224,613	-	-	-	-
Balances with other banks	647,653	-	-	-	-
Loans to financial institutions	3,388,407	-	-	-	-
Advances	75,428,784	-	-	-	-
Other assets	9,158,054	-	-	-	-
	103,748,291	-	-	-	-
	244,884,259	64,076	144,071,632	-	144,135,968
Off-balance sheet financial instruments - measured at fair value					
Forward purchase of foreign exchange	9,975,056	-	9,975,056	-	9,975,056
Forward sale of foreign exchange	3,174,907	-	3,174,907	-	3,174,907
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 (Gharah Sukuk)	Fair values of GOP (Gharah Sukuk) are derived using the PKISRV rates announced by the Financial Market Association (FMA) through Reuters. These rates denote an average of quotes received from eight different pre-defined / approved dealers / brokers.
Shares - Listed	Fair values of investments in listed shares are valued on the basis of closing quoted market prices available at the Pakistan Stock Exchange.
Sukuk - Listed and Term Finance Certificates - Listed	Investments in debt securities i.e. term finance certificates and sukuk certificates issued by a company or a body corporate for the purpose of raising funds in the form of redeemable capital are valued on the basis of the rates announced by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by the Securities and Exchange Commission of Pakistan.
Foreign exchange contracts	The valuation has been determined by interpolating the mid rates announced by the State Bank of Pakistan.

37.2 Fair value of non-financial assets

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

Carrying Value	Level 1	Level 2	Level 3	Total
Rupees in '000				
September 30, 2022 - Un-audited				
Operating fixed assets - land and buildings	2,020,723	-	2,020,723	2,020,723
Non-banking assets acquired in satisfaction of claims	2,226,586	-	2,226,586	2,226,586
	4,248,308	-	4,248,308	4,248,308
December 31, 2021 - Audited				
Operating fixed assets - land and buildings	2,020,497	-	2,020,497	2,020,497
Non-banking assets acquired in satisfaction of claims	2,350,702	-	2,350,702	2,350,702
	4,383,199	-	4,383,199	4,383,199

37.2.1 Certain categories of operating fixed assets (land and buildings), non-banking assets acquired in satisfaction of claims are carried at valued 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

	September 30, 2022 - Un-audited			
	Consumer / SME	Whole Sale Banking	Treasury	Total
	Rupees in '000			
Profit and Loss Account				
Net mark-up / return / profit / (expense)	6,777,045	(5,731,388)	(833,826)	(788,169)
Inter segment revenue - net	-	-	-	-
Non Mark-up / Interest Income / (Loss)	2,055,830	224,400	183,824	2,464,054
Total Income / (loss)	7,832,975	(5,508,988)	(650,001)	1,673,986
Segment direct expenses	(3,150,209)	(2,358,628)	(67,512)	(5,576,349)
Inter segment expense allocation	(1,111,510)	1,123,097	(21,578)	-
Total expenses	(4,261,728)	(1,225,431)	(89,090)	(5,576,249)
Provisions	(70,778)	(3,887,683)	-	(3,958,461)
Profit / (loss) before tax	3,600,468	(10,420,092)	(739,091)	(7,658,705)
Statement of Financial Position				
Cash & Bank balances	-	8,045,093	(303,334)	7,741,759
Investments	-	-	105,484,289	105,484,289
Net inter segment lending	98,269,338	(218,258,809)	118,087,073	-
Lendings to financial institutions	1,244,915	219,881	-	1,464,806
Advances - performing	22,897,826	27,218,671	-	50,116,497
Advances - non-performing - net of provision	929,570	17,093,629	-	18,023,209
Others	2,191,511	39,586,684	68,527	40,836,722
Total Assets	128,633,158	(127,002,841)	274,207,085	275,747,382
Borrowings	455,778	916,941	129,046,133	130,378,852
Subordinated debt	-	2,438,666	-	2,438,666
Deposits & other accounts	103,208,080	37,464,288	-	140,672,368
Net inter segment borrowing	18,624,746	(160,161,443)	141,528,607	-
Others	4,384,553	3,820,638	2,284,484	10,489,675
Total liabilities	126,833,168	(115,510,910)	272,836,314	(10,211,169)
Equity	-	(11,581,930)	1,370,760	(10,211,169)
Total Equity & liabilities	126,833,168	(127,002,840)	274,207,084	273,747,382
Contingencies & Commitments	914,774	14,158,368	13,074,175	20,045,317

	September 30, 2021 - Un-audited			
	Consumer / SME	Whole Sale Banking	Treasury	Total
	Rupees in '000			
Profit and Loss Account				
Net mark-up / return / profit / (expense)	4,718,213	(3,442,832)	762,085	2,038,576
Inter segment revenue - net	-	-	-	-
Non Mark-up / Interest Income	1,625,889	253,942	(1,153,874)	726,057
Total Income / (loss)	6,344,102	(3,188,890)	(391,789)	2,763,523
Segment direct expenses	(2,857,823)	(2,440,612)	(50,792)	(5,359,227)
Inter segment expense allocation	(1,108,478)	1,164,242	(55,766)	-
Total expenses	(3,966,301)	(1,276,370)	(116,558)	(5,359,029)
Provisions	(211,708)	(8,010,252)	-	(8,221,960)
Profit / (loss) before tax	2,166,007	(12,475,212)	(608,407)	(10,915,612)

	December 31, 2021 - Audited			
	Consumer / SME	Whole Sale Banking	Treasury	Total
	Rupees in '000			
Statement of Financial Position				
Cash & Bank balances	-	3,789,878	9,002,380	12,792,258
Investments	-	9,654	144,274,247	144,283,901
Net inter segment lending	90,984,568	(201,635,860)	101,671,284	-
Lendings to financial institutions	1,255,862	221,623	1,910,922	3,388,407
Advances - performing	23,703,379	31,228,473	-	54,931,852
Advances - non-performing - net of provision	1,534,984	18,884,830	-	20,419,814
Others	2,458,380	34,109,366	23,096	36,678,782
Total Assets	128,916,171	(113,144,188)	258,781,937	272,552,920
Borrowings	880,415	1,071,841	120,370,073	122,322,429
Subordinated debt	-	2,438,668	-	2,438,668
Deposits & other accounts	104,381,733	39,393,340	-	143,775,073
Net inter segment borrowing	19,166,179	(180,411,842)	141,245,783	-
Others	4,700,963	8,883,328	607,109	11,391,399
Total liabilities	128,916,280	(111,424,669)	282,222,945	(7,160,848)
Equity	(119)	(1,719,510)	(5,441,008)	(7,160,848)
Total Equity & liabilities	128,916,171	(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 entities at regular intervals. Transactions between reportable segments are based on an appropriate transfer pricing mechanism using agreed rates. Furthermore, segment assets and liabilities include intersegment balances. Costs which are not allocated to segments are included in the Head office. Income taxes are managed at bank level and are not allocated to operating segments.

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

48 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

Minimum Capital Requirement (MCR)

Paid-up capital (net of losses)	<u>(12,144,181)</u>	<u>(9,058,005)</u>
---------------------------------	---------------------	--------------------

Capital Adequacy Ratio (CAR):

Eligible Common Equity Tier 1 (CET 1) Capital	(32,486,816)	(24,791,601)
Eligible Additional Tier 1 (ADT 1) Capital	-	-
Total Eligible Tier 1 Capital	<u>(32,486,816)</u>	<u>(24,791,601)</u>
Eligible Tier 2 Capital	-	-
Total Eligible Capital (Tier 1 + Tier 2)	<u>(32,486,816)</u>	<u>(24,791,601)</u>

Risk Weighted Assets (RWAs):

Credit Risk	79,860,333	91,043,527
Market Risk	449,678	2,618,208
Operational Risk	9,061,934	9,081,934
Total	<u>89,171,845</u>	<u>102,723,667</u>

Common Equity Tier-1 Capital Adequacy Ratio

Common Equity Tier-1 Capital Adequacy Ratio	<u>-36.43%</u>	<u>-24.13%</u>
Tier 1 Capital Adequacy Ratio	<u>-36.43%</u>	<u>-24.13%</u>
Total Capital Adequacy Ratio	<u>-36.43%</u>	<u>-24.13%</u>

Leverage Ratio (LR):

Eligible Tier-1 Capital	(32,486,816)	(24,791,601)
Total Exposures	287,671,108	288,790,214
Leverage Ratio	<u>-11.28%</u>	<u>-8.58%</u>

Liquidity Coverage Ratio (LCR):

Total High Quality Liquid Assets	40,209,939	39,582,585
Total Net Cash Outflow	26,032,403	30,082,245
Liquidity Coverage Ratio	<u>154.46%</u>	<u>131.58%</u>

Net Stable Funding Ratio (NSFR):

Total Available Stable Funding	141,904,374	166,623,810
Total Required Stable Funding	103,657,188	109,666,704
Net Stable Funding Ratio	<u>136.90%</u>	<u>151.85%</u>

41 ISLAMIC BANKING BUSINESS

The Bank is operating with 27 Islamic Banking branches at the end of September 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 September 30, 2022 are as follows:

		September 30, 2022	December 31, 2021
		Un-audited	Audited
		Rupees in '000	
ASSETS			
Cash and balances with treasury banks		1,642,484	2,141,118
Balances with other banks		27,183	62,576
Due from financial institutions	41.1	25,957,766	22,829,715
Investments	41.2	3,526,595	5,624,133
Islamic financing and related assets - net	41.3	228,243	2,857,092
Fixed assets		763,864	874,618
Intangible assets		5,092	6,111
Due from Head Office		2,233,247	2,036,327
Other assets		1,193,042	1,394,422
Total assets		35,577,516	37,715,112
LIABILITIES			
Bills payable		319,953	305,904
Due to financial institutions		-	-
Deposits and other accounts	41.4	26,619,584	29,325,548
Due to Head Office		-	-
Other liabilities		1,191,571	1,199,861
Total liabilities		28,131,088	30,821,313
NET ASSETS		7,446,428	6,793,799
REPRESENTED BY			
Islamic banking fund		6,626,000	6,625,000
Reserves		-	-
Deficit on revaluation of assets		(107,816)	(107,897)
Unappropriated profit	41.8	929,243	276,696
		7,446,428	6,793,799
CONTINGENCIES AND COMMITMENTS	41.5		

The profit and loss account of the Bank's Islamic banking branches for the nine months period ended September 30, 2022 is as follows:

		September 30, 2022	September 30, 2021
		Un-audited	Un-audited
		Rupees in '000	
Profit / return earned	41.8	2,681,313	1,009,782
Profit / return expensed	41.7	(1,349,182)	(1,314,860)
Net profit / return		1,232,131	594,912
Other Income			
Fee and commission income		22,588	24,911
Foreign exchange loss		34,808	17,315
(Loss) / Gain on securities		228	(2,723)
Other income		16,092	14,268
Total other income		73,716	53,771
Total income		1,306,847	648,683
Other expenses			
Operating expenses		(639,883)	(589,856)
Workers Welfare Fund		(13,317)	-
Other charges		-	(23,790)
Total other expenses		(653,300)	(623,646)
Profit before provisions		652,547	25,037
Provisions and write offs - net		-	(42,045)
(Loss) / Profit for the period		652,547	(17,008)

41.1 Due from Financial Institutions

Bal Muajjal receivable from State Bank of Pakistan
Bal Muajjal receivable from other financial institutions

September 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					
-	-	-	-	-	-
26,857,766	-	26,857,766	22,829,715	-	22,829,715
<u>26,857,766</u>	<u>-</u>	<u>26,857,766</u>	<u>22,829,715</u>	<u>-</u>	<u>22,829,715</u>

41.2 Investments by segments:

Federal Government Securities:
Ijarah Sukuks
Risi Muajjal
Total Investments

September 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							
3,636,357	-	(109,762)	3,526,595	6,374,372	-	(107,897)	5,266,475
-	-	-	-	257,658	-	-	257,658
<u>3,636,357</u>	<u>-</u>	<u>(109,762)</u>	<u>3,526,595</u>	<u>6,632,030</u>	<u>-</u>	<u>(107,897)</u>	<u>5,524,133</u>

41.3 Islamic financing and related assets - net

Murabaha
Miwadannah
Diminishing Musharaka
Gross Islamic financing and related assets

Less: provision against Islamic financings
- Specific
- General

Islamic financing and related assets - net of provision

Note	September 30, 2022	December 31, 2021
	Un-audited	Audited
	Rupees in '000	
	9,993	16,242
	-	-
	218,260	2,840,050
12	228,243	2,857,092
	-	-
	-	-
	228,243	2,857,092

41.4 Deposits

Customers
Current deposits
Saving deposits
Term deposits
Margin deposits
Cash deposits

Financial institutions
Current deposits
Saving deposits
Term deposits

September 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					
4,678,982	810,737	5,489,719	4,090,672	470,455	4,575,128
15,392,638	1,473,467	16,866,005	18,550,173	803,806	19,351,979
3,699,017	327,029	4,026,046	3,665,069	416,134	4,082,100
28,485	-	28,485	31,200	-	31,200
64,215	-	64,215	47,047	-	47,047
<u>23,865,237</u>	<u>2,611,233</u>	<u>26,472,470</u>	<u>26,401,081</u>	<u>1,696,390</u>	<u>28,097,454</u>
21,713	901	22,614	148,888	760	149,730
24,480	-	24,480	977,255	-	977,255
100,000	-	100,000	101,100	-	101,100
<u>146,193</u>	<u>901</u>	<u>147,094</u>	<u>1,227,344</u>	<u>760</u>	<u>1,228,004</u>
<u>24,007,430</u>	<u>2,612,134</u>	<u>26,619,564</u>	<u>27,628,405</u>	<u>1,697,143</u>	<u>29,325,548</u>

	September 30, 2022	December 31, 2021
	Un-audited	Audited
	Rupees in '000	
41.5 Contingencies and Commitments		
Guarantees	770,267	892,302
Commitments	<u>1,783,526</u>	<u>1,324,828</u>
	<u>2,553,793</u>	<u>2,317,220</u>
	September 30, 2022	September 30, 2021
	Un-audited	Un-audited
	Rupees in '000	
41.6 Profit / return earned of financing, investments and placement		
On:		
Financing	176,679	322,817
Investments	325,257	212,098
Due from Financial Institutions	<u>2,080,377</u>	<u>1,374,879</u>
	<u>2,581,313</u>	<u>1,909,792</u>
41.7 Profit expensed on Deposits and other Dues Expensed		
On:		
Deposits and other accounts	1,192,956	1,188,730
Due to Financial Institutions	-	-
Cost of foreign currency swaps against foreign currency deposits / borrowings	88,190	64,384
Lease liability against right-of-use assets	<u>68,033</u>	<u>61,766</u>
	<u>1,349,182</u>	<u>1,314,880</u>
	September 30, 2022	December 31, 2021
	Un-audited	Audited
	Rupees in '000	
41.8 Islamic Banking Business Unappropriated profit		
Opening Balance	276,896	252,664
Add: Islamic Banking profit for the period / year	<u>662,647</u>	<u>24,032</u>
Closing Balance	<u>929,243</u>	<u>276,696</u>

42 GENERAL

42.1 Comparative information has been reclassified, rearranged or additionally incorporated in these condensed interim financial statements for the purpose 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

معلومات الاتصال

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